



PEOPLE'S STRENGTH



**PEOPLE'S
BANK**

Pride of the Nation

PEOPLE'S BANK | ANNUAL REPORT 2023

Strength can be measured in multiple ways. Here at People's Bank, our foremost strength is the people who dearly serve us and the people the institution dearly serves.

For over 62 years, the passion and dedication of our employees and the loyalty of our customers have carried us through multiple challenges and changes which has ultimately helped us weave a future founded on unparalleled stability and trust. As the Pride of this Nation, we have passionately empowered individuals, businesses and communities alike.

As we shape our entity for progressive years ahead, our increasing digital footprint - amongst others - will help us seamlessly integrate with innovation so as to serve your aspirations for the future. Our purpose yesterday, today and tomorrow have and will continue to be firmly anchored in our capacity to deliver consistently. Watch our People's Strength in action, as we craft your future...

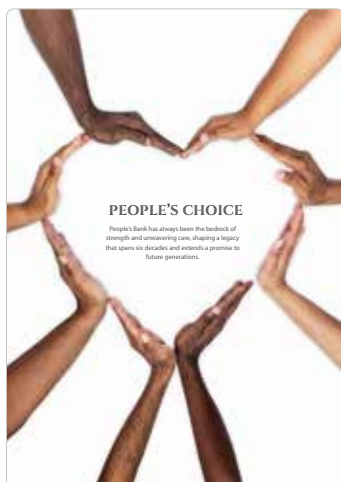


**PEOPLE'S
BANK**

Pride of the Nation

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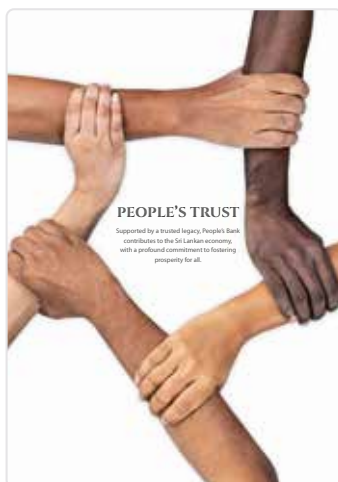
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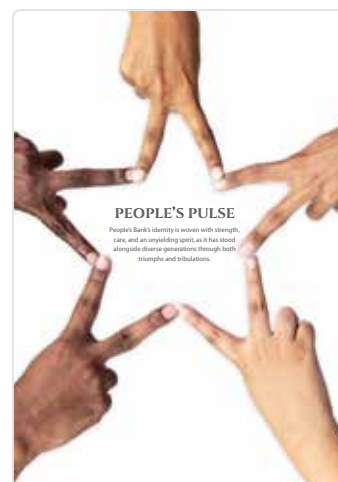
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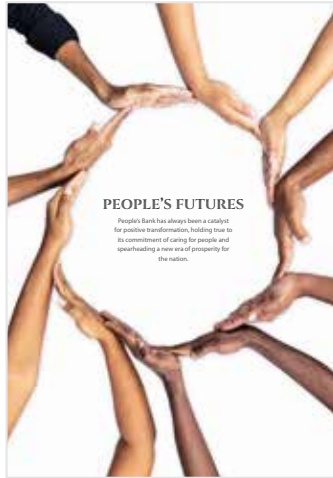
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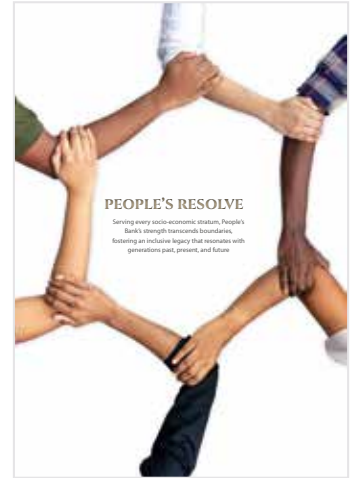
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About Our Integrated Report

This annual report not only presents the performance status of People's Bank as at 31 December 2023 but also presents the future outlook for the Bank and reviews the Bank's strategic value creation through an analysis of the Bank's six capitals and also the Bank's social, environmental and economic impacts, through the voluntary adoption of the Integrated Reporting Framework 2021 and by referencing the GRI Standards 2021.

ENTITIES INCLUDED IN THIS REPORT

GRI 2-2

- All entities in this report are included in the audited financial statements presented in this report.
- The Consolidated Financial Statements of the Bank for the year ended 31 December 2023, comprises the Bank and its subsidiaries - People's Leasing & Finance PLC, and People's Travels (Private) Limited (together referred to as the "Group"). People's Bank is the ultimate parent of the Group.

REPORTING PERIOD AND FREQUENCY

GRI 2-3

This report covers the 12-month period of 01 January 2023 to 31 December 2023 and will be continued as an annual reporting activity.

ACCESSING THIS REPORT AND FEEDBACK

GRI 2-3

- This report can be downloaded from our website : <https://www.peoplesbank.lk/last-financial-result/>
- Please send your feedback on this report to:



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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on assumptions and information that is currently available, and may include forecasts on the Bank's business prospects, anticipated developments, trends, and market conditions, operations, and exchange rates.

By their very nature, they involve significant risks and uncertainties, and the actual results may differ from the forecasts.



RESTATEMENT OF INFORMATION

GRI 2-4

There has been no requirement for restatement of any information from our previous annual report.

EXTERNAL ASSURANCE

GRI 2-5

- The financial statements presented in this report have received assurance from the Auditor General of Sri Lanka.
- The Auditor General's report is provided on pages 209 - 210 of this report.
- The sustainability reporting component of this report has received external assurance from M/s Ernst & Young.
- The external assurance report for the sustainability reporting components in this report is given in pages 340 - 341 of this report
- Reasonable assurance has been provided on the information on financial performance
- Limited assurance has been provided on other information, prepared in accordance with the GRI Standards 2021.
- The Auditor General's department is legally mandated to audit public organisations and People's Bank's financial statements are audited annually by the Auditor General or a accounting firm appointed by Auditor General.
- Relationship with the assurance provider on sustainability reporting is, 'as an independent assurance engagement', as defined by the Sri Lankan Standard on Assurance Engagements.

VALUE CREATION

As Sri Lanka's economy aligns itself onto recovery trajectory in 2023, from the almost total economic breakdown in 2022, People's Bank, as the country's widest reaching formal financial services provider, stepped in to shoulder a major share of this recovery burden through its core business of providing the full range of financial services to the public of Sri Lanka scattered across the island.

During the year, the Bank not only strengthened its own balance sheet but also supported the economic recovery and progress of Sri Lankans from all social and economic standards, running into the millions in terms of numbers. Therefore, the Bank recorded a year of commendable value creation for all its internal as well as external stakeholders during the 12 months reviewed in this report.

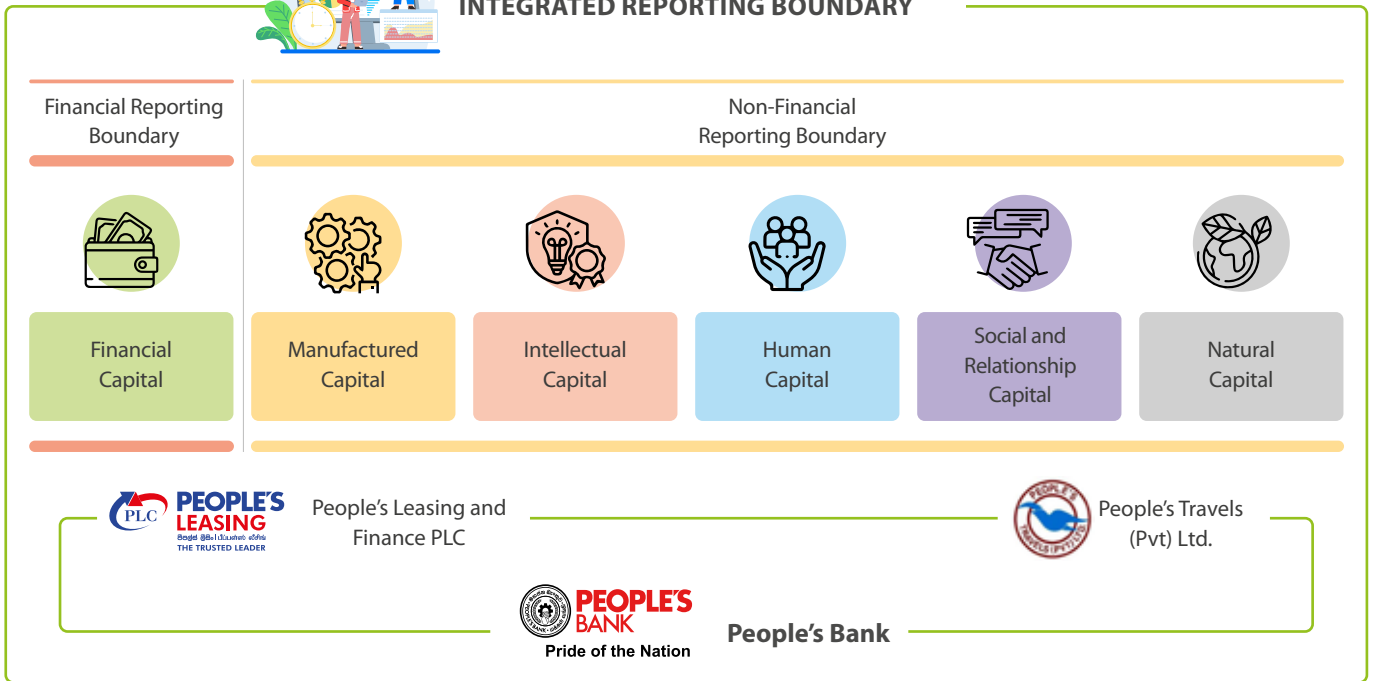
The Bank's value creation capital balances model is presented on pages 64 - 65 the strategy initiatives are presented on pages 60 - 63 and the capital performance is described on pages 68 - 142.

MANAGING THE CAPITALS

This report presents relevant information on the status of the following capitals of the Bank and how the Bank utilized its capitals to create value for the nation and its stakeholders during the 12 months from 1st January to 31st December 2023.



INTEGRATED REPORTING BOUNDARY



- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Social and relationship Capital
- Customer Capital
- Community Capital
- Business Partner Capital
- Investor Capital
- Natural Capital

REPORTING FRAMEWORKS

The Bank has complied with the following regulatory and voluntary requirements in this report:

Regulations	Voluntary Standards
<ul style="list-style-type: none"> • People's Bank Act No. 29 of 1961 (as amended) • Banking Act No. 30 of 1988 (as amended) • CBSL Directives • Exchange Control Act No. 24 of 1953 • Financial Transactions Reporting Act No. 6 of 2006 • Prevention of Money Laundering Act No. 5 of 2006 • Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks 	<ul style="list-style-type: none"> • Code of Best Practice on Corporate Governance issued by the Chartered Accountants of Sri Lanka in December 2017 • Integrated reporting framework 2021 • GRI Standards 2021 • UN Sustainability Development Goals (SDGs)

MATERIALITY

The Bank identified material topics for disclosure in this report for the period 01 January 2023 to 31 December 2023, under the integrated reporting framework 2021 and the GRI standards 2021. This process of selecting

material topics and list of material topics is given in pages 57 - 59.

PRECAUTIONARY PRINCIPLE

We apply the precautionary principle with regard to our social and environmental

sustainability. While being aware that our operations have an overall positive impact on society and the environment, we have taken the necessary steps to ensure that any risk of a negative impact is mitigated. These are described on pages






About Our Integrated Report

CLASSIFICATION OF OUR REPORT

 <h3>T ransparency</h3>	 <h3>A ccountability</h3>	 <h3>G overnance</h3>	 <h3>S ustainability</h3>
<p>All information identified as material for discourse by the Bank has been captured in this report including voluntary disclosures. The Bank has complied with all applicable regulatory reporting requirements as well.</p>	<p>In compiling this integrated report, full compliance has been observed with regards to laws, rules and regulations to ensure accountability. Data accuracy within this report has been ensured through assurances from both internal and recognised external Professionals.</p>	<p>As a State Bank, principles of good governance have been observed through regulatory compliance and accountability, in compiling this integrated report.</p>	<p>The Bank's operations are guided by a Corporate Sustainability Policy to facilitate environmentally friendly operations across the full spectrum of activities.</p>



INTERNATIONAL ARC AWARDS 2023

 <p>Gold for Printing & Production: Banks: National</p>	 <p>Silver for Interior Design: Banks: National</p>	 <p>Silver for Financial Data: Banks: National</p>	 <p>Bronze for Cover Photo/Design: Banks: National</p>	 <p>Honors - Infographics: Banks: National</p>
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People's Bank Annual Report 2023

The 2023 Annual Report can be accessed online via <https://www.peoplesbank.lk/last-financial-result/>



PEOPLE'S CHOICE

People's Bank has always been the bedrock of strength and unwavering care, shaping a legacy that spans six decades and extends a promise to future generations.

ABOUT THE BANK

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Our Bank



Established under the People’s Bank Act No. 29 of 1961 and designated by the Central Bank of Sri Lanka as a Domestic Systemically Important Bank (D-SIB), People’s Bank is the largest financial services provider in Sri Lanka based on number of branches and geographical reach across the entire island.

People’s Bank operates the largest branch network in the sector, with over 15 Mn customers across the nation. The staff strength of the Bank stands at 7,656 spread across a network of 747 branches, providing industry leading products and services. The Bank operates only in Sri Lanka. [GRI 2-1](#)

Due to its extensive reach across all nine provinces of the island, penetration into the rural hinterland, and continuous collaboration with the government on the delivery of many social welfare and economic development programs, People’s Bank has a wider and deeper impact on the Sri Lankan economy and people than any peer in the country. While the total impact of the Bank on Sri Lankan communities is difficult to encapsulate within this report, we have attempted to do so through our capital reports.



VISION

Inspiring the Nation towards Transformational Growth



MISSION

- We are in the business of providing financial services that contribute to the quality of life, and enterprise development, via affordable, accessible, and efficiently delivered solutions
- We empower and develop our human resources, so that they will care for and protect our customers
- We contribute to national economic development, while being competitively profitable
- We believe in giving back to the society we operate in while being sustainable in our business practices



VALUES

- Being the pride of the nation
- Customer focus and agility
- Integrity and accountability
- Continuous learning culture and team spirit
- Empowerment and diversity



BIG HAIRY AUDACIOUS GOAL (BHAG)

To be the most customer sought after Bank with the industry best employee satisfaction levels

For details on the Bank’s direct and indirect economic impact, customer base, geographic footprint and community impacts please refer :

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Customer Capital

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Business Partner Capital

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Community Capital

ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS

GRI 2-6

The Bank is active in the financial sector in Sri Lanka and its business scope extends to accepting deposits, granting credit facilities, personal banking, development banking, pawn brokering, international trade, dealing in Government Securities, credit card operations, investment banking and offshore banking unit for foreign currency banking.

Product range of People's Bank

The Bank's product range as at end 2023, included branded products specifically targeted at working persons, women, youth, children, children below 5-years of age, migrant workers, pensioners/retired persons, exporting companies, importing companies and other businesses.

RETAIL BANKING		
Deposit products	Advances	Other
i. Current Accounts	i. Personal Loans	i. Credit/Debit Cards
ii. Savings	ii. Term Loans	ii. Gift Vouchers
<ul style="list-style-type: none"> • Isuru Udana • Sisu Udana • Yes • VanithaVasana • Jana Jaya • Aswenna • Parinatha • People's Relax • Normal Savings • Ethera Wasana 	iii. Housing Loans	iii. Mobile Banking/SMS Banking
	iv. Pawning	iv. Internet Banking
iii. Fixed Deposits		v. Life verification certificates
iv. Call Deposits		
v. Foreign Currency Deposits		



PRODUCT LOGOS



Our Group



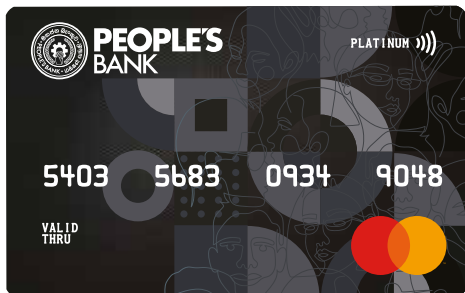
Elegance VISA Infinite Credit Card



Peoples Master Card Classic



Peoples Visa Signature Card



Peoples Master Card Platinum



Peoples VISA Gold Card



BUSINESS PRODUCTS

Enterprise banking	Corporate banking
<ul style="list-style-type: none"> i. Current Accounts ii. Savings Accounts iii. Fixed Deposits iv. Overdrafts v. Term Loans vi. SME Loans vii. Development and Microfinance Loans viii. Trade Finance 	<ul style="list-style-type: none"> i. Current Accounts ii. Savings Accounts iii. Fixed Deposits iv. Overdrafts v. Term Loans vi. Trade Finance <ul style="list-style-type: none"> • Import/Export Financing • Shipping and Bank Guarantees • Facilities for International Trade Payments (Letters of Credit, Acceptances)
Treasury and investment banking	International operations
<ul style="list-style-type: none"> i. Money Market Activities ii. Trading in Government Securities iii. Repurchase Transactions on Government Securities iv. Foreign Exchange Transactions v. Derivative Transactions (Forward Exchange) <ul style="list-style-type: none"> • Contracts, FX Swaps vi. Investment Banking <ul style="list-style-type: none"> • Debt Structuring • Advisory Services • Trustee Services 	<ul style="list-style-type: none"> i. Trade Services ii. Overseas Customer Services iii. Foreign Currency Remittances iv. Foreign Currency Deposits v. International Payment and Settlement Services

PEOPLE'S LEASING & FINANCE PLC

Subsidiary was incorporated in 1995 and presently serving customer segments of individuals, micro enterprises, and small and medium scale businesses with a staff strength of 7,656 and network of 747 branches. People's Leasing & Finance PLC is active in the financial sector. The Company is mainly engaged in providing finance leases and hire-purchase, microfinance, assets financing, term loans, Islamic finance, margin trading, share trading, issuing of debt instruments, factoring, gold loans, mobilisation of public deposits. PLC recorded a profit after tax of LKR 3.5 Bn and total assets of LKR 187 Bn for the year ended 31 December 2023.

PEOPLE'S TRAVELS (PRIVATE) LIMITED

Subsidiary, People's Travels (Private) Limited is in the travel business and is mainly engaged in arrangement of tours and air ticketing (travel agent). Incorporated in 1993 People's Travels PVT LTD serves individuals, micro enterprises,

and small and medium scale businesses. People's Travels recorded a profit after tax of LKR 37 Mn and total assets of LKR 37 Mn for the year ended 31 December 2023.

Within the realm of banking, cultivating and maintaining relevant business relationships is paramount for sustainable growth and effective service delivery. These connections extend to esteemed entities such as the Ministry of Finance, the Central Bank of Sri Lanka, State Owned Enterprises, Cooperative Societies, Correspondent Banks, and Exchange Houses. Nurturing these partnerships fosters synergy, trust, and collaborative efforts, propelling the banking sector towards shared objectives and mutual prosperity.

There were no significant changes to the Bank's or its subsidiaries' business activities in 2023, compared to 2022.

Milestone

1961 TO 1969

- Inaugurated on 1 July 1961.
- First branch was opened at Duke Street, Colombo.
- Commenced pawning services.
- Inaugurated the Co-operative Rural Banking Scheme and a new Agriculture Credit Scheme becoming the pioneer lender to the small farm sector.

1970 TO 1979

- "Athamaru" loan scheme was introduced to finance economic activities of the informal sector.
- 100th branch was opened at Marandaghamula.
- Employee count reached 5,000.
- First fisheries bank was opened at Koralawella.

1980 TO 1989

- Launched the Extended Minors' Savings Scheme.
- 300th branch was opened at Ingiriya.
- Total number of employees reached 10,000.
- The computerisation process began at our Head Office and selected city branches and a Black Light System was introduced, substantially reducing customer turnaround time.

1990 TO 1999

- First ATM was installed at the Headquarters Branch.
- The Bank supported the Government's 200 Garment Factory Programme.
- 160 branches were computerised.
- Launched "Vanitha Vasana", and "Isuru udana" savings schemes, "Surathura" loan Scheme, "Videshika" deposit scheme.

2023

- People's Bank joins hands with HDFC Bank India to offer enhanced Banking services
- Export sector specific SME Hubs (Export Hubs) are established in seven regions from July 2023 for the purpose of strengthening the trade finance business portfolio in the domestic banking units
- People's FX Future Plus Foreign Currency Fixed Deposit Account introduced in June 2023
- People's Power" Loans Scheme introduced by the Bank to support and uplift the Micro-Finance sector in Sri Lanka in July 2023
- The Bank recruited a batch of 500 new staff members in September 2023



2000 TO 2009

- "Jana Jaya", savings cum loan scheme was launched.
- The Central ATM Switch was introduced.
- The number of branches with People's Automated Banking System (PABS) increased to 218 and 119 branches were connected to the Central ATM Switch.
- A Treasury automation package was implemented.
- The Bank obtained the first ever public rating of BBB+ from Fitch Ratings Lanka.
- The Bank received the first capital tranche of LKR 2 Bn., second capital tranche of LKR 1 Bn. and third capital tranche of LKR 1.5 Bn. as the Equity Capital Investment in the Bank by the Government of Sri Lanka in keeping with the agreement signed between the Government, ADB and People's Bank.
- For the first time, received the SAFA (South Asian Federation of Accountants) Award for the 2008 Annual Report.



2010 TO 2019

- Won one Grand Award and three Gold Awards in the National Category at the 2012 International ARC Awards for the Bank's Annual Report 2011.
- 23 SME centres were established across the island.
- People's Bank became the first bank to be connected to the National Common ATM Switch.
- The Bank's asset base crossed one trillion rupees, as the second largest bank in the industry.
- The Bank garnered the triple accolades of "Bank of the Year 2014" at the European Global Banking and Finance Award-Sri Lanka 2014 as well as "Best Banking Group Sri Lanka" and "Most Sustainable Bank Sri Lanka" at the World Finance Banking Awards 2014.
- The Bank launched a Green Banking Concept in demonstrating its sustainability commitments.
- Opened Sri Lanka's first fully digitalised branch in Colombo and received the prestigious ISO/IEC 27001:2013 quality certification for Information Security Management first for any State bank in the Nation.
- People's Wave became the most downloaded finance app in Sri Lanka.
- The Bank raised LKR 10.0 Bn. Via debenture issue post People's Bank (Amendment) Bill passed by the Parliament. SBUs reached 239 – a feat achieved in just three years.
- The Bank signed the largest ever and the longest tenor bilateral funding facility secured by any commercial bank in Sri Lanka to date.



2022

- Launched two new brands, Excelsior and Elegance, to cater to the premium market segment.
- Introduced our CSR umbrella Brand "Mahajana Mehewara".
- Successfully launched Strategic Planning 2022-2024.
- Received several awards
 - People's Bank was named among the World's Top 1000 Banks by the Banker Magazine
 - Asian Banker Magazine included the Bank among the Asian Banker's Top 500 Banks.
 - Received four awards at the International ARC Awards 2022 including two gold awards.
- Annual Report 2021 was among the top 10 Best Integrated Annual Reports at the CMA Excellence in Integrated Reporting Awards 2022.
- The Bank was a joint Bronze winner at the Public Sector Bank category in the South Asian Federation of Accountants (SAFA) Awards.
- Won the Bronze Award for the State Sector at TAGS Awards 2022.
- Recognised as Sri Lanka's most outstanding workplace for women at the WFWP Awards 2022.

2021

- The Bank celebrated its 60th Anniversary with the theme "Pride of the Nation".
- People's Wave became the most downloaded mobile app in the country with over a million active users, and the launch of People's Pay wallet app.



2020

- The Bank extended unparalleled support to the Nation, customers and the general public during COVID-19.
- People's Bank raised the highest ever by the industry to date, Tier II Debentures worth LKR 20 Bn.
- The only entity amongst the Top 3 and only state bank to have a positive incline in brand value.



Awards



INTERNATIONAL ARC AWARDS 2023

Gold for Printing & Production: Banks: National
 Silver for Interior Design: Banks: National
 Silver for Financial Data: Banks: National
 Bronze for Cover Photo/Design: Banks: National
 Honors - Infographics: Banks: National

TOP 15 MOST ADMIRABLE COMPANIES IN SRI LANKA

Top 15 Most Admired Companies in Sri Lanka by ICCSL, CIMA and Daily FT

PAYMENT PARTNER PERFORMANCE AWARDS 2023 - DARAZ

The prestigious Digital Payments Catalyst award

BIZZ HYBRID AWARDS

Business Excellence Award

GLOBAL BANKING AND FINANCE REVIEW

Recognised as one of the 'The Next 100 Global Companies'

LANKAPAY TECHNNOVATION AWARDS

Gold Award for Most Popular Digital Payment Product (Banks and Non-Bank Financial Institutions - Internet Banking).
 Gold Award - Best Common ATM Enabler of the Year - category 'A'
 Merit Award – Overall award, Excellence in interbank Digital payment (Banking institutions)

ASIA MONEY AWARDS

Best Domestic Bank
 Best Bank for Diversity & Inclusion

NATIONAL BUSINESS EXCELLENCE AWARD

Criteria Awards- Excellence in Capacity Building
 Business Excellence Award – Banking Sector - Runner-up

GLOBAL BUSINESS REVIEW MAGAZINE AWARDS 2023

Banking Service Provider of the year Sri Lanka 2023
 Best Consumer Digital Bank Sri Lanka 2023
 Best Digital Wallet App Sri Lanka 2023 - People's Pay
 Most Development Bank Sri Lanka 2023
 Most Sustainable Bank Sri Lanka 2023

BESTWEB AWARDS 2023

Most Popular Banking & Finance Website
 Best Banking & Finance Website - Bronze Winner

BEST MANAGEMENT PRACTICES COMPANY AWARDS 2023

Winner in the Government, Semi-Government and Authorities Category

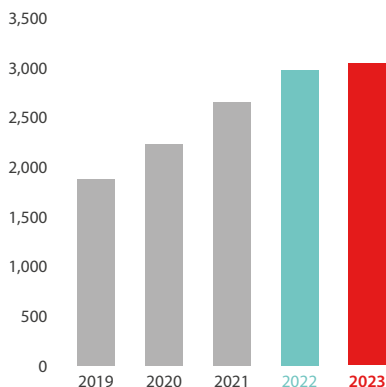
AICPA & CIMA- SATYN WOMEN FRIENDLY WORKPLACE AWARDS 2023

One of Sri Lanka's Most outstanding Women Friendly Workplaces

	Bank			Group		
	2023	2022	change %	2023	2022	change %
Operating Performance (LKR Bn)						
Interest Income	394.8	321.9	22.6	424.5	351.4	20.8
Net Interest Income	54.3	75.8	-28.3	67.8	91.0	-25.5
Gross Income	422.2	357.2	18.2	454.5	391.2	16.2
Operating Profit Before VAT & Tax	22.7	29.5	-23.3	28.5	36.7	-22.3
Profit Before Tax	15.3	21.3	-28.1	19.3	26.7	-27.8
Income Tax	5.3	4.1	26.9	7.9	6.2	27.9
Profit After Tax	10.1	17.2	-41.4	11.4	20.5	-44.5
Dividends Paid	0.0	0.7	-97.2	0.5	0.9	-47.6
Retained Profit	10.1	16.5	-39.1	10.9	19.7	-44.4
Financial Position (LKR Bn)						
Total Assets	3,038.2	2,972.0	2.2	3,208.2	3,133.1	2.4
Gross Loans and Receivables	1,846.4	1,915.8	-3.6	1,971.8	2,061.1	-4.3
Total Deposits	2,653.1	2,371.5	11.9	2,745.2	2,450.1	12.0
Shareholders' Funds	160.1	145.3	10.2	205.0	189.3	8.3
Performance Ratios (%)						
Return on Average Assets (before tax)	0.5	0.8		0.6	0.9	
Return on Equity (after tax)	6.6	12.2		5.8	11.2	
Interest Margin	1.8	2.7		2.1	3.1	
Loans to Deposits Ratio	69.6	80.8		71.8	84.1	
Assets Quality Ratios (%)						
Impaired loans (stage 3) Ratio	8.8	12.8		8.8	12.6	
Impairment (stage 3) to Stage 3 loans Ratio	41.0	29.9		41.5	30.5	
Statutory Liquid Assets Ratio (%) (Min. requirement - 20%)						
Total Bank	37.4	21.3				
Domestic Banking Unit	37.4	21.4				
Off-Shore Banking Unit	38.4	20.1				
Liquidity Coverage Ratio (%)						
(Min. requirement - 100%)						
Liquidity Coverage Ratio - Rupee	256.7	213.1				
Liquidity Coverage Ratio - All Currency	207.9	119.5				
Regulatory Capital Ratios (%)						
Common Equity Tier 1 Capital (Min. requirement - 8.0%)	11.9	11.4		13.3	12.8	
Tier 1 Capital (Min. requirement - 9.5%)	12.4	11.9		13.7	13.3	
Total Capital (Min. requirement - 13.5%)	17.4	16.3		18.2	17.2	
Shareholder Ratios (LKR)						
Earnings per Share	10,083	17,192	-41.4	10,513	19,572	-46.3
Net Asset Value per Share	160,059	145,294	10.2	204,984	189,332	8.3

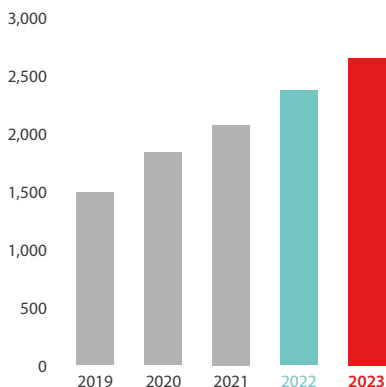
Financial Highlights

Total Assets (LKR Bn)



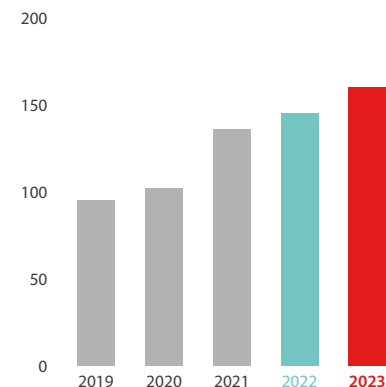
Total Asset
(LKR Bn - 2023)
3,038

Total Deposits (LKR Bn)



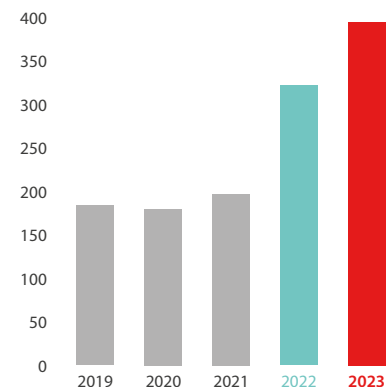
Total Deposits
(LKR Bn - 2023)
2,653

Total Equity (LKR Bn)



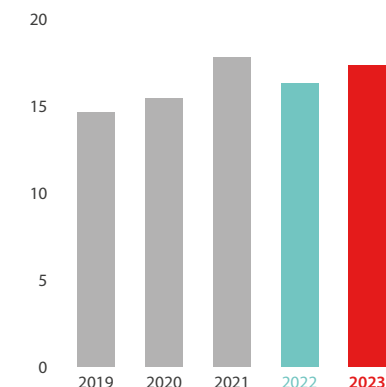
Total Equity
(LKR Bn - 2023)
160

Interest Income (LKR Bn)



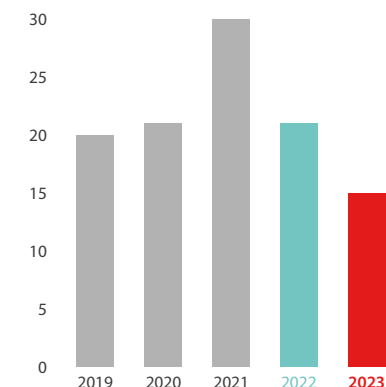
Interest Income
(LKR Bn - 2023)
395

Total Capital Ratio (LKR Bn)



Total Capital Ratio
(LKR Bn - 2023)
17.4

Profit Before Tax (LKR Bn)



Profit Before Tax
(LKR Bn - 2023)
15



MARKET AND CUSTOMER



3.4Mn
Digital customers



811,687
new customers onboarded



Over
51%
of the customers served
are women



Over
87%
Complaints resolved



EMPLOYEES



Total number of
employees

7,656



Female
Employees

4,662



Retention
Ratio

96.4%



Average training time per
permanent employee

25hrs



ESG

NATIONAL
CONTRIBUTION



Total taxes, special leavy and
dividends paid

LKR 13.9 Bn

BUSINESS
PARTNERS



Supplier registration via

e-GP

COMMUNITY



LKR 40.7 Mn

Contribution
communities

ENVIRONMENT



3.8 Mn

accounts
opened digitally

Non Financial Highlights



HIGHLIGHTS



LKR 19.4Bn
Value created for local suppliers



'Youth Tech' skill development project will provide
100
scholarships to school students in Computer science



29,468hrs
Total digital training hours



20
Green branches powered by solar energy



44
correspondent Banks and
80 Vostro agents



Total training cost
LKR 96.6Mn



PEOPLE'S TRUST

Supported by a trusted legacy, People's Bank contributes to the Sri Lankan economy, with a profound commitment to fostering prosperity for all.

EXECUTIVE REVIEWS

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Letter from the Chairman





As the Premier State Bank in the country, People's Bank continued to play an active and invaluable role in the country's economic recovery process, continually contributing towards financial stability and the welfare of its over 15 Mn customers.

Following on the heels of 2022, which was one of the most turbulent years in the history of Sri Lanka, 2023, remained an extremely challenging 12 months for the banking industry and the Sri Lankan economy as a whole.

Nevertheless, despite the economy contracting by 3.8%, 2023 can be described as a turning point in the country's recovery, as the economy slowly reversed its downward trend amidst ongoing reforms under the IMF program, and returned to the growth track with a small but encouraging 1.6% growth for the last quarter of the year. In March 2023, the country received the first tranche of USD 330 Mn under the IMF's 48-month Extended Fund Facility (EFF), and in July, the World Bank approved USD 700 Mn in financing as budgetary and welfare support for Sri Lanka. These interventions provided impetus to the economic 'U turn'. The country's unprecedented foreign exchange crisis of 2022, was mitigated by the availability of foreign exchange for essential imports. The resumption of inward remittances and a gradual resumption in exports also contributed towards stabilizing the exchange rate. The inflation rate was gradually contained, although market interest rates remained relatively high until the latter part of 2023, when policy rates were adjusted downwards, reflecting improved macroeconomic conditions. The execution of the domestic debt restructuring was an important milestone in

enabling these wider macro improvements. In June, the country's banking sector shut down for an unprecedented five-day holiday, as the Government obtained cabinet approval for domestic debt restructuring. In July, the Resolution on Domestic Debt Optimization (DDO) was passed in Parliament. The banking system was excluded from the DDO process in order to safeguard the banking system and its close to 57 Mn public and private banks deposits across the 20 Mn depositors in Sri Lanka. In September, Fitch Ratings upgraded Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) to 'CCC-' from 'RD' (Restricted Default), responding positively to the completion of the local-currency portion of Sri Lanka's DDO plan.

As the premier State Bank in the country, People's Bank continued to play an active and invaluable role in the country's economic recovery process, continually contributing towards financial stability and the welfare of its over 15 Mn customers. However, the Bank commenced 2023 with a rupee and dollar liquidity shortfall, which was a fallout from the Bank's active intervention to support the national economy during 2022 through the continuous provision of funds to ensure economic continuity. The liquidity situation was exacerbated by the sovereign downgrade which mostly took place in 2020, 2021 and 2022, which led to our foreign partners suspending lending, which further constrained the Bank's dollar liquidity position. However, the Bank successfully overcame the liquidity stresses and concluded 2023 with both excess rupee and dollar liquidity.

STRATEGIC PRIORITIES

In 2022, we mapped out a new strategic plan with inputs from all key stakeholders, including front-line staff at the branches, in response to the unprecedented situation that prevailed. The plan was backed up by a practical and effective process-oriented view to maximize returns through enhanced efficiencies and productivity gains.

In 2023, the Bank's foremost priority was to strengthen its liquidity buffer. In order to replenish liquidity levels, we launched island wide campaigns to mobilize rupee deposits, and to build up foreign exchange buffers. Our efforts were highly effective and by July, we had overshoot our target for rupee deposits, resulting in a rupee liquidity surplus by the end of 2023. We have also successfully rebuilt foreign exchange stocks, primarily through the exponential growth in inward remittances to the Bank.

Other strategic priorities for the year, included growth in profitability, reducing the Non Performing loans ratio, cost reduction, promotion of digital banking applications and superior customer service. We concluded the financial year 2023, by achieving a majority of the KPIs, with 76% of overall strategy completed by October 2023, demonstrating an exceptionally high success rate in liquidity recovery, improvement in the quality of lending portfolios, digitalization of processes, improvements to service standards and many other key indicators.

NAVIGATING THROUGH THE STORM

Although the macro-economic environment remained unfavourable for the first three quarters of the year, with continued low demand for credit, the Bank achieved a satisfactory financial performance during the year. The Group recorded a post-tax profit of LKR 11.4 Bn compared to LKR 20.5 Bn in 2022 and a Capital Adequacy Ratio of 18.2% from 17.2% in 2022.

Given the liquidity constraints at the start of 2023, we initially reduced the rate of loan growth and focused on quality rather than quantity. This involved tightening the credit standards, reducing the risk exposure, and focusing on higher-margin business lines. In response to the continued high inflation and interest rates, we optimized the funding mix by diversifying its funding sources and managing interest rate risk exposure.

Responding to the threat of impairment classification, we implemented more stringent lending criteria, conducted thorough due diligence on borrowers, and monitored their creditworthiness more closely. To contain further deterioration in asset quality, we implemented rigorous risk management practices to identify and manage potentially problematic loans.

HELPING SMEs AND THE RURAL SECTOR

In spite of initial liquidity constraints, we remained true to our founding principles by supporting under-served rural communities through the provision of accessible and affordable financial services, during this extended period of economic hardship. Although current interest rates remained high for most of the year, we have continued to channel funds to micro and SME enterprises through concessionary credit lines, while also assisting troubled businesses to return to positive cashflows. We maintained funding for the agricultural sector, to support supply

Letter from the Chairman



Adopting a customer centric stance with regards to all operations of the Bank has been a pivotal change towards modernizing and improving service standards within the Bank. By prioritizing customer satisfaction, the Bank not only differentiates itself in the market but also lays the foundation for sustained success and growth.

chain financing and assist smallholders. We are confident, that economic revival will enhance demand for credit from these sectors and the Bank stands ready to extend our fullest support to empower these communities.

DIGITAL LEADERSHIP AND CUSTOMER-CENTRICITY

One of our key strategic objectives for the future success of People's Bank, is to become the premier digital Bank in Sri Lanka. Therefore, we maintained unwavering focus on our digitally-led and customer-centric approach and we continued to explore the possibility of offering a complete virtual banking experience in the future. I am pleased to report excellent progress in 2023, in this regard.

During 2023, People's Bank reached a milestone of two million digital retail customer base with its mobile apps People's Wave and People's Pay. Nearly 85% of this customer base is located outside the Western Province indicating the expansion of digital reach of the Bank. As at end 2023, over 75% of conventional banking transactions were conducted on our digital channels i.e. online banking, mobile apps, CDMs and ATMs. The number of transactions per month via on-line banking / mobile banking and wallet app have reached over 8 Mn in volume terms and over LKR 87 Bn in value terms. As part of the digitization drive, digital solutions for collection and payments were introduced to various institutes such as universities, educational institutes, and government bodies. An AI-powered Chatbot was introduced to the People's Bank website, which is a pioneering addition that leverages the capabilities of artificial intelligence to deliver prompt and seamless responses to customer inquiries at all times and across various locations, providing support in English, Sinhala, and Tamil languages. Expanding cashless trade within the country, we introduced the "Visa Standards" to our QR merchants. This enhancement is specifically designed to provide the capability to accept both Lanka QR and Visa QR payments for our merchant QR codes, which are generated through the People's Pay admin module. The implementation of this feature empowers foreign individuals to easily make payments by scanning People's Bank merchant QR by using a mobile application that supports Visa.

Adopting a customer centric stance with regards to all operations of the Bank has been a pivotal change towards modernizing and improving service standards within the Bank. By prioritizing customer satisfaction, investing in employee empowerment, embracing digital transformation, and instilling a service-oriented mindset, the Bank not only differentiates itself in the market but also lays the foundation for sustained success and growth.

NEW PRODUCTS

While targeting new and more affluent customer segments through the Excelsior and Elegance services, we also developed innovative, new programs to support local businesses. The People's Spark Entrepreneurship Development Program aligns with the government's national policy

frameworks for entrepreneurship development within the country, and is supported by a dedicated loan scheme for young graduates and young entrepreneurs to develop entrepreneurship among young educated and vocationally trained persons. The People's Bank Micro-Entrepreneur Villages is another concept targeting the development of rural entrepreneurs. While providing credit, the Bank also works directly with villagers to improve their savings, financial literacy and market linkages. Meanwhile, the People's Bank Export Hubs are a unique collaborative business network concept that provide financial and other assistance to SME exporters to harness opportunities in the global marketplace. In 2023, five Export Hubs were established in People's Bank branches in Nugegoda, Gampaha, Panadura, Kurunegala and Kandy, to cater to island wide import/export customers. Another program of the Bank, the People's Power Loan Scheme funds investment and working capital requirements of MSMEs to improve their products, services and related processes, with a special focus on developing women entrepreneurs.

REBRANDING AND CSR

We made a major shift in our branding when we brought our CSR activities under our Mahajana Mehevara brand, which became an integral part of the People's Bank ethos. Under this program, in 2023, the Bank leveraged technology to support seven underserved schools by providing solar panels and off-grid battery systems to generate solar powered running water systems to supply drinking water for school children.

Further expanding on the strategic direction of leveraging cutting-edge technology for its CSR initiatives, People's Bank launched the Empowering Tomorrow's Innovators: Youth Tech Skill Development Project, which will provide 100 scholarships to school students aged 15-19 for the Diploma in Computer Science (DICS) program, which covers various aspects of computer science, including programming, web development, networking, graphics, and computer mathematics.

People's Bank also implemented several CSR initiatives to uplift the health services of the country. One such project was to sponsor a 1990 Suwa Seriya Ambulance under "Adopt an Ambulance" initiative by the 1990 Suwaseriya Foundation, under Mahajana Mehevara.

In addition, People's Bank facilitated the completion of a number of essential renovations at the De Soysa Maternity Hospital, Borella at a cost of over LKR 3 Mn and handed over essential equipment to the hospital.

DEVELOPING SOFT SKILLS FOR THE FUTURE

As employee satisfaction is key to exceptional service quality, one of our strategic goals is to attain the industry's best employee satisfaction levels. Therefore, we have commenced measuring employee satisfaction through a satisfaction survey, and we keep striving to increase our score, while also re-orienting our training towards developing soft skills. Our training efforts have enhanced the analytical and conceptual skills of the middle and senior level management on areas such as developing customer service excellence, customer centric mindset, and personality development.

In 2023 too, the Bank experienced a high degree of brain drain. We are attempting to curtail this talent outflow by implementing incentive programmes, such as competitive salaries, opportunities for career advancement and professional development, and creating a positive work environment that fosters employee engagement and loyalty.

Our HR system is also being automated, replacing manual interventions for greater flexibility, among other things, in setting pay-scales for contract staff. This will be of great advantage in areas such IT, where there is higher attrition due to higher pay scales in the private sector.

STRATEGY FOR THE COMING YEAR AND FACING FUTURE CHALLENGES

Making the Bank future ready, is vital for the sustainability of the Bank. Therefore, we have adopted a flexible strategic approach, leveraging technology, and diversifying the portfolio to facilitate greater responsiveness to unpredictable macro environmental dynamics. Recovery plans that involves stress testing the portfolio, implementing contingency plans, and identifying potential sources of liquidity have been adopted to minimise the impacts of market changes and bank-wide shocks. We have also successfully adopted an early warning monitoring system to identify potential risks before they become significant by analysing market trends, monitoring

customer behaviour, and tracking regulatory developments.

The Bank's digitization strategy has already equipped the Bank to cater to the next generation of customers and already an increasing proportion of our customer base is from youth and millennial cohorts. As export growth will be crucial for national recovery, People's Bank will continue to support exporters and encourage manufacturing by providing financing to export-oriented businesses, offering incentives for local manufacturers, and promoting trade finance activities. Given the global warming risks, we are also encouraging renewable energy use in the country by prioritizing funding for renewable energy projects. In addition, the Bank is also adopting ESG measures for sustainable growth.

As we rapidly expand our digital footprint, protecting our digital assets and the privacy and safety of our customers has come to the forefront. Therefore, we have adopted industry best practices on systems security and security protocols. This includes regular vulnerability testing and penetration testing, implementing multi-factor authentication for user accounts, encrypting sensitive data, and regularly updating security software and systems to stay ahead of emerging threats.

As the country continues its recovery trajectory, we will continue to engage with various stakeholders including the Ministry of Finance and the Central Bank of Sri Lanka, to ensure systemic stability at this crucial juncture.

EXPRESSING MY SINCERE GRATITUDE

I extend my sincere gratitude to His Excellency the President who is also the Minister of Finance, the Honourable Prime Minister and the State Ministers of Finance, for their leadership during this unprecedented chapter in the history of our country. I also extend our appreciations to the Secretary to the President, the Secretary to the Treasury and the Senior Advisors to the President, for their support and guidance during the year. The Governor, and the senior officials of of the Central Bank of Sri Lanka for their wise conscious and all matters of the regulatory measures. My colleagues on the Board have worked tirelessly and contributed unstintingly towards the success of the Bank, and I thank them for their



As the country continues its recovery trajectory, we will continue to engage with various stakeholders including the Ministry of Finance and the Central Bank of Sri Lanka, to ensure systemic stability at this crucial juncture.

contributions. I would also like to thank the Chief Executive Officer and General Manager, Clive Fonseka, together with the management and staff at all levels for their contributions towards the Bank's success. Most importantly, our valued customers and other stakeholders are the cornerstone of our success, and we stand ready to serve you to the best of our capacity. I look forward to your continued support to rebuild our country bigger, better and stronger.

Sincerely

Mr. Sujeewa Rajapakse
Chairman

26 March 2024

General Manager/Chief Executive Officer's Review





The foremost priority of 2023 was to bolster the Bank's liquidity levels and alleviate pressure on the Bank's income statement. The Bank successfully overcame the LKR and the USD liquidity short fall by mid-2023 and exceeded its target for inward worker remittances and exports thereby replenishing acute dollar shortfall.

As the economy slowly regains a new equilibrium on the back of ongoing structural reforms, I am pleased to report to our stakeholders a year of transformation for People's Bank. Backed by a solid financial base and one of the most modern digital financial systems with a global reach, interconnecting the largest physical branch network that connects the largest customer base of any single financial institution in Sri Lanka, People's Bank concluded year 2023, poised to drive transformational changes in an emerging new economic configuration.

PRIORITIES BEYOND PROFITS

People's Bank's profitability declined by 42.1% year on year, to LKR 10.0 Bn in 2023, from LKR 17.2 Bn in 2022. However, taking into consideration the overall negative growth environment that prevailed for the first 9

months of the year and the Bank's contribution to the nation while battling a liquidity crisis and deploying many operational improvements, I am pleased with the Bank's performance during the year 2023.

As already stressed by the Chairman, it is inevitable for the Bank to look beyond mere profits as a strategically poised state Bank in the country. During the financial crisis of 2021 and 2022, as a State Bank, People's Bank's priority was to support the continuity of economic activities. During the 3-year period of 2020-2022, the Bank provided significant financial assistance to the Government and State-Owned Enterprises (SOEs), to facilitate supplies of essential goods and services for the country.

People's Bank provided financial support for the energy sector to maintain continuous stocks of fuel and coal for electricity production during the period from 2019 – 2022. People's Bank was also one of the main banks to extend moratoria to COVID-19 affected businesses since 2020 and thereby provided significant amounts of concessions.

The foremost priority of 2023 was to bolster the Bank's liquidity levels and alleviate pressure on the Bank's income statement. Lending was curtailed and expansion of rupee and foreign exchange deposits were prioritized. The Bank successfully overcame the LKR and the USD liquidity short fall by mid-2023. The Bank also exceeded its target for inward worker remittances and exports thereby replenishing acute dollar shortfall.

Prioritizing the containment of the non-performing loan ratio remained crucial. Despite launching a recovery initiative and introducing business rehabilitation programs, the Gross NPL ratio reached 4.7% in 2023. Nevertheless, we remain optimistic about implementing more effective measures to manage the NPL portfolio in 2024.

Please refer the Enterprise Banking review on pages 76 - 77 for information on the Bank's business rehabilitation activities and the Financial Review by the Head of Finance on pages 68 - 73 for details on the Bank's financial status as at end 2023.

Despite the external unpredictability, we continued digitization and efficiency improvement programs as a fundamental component of fast tracking the Bank's transformation.

DRIVING TRANSFORMATION

A new strategy: The Bank's existing strategic plan had to be significantly modified due to the prolonged economic downturn. Implementation of a new strategic plan to direct operations from 2025 onwards, has already commenced.

Rebalancing the business model: The Bank's traditional business model was rebalanced by reducing the exposure to SOEs, that has historically accounted for the major share of the Bank's business. Instead, the focus was shifted towards the private sector, with emphasis on the export sub-sector. As a result, the exposure to SOE's declined significantly during 2023. Our target is to limit SOE exposure even further. People's Bank's corporate client portfolio expanded in 2023, and we are confident of sustaining this momentum in 2024.

Technology integration: We continued to expand the reach of People's Bank ATM, CDM and CRM network and mobile apps. The public has benefited in terms of cost, time savings and convenience. For instance, the Bank's customers are no longer required to travel to a bank branch for their transactions. They can now make their deposits, withdrawals and other banking transactions, whenever convenient, from their nearest Self Banking Units (SBUs), and through digital Apps. The significant rise in the usage of our debit and credit cards and digital Apps are paving the way toward a digital economy.

Digital migration: Our staff across the country actively channeled customers towards digital platforms and card-based transactions, narrowing the digital divide. As an indicator of People's Bank's digital capabilities, in 2023, nearly 75% of conventional/retail banking transactions were conducted on digital channels of online banking, mobile apps, CDMs, ATMs and CRMs. The retail loan origination system accounted for nearly 91% of retail loans. By end of 2024, we expect digital channels to account for 90% of all retail transactions and 95% of retail loans.

In line with government's policy on introducing digital economy, People's Bank extended the digitalization to other public institutions by introducing digital solutions for their banking needs.

Proactive mindset: Our staff is being trained to adopt a proactive approach toward customers.

General Manager/Chief Executive Officer's Review



Our greatest asset is our staff, who have displayed tremendous loyalty and commitment, working as a team with determination, that has helped us overcome many barriers and obstacles. My thanks go out to each and every one of them.

Branch personnel and regional managers are being empowered to identify and to provide banking facilities efficiently to new customers who show potential for further growth and development.

For details on ongoing and planned economic development programs, please refer the Enterprise Banking chapter on pages 76 - 77 and the Special Programs for Economic Revival on page 77.

Lean Management and Process re-engineering: Lean Management principles have been rolled out throughout the Bank in 2023. We commenced process re-engineering and refining existing processes, to eliminate manual work and repetitive tasks.

Prioritizing customer satisfaction: The Bank not only measures customer satisfaction and brand perception but has also linked service standards to performance reviews.

Please refer the Marketing chapter on pages 88 - 89 for more information.

Bank has witnessed significant growth and achievements across various fronts. We are proud to report that our digital customer base has reached a milestone of 3.4 Mn, showcasing the increasing preference for digital services among our clientele. Embracing digital innovation, we facilitated the opening of 3.8 Mn accounts digitally, streamlining the customer experience and enhancing accessibility to our services. Furthermore, we successfully onboarded 811,687 new customers, expanding our reach and market presence. One notable aspect of our customer demographics is the commendable representation of women, who account for over 51% of the customers served. This demonstrates our commitment to inclusivity and gender diversity in our services.

OUTLOOK AND PLANS

As People's Bank enters 2024 with adequate liquidity to finance the anticipated growth in demand for credit, the Bank will take advantage of the low interest regime to expand current and savings deposits, while also expanding foreign currency (FCY) deposits and inward remittances, to build up forex reserves. Our digitization drive will continue by developing and integrating digital solutions across the Bank's activities.

PRIORITIES FOR 2024 INCLUDE:

- **Quality lending:** Upholding stringent lending practices - increasing both rupee and foreign currency lending, with emphasis on financing exporters.
- **Loan recoveries and restructuring:** Collections and non-performing loan recoveries will take a front seat. The Bank's goal is to prevent further expansion of the NPL portfolio.
- **Exceptional customer experience:** Continuous training of employees to improve quality of new lending and achieve a positive customer experience consistently across the network.
- **Brand equity:** Consolidate the People's Bank brand as a modern, hi-tech, financial services provider with a global reach.

APPRECIATIONS

As we look forward to better times ahead, I would like to thank the different stakeholders who assisted the Bank during the year that passed. Our greatest asset is our staff, who have displayed tremendous loyalty and commitment, working as a team with determination, that has helped us overcome many barriers and obstacles. My thanks go out to each and every one of them. I also wish to express my sincere appreciation to our Chairman, the Board of Directors, Secretary to the Treasury and Officials of the Ministry of Finance, the Governor and Officials of the CBSL, my fellow members of the Corporate and Executive Management, our unions and most importantly our customers who continue to inspire us with their patronage and loyalty. Together, we can work towards our goal of making People's Bank the best Bank in Sri Lanka.

Sincerely

Mr. Clive Fonseka
General Manager/ Chief Executive Officer

26 March 2024



62 YEARS OF BANKING BRILLIANCE

Islandwide network of **747** branches

Over Rs. **2.7** trillion in consolidated deposits

Over **15** million customers

Rated **A (Ika)** by Fitch Ratings

Over Rs. **3** trillion in consolidated assets

A beacon of stability and trust, People's Bank has served Sri Lanka with a pioneering vision and commitment for over six decades. During this time, People's Bank has become renowned for its powerful positive impact in every sphere of the country fulfilling its legacy as an invaluable asset to the nation.

Board of Directors



From Left to Right

Ms. Shyama Wijekoon
(Secretary to the
Board of Directors)

Mr. Udeni Samararatne
Director

**Mr. Dushmantha
Thotawatte**
Director

Mr. Manjula Wellalage
Director

Mr. Sujeewa Rajapakse
Chairman



From Left to Right

Mr. Isuru Balapatabendi
Director

Ms. Visakha Amarasekera
Director

Mr. A M P M B Atapattu
Director

Mr. Dushan Soza
Director

Board of Directors

MR. SUJEEWA RAJAPAKSE

Chairman



Mr Sujeewa Rajapakse is a Managing Partner of BDO Partners, a firm of Chartered Accountants. A Fellow of The Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Chartered Management Accountants of Sri Lanka (FCMA) and a Member of the Association of Chartered Certified Accountants (ACCA). Mr Rajapakse holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jaywardenepura. During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Former Chairman of Auditing Standards Committee of CA Sri Lanka, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). Currently he is serving as the Board Member at Haycarb PLC, Dipped Products PLC, Hayleys Agriculture Holdings Ltd. and Lanka Holdings (Pvt) Ltd. Also, he is a Council Member of the University of Sri Jaywardenepura.

He was the Chairman of People's Leasing & Finance PLC. He has served in the directorates of National Development Bank PLC, NDB Capital Holdings Ltd. – Bangladesh, The Finance Company PLC (appointed by the CBSL under the restructuring programme) Unidil Packaging Ltd. & Unidil Packaging and Solutions Ltd., and Deputy Chairman of Softlogic Life Insurance PLC. He was also a Commission Member of Securities and Exchange Commission of Sri Lanka (SEC).

His expertise includes all accounting and auditing standards and practices, Government regulations related to financial disciplines and ethics, human resource management and overall management practices and principles in both private and public sectors.

MR. ISURU BALAPATABENDI

Director



Mr Isuru Balapatabendi is an Attorney-at-Law and currently operates a Law Chamber in the practice of Civil and Commercial Law. He also holds a LLM from the University of Pittsburgh, Pennsylvania, USA.

Mr Balapatabendi served as a State Counsel in the Attorney General's Department, prior to being appointed a Diplomat to the Embassy of Sri Lanka in The Hague, The Netherlands from 2008 to 2010, during which he served as the representative of Sri Lanka, to the organisation for Prohibition of Chemical Weapons and the Hague Convention of Private International Law (HCCH). He was also appointed as the Head of Chancery at the Sri Lankan Mission in The Hague. He was appointed as the Legal Advisor to the Minister of Investment Promotions in 2012, for legal matters relating to investment laws in Sri Lanka and Board of Investment. Mr Balapatabendi has also served in the Director Boards of Sri Lanka Insurance Corporation, Seylan Bank, and Bank of Ceylon, prior to being appointed to the People's Bank Board. He also served in the Director Boards of Sri Lanka Ports Authority and Colombo West International Terminal (Pvt) Ltd. He is currently the Chairman of People's Insurance PLC and serves as a Director of People's Leasing & Finance PLC and Celio Naturals (Pvt) Ltd. as well.

He has served as an Executive Committee Member of the Bar Association of Sri Lanka. He was appointed the Chairman of the Junior National Law Conference in 2007 and as the Convener of the National Law Conference 2020. Mr Balapatabendi was also elected as the Secretary of the Bar Association of Sri Lanka for the year 2022/23 and also for the year 2023/24.

MR. MANJULA WELLALAGE

Director



Mr Manjula Wellalage is an Attorney-at-Law who has been in practice at the Private Bar for nearly two decades. Prior to becoming an Attorney-at-Law, he served as the Resource and Research Officer in charge of the Community Based Legal Aid Project which was spearheaded by the Ministry of Justice. He

has also discharged his duties in the capacity of Resource Officer to the Resource, Research and Information Centre (Constitution Affairs) of the Ministry of Justice and Constitutional Affairs. During his illustrious legal career, Mr Wellalage has organised numerous projects and programmes on constitutional reform as well as raising community legal awareness whilst intervening to resolve critical legal issues at national level on behalf of the Ministry of Justice. He serves as a Director of People's Leasing & Finance PLC.

MS. VISAKHA AMARASEKERE

Director



Ms Visakha Amarasekere counts for more than 20 years of experience at the General Treasury and is currently attached to the Department of External Resources as an Additional Director General (CUD). She holds a BSc (Hons) Degree in Economics and Management from the University of London, UK and a Master of Arts in Development Economics from the Vanderbilt University USA. She is a Chartered Management Accountant (CIMA) UK and is also a Chartered Public Finance Accountant. She has represented the General Treasury on the Boards of several key State-Owned enterprises including the Ceylon Electricity Board, Ceylon Petroleum Corporation, and Bank of Ceylon.

MR. DUSHMANTHA THOTAWATTE

Director



Mr. Dushmantha Thotawatte was appointed to the Board of Directors with effect from 8 July 2022 & he is the Chairman of Canwill Holdings Pvt Ltd. & LCB Finance PLC. Further, he acts as a Director at Sri Lanka Insurance Corporation. Mr. Thotawatte is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with a Bachelor of Commerce (Special Degree) from the University of Sri Jaywardenepura & a Master in Financial Economics from the University of Colombo. He is an accomplished leader who has extensive experience in the field of Financial Management, Corporate Governance, Strategic Management and Public Relations, together a successful track record as Chief Executive Officer, Chief Financial Officer and Chief Internal Auditor in many state-owned enterprises and private organizations and counts over 40 years of experience.

MR. A M P M B ATAPATTU
Director



Mr A M P M B Atapattu currently serves as a Secretary to the Ministry of Trade, Commerce and Food Security and he has over 28 years of work experience in Banking, Finance and Business Administration.

He Graduated from University of Sri Jayawardenapura with a BSc in Management (Public Administration) Second Class Upper Division Degree, he holds a Master's Degree in International Development from Flinders University, Australia and has completed two post graduate diplomas: Economic Development from University of Colombo and Development Economy from Institute of Development Economies, Japan. His research topic was "Rationalisation for Industrial Development in Sri Lanka" for his Master's Degree in International Development awarded by Flinders University in 2004 and he holds a Licentiate Certificate of the Institute of Chartered Accountancy, Sri Lanka.

Before he assumed the current position he worked as a Senior Additional Secretary to the President of Sri Lanka and he was assigned to duties of economic reforms in the section of Stabilisation Recovery and Growth of the economy. As Director General, (Planning) of the Ministry of Education he was prepared of Capital Budget of the Ministry of Education and monitored the development projects of the Ministry.

Further, as a Deputy Secretary to the Treasury, he was in charged for donor funding projects, implementation of trade and tariff policies of the Government, and monitoring of national budget. Also, he has initiated the 'Enterprise Sri Lanka Subsidiary Loan & Development Programme' as a national budget proposal of the Government.

Mr Atapattu has functioned as Director General of the Department of Development Finance he has initiated warehouse receipts financing system for grain farmers and fertilizer cash subsidy scheme for farmers. Further, he has implemented Refinanced Loan Schemes called "Small and Medium Enterprise Regional Development Project" (SMERDP) funded by the Asian Development Bank, "Small and Medium Enterprise Development Facility Project" (SMEDeF) funded by the World Bank, "Small and Medium Enterprises Line of Credit (SMELoC) funded by the Asian Development

Bank. In addition, he has executed the SME Development Programme funded by the German International Cooperation (GIZ) as well as the "Rooftop Solar Power Generation Line of Credit Project" (RSPGLoC) funded by the Asian Development Bank.

Mr Atapattu has also performed his duties as the Treasury Representative on the Board of Investment, People's Bank, Sri Lankan Airline Limited, Sri Lanka Tea Board, National Lotteries Board, Sri Lanka Savings Bank, Lankaputhra Development Bank, Cooperative Wholesale Establishments, University of Vocational Technology and the Insurance Regulatory Commission of Sri Lanka.

MR. UDENI SAMARARATNE
Director



Udeni. K. Samararatne is an experienced senior finance professional with a career spanning over 35 years. He has worked in senior finance positions in quoted companies such as Sri Lanka Telecom PLC. which is one of Sri Lanka's largest companies where he worked as the Chief Financial Officer. He has also worked at leading local companies such as Lanka Ashok Leyland PLC., Kelani Tyres PLC. , ACME PLC., Richard Pieris PLC. and multinational companies such as Noritake of Japan one of the world's largest porcelain ware manufacturers, Ferrero of Luxembourg one of the world's largest chocolate manufacturers, CEAT of India which is in a joint venture agreement for producing tyres with Kelani Tyres PLC of Sri Lanka.

He is qualified in ACCA U.K and CIMA U.K. He also holds an MBA from the Swiss Business School in Zurich Switzerland, a Higher Diploma in International Relations from the Bandaranaike Centre for International Studies and a Diploma in Professional Diplomacy and World Affairs from the Bandaranaike International Diplomatic Training Institute. He also holds a Master's qualification from the Colombo University in Financial Economics. He has also obtained a Masters in International Affairs from the University of Colombo

He serves as the Chairman of People's Travels (Pvt) Ltd and a Director of People's Leasing & Finance PLC.

MR. DUSHAN SOZA
Director



Dushan Soza is a highly accomplished professional with a diverse background in the BPO industry, finance sector, and corporate governance. He served as the Managing Director of WNS Global Services Sri Lanka for 15 years, successfully building the business from scratch to over LKR 1 Bn in revenue, serving marquee global customers. As a founding member of SLASSCOM, he played a vital role in shaping the IT/BPO industry in Sri Lanka.

Dushan has also served on the board of Softlogic Finance, chairing the IT and Risk committees. Currently, he runs BPMOne, a company specializing in transformation and process reengineering. His key skills in banking include core banking, workflows, FinTechs, and digital technologies. He has also made contributions in consumer affairs, serving on the Consumer Affairs Board.

Additionally, Dushan holds board positions in Phoenix Pvt Ltd and PrintCare Digital, and he advises the Port City Economic Commission. He is a dedicated member of the Rotary community, serving as the District Governor for Sri Lanka and Maldives and as a member of the Strategic Committee at Rotary International.

MS. SHYAMA WIJEKOON
Secretary to the Board of Directors



Ms Shyama Wijekoon joined the Bank in 2016 as an Assistant Secretary to the Board and subsequently promoted to the position of Board Secretary in 2022. She is an Attorney-at-Law. She holds a Masters of Law (LLM) degree from Cardiff Metropolitan University – UK. In Addition she has successfully completed a course on Shipping Law & Practice from Institute for the Development of Commercial Law and Practice – ICPL – CCC. Apart from all above, she holds a post Graduate Executive Diploma in Bank Management (PGEDMB) from the Institute of Bankers of Sri Lanka which will immensely help her to keep her career up in the capacity of the Secretary to the Board. She is a life Member of Association of Professional Bankers of Sri Lanka.

Corporate Management



Front Row Left to Right

Ms. Nilmini Premalal, Mr. Wickrama Narayana, Mr. K A Nihal, Ms. Preethie Katulanda, Ms. P S J Kurukulasooriya, Mr. Rohan Pathirage

Back Row Left to Right

Mr. A U A Anzar, Ms. Thushari Hewawasam, Mr. Nalaka Wijayawardana, Ms. Samantha Senanayake



Front Row Left to Right

Mr. Clive Fonseka, Mr. Azzam A. Ahamat, Ms. Nipunika Wijayaratne, Mr. Dhammika Dasa, Mr. E A M Dissanayake

Back Row Left to Right

Mr. T M W Chandrakumara, Ms. Shameela Loku Kaluge, Mr. Naleen Pathirana, Mr. Anura Perera

Corporate Management

MR. CLIVE FONSEKA Chief Executive Officer/General Manager



Mr. Fonseka is a veteran banker who commenced his tenure at People's Bank in 2002. He has been a member of the Bank's Senior Corporate Management team as Deputy General Manager since November 2011. In this role, he oversaw the Foreign Exchange operations, activities of the Primary Dealer Unit, Investment Banking Unit, and USD and LKR Money Market operations, in addition to managing relationships with local and foreign commercial banks and financial institutions. Prior to joining People's Bank, he held senior positions at American Express Bank and Standard Chartered Bank.

During the period spanning from 2018 to 2020, Mr. Fonseka assumed the role of President of the Association of Primary Dealers, in addition to holding membership in several committees, including the National Payment Council, Financial System Stability Consultative Committee, and the CBSL appointed task force dedicated to studying and designing new alternative benchmark interest rates. Additionally, he held membership in the Market Working Group on Domestic Financial Market Infrastructure Development Project of the Central Bank of Sri Lanka (CBSL).

Presently, he serves as a Non-Independent Non-Executive Director at People's Leasing & Finance PLC, Chairman at People's Leasing Property Development Ltd, Director at Lanka Financial Services Bureau Ltd, Lanka Pay (Pvt) Ltd, Credit Information Bureau of Sri Lanka, National Payment Council, Financial Ombudsman Sri Lanka (Guarantee) Ltd, Institute of Bankers of Sri Lanka. He has also acted as a Chief Examiner for the Institute of Bankers of Sri Lanka's IABF/DABF Examinations.

Mr. Fonseka, is a Senior Fellow of the Institute of Bankers of Sri Lanka and holds an MBA from the Postgraduate Institute of Management at the University of Sri Jayewardenepura. He has been awarded a Distinction for the ACI Dealing Certificate and has accumulated over 29 years of experience in the field of Treasury Management. Furthermore, he is a Certified Member (CMA) of the Institute of Certified Management Accountants of Australia.

Mr. Fonseka was appointed as the Acting Chief Executive Officer/General Manager of People's Bank with effect from 2nd January 2023 to 31st July 2023 an appointed as the CEO/GM of People's Bank with effect from 1st August 2023.

MR. ROHAN PATHIRAGE Senior Deputy General Manager - Overseas Customer Services



With over 28 years of experience in Human Resources, Legal and Administration in the banking sector, Mr Rohan Pathirage is a highly qualified and accomplished professional. He holds a Master's Degree in Banking from Massey University, New Zealand, as well as a Postgraduate Diploma in Banking. In addition, he is an Attorney - at-Law, holding a Law Degree from the University of Colombo. He has served as a senior member of People's Bank Corporate Management team, and has been a member of key management committees.

Mr Pathirage currently holds the position of Senior Deputy General Manager – Overseas Customer Services of People's Bank. He also serves as Chairman of People's Leasing Havelock Properties Limited, Chairman of People's Leasing Fleet Management Ltd., Director of People's Micro Commerce Limited, Director of Lankan Alliance Finance Limited, Bangladesh, Director of People's Travels (Pvt) Ltd., and Alternate Director of the Institute of Bankers of Sri Lanka.

In his previous role as Senior Deputy General Manager (Human Resources and Legal) of People's Bank, Mr Pathirage successfully managed the Bank's workforce of over 10,000 employees and oversaw senior executive recruitments in line with the Bank's HR requirements. He also led the Bank's legal team of 70 members and functioned as Deputy General Manager – Secretary to the Board of Directors of People's Bank. His administrative support has been invaluable to all matters relating to the Bank's Board of Directors and its various subcommittees.

MR. AZZAM A AHAMAT Head of Finance



Mr. Ahamat joined People's Bank on 3 January 2017, bringing with him a wealth of experience spanning over 23 years in strategic financial management, investments, and risk enterprise, having served in prestigious institutions both locally and internationally. He has worked with some of the largest multinational professional service firms, and Tier I service providers across a multitude of sectors and market spaces.

Mr Ahamat holds several high-profile professional memberships, including Fellow membership of the Chartered Institute of Management Accountants (UK), Fellow Membership of the Association of Chartered Certified Accountants (UK), Fellow Membership of the Institute of Certified Management Accountants of Sri Lanka, Associate Membership of The Institute

of Chartered Accountants of Sri Lanka and is also a Certified Practicing Accountant (AUST). In addition, he is a technical specialist in Institute of Risk Management – London, a certified member of Chartered Institute of Credit Management - London and also a member of the Financial Reporting Standards Implementation and Interpretation Committee of CA Sri Lanka.

Mr Ahamat functions as a Director of People's Leasing & Finance PLC, People's Insurance PLC, People's Travels (PVT) LTD and Lankan Alliance Finance Limited, Bangladesh.

MS. P S J KURUKULASOORIYA Deputy General Manager – Strategic Planning, Performance Management and Research



Ms. Jayanthi Kurukulasooriya joined the Bank as a Management Trainee in 1994 and counts over 29 years of experience in the banking field. Her experience mainly encompasses in the areas of Branch Banking, Credit, Staff Training, Human Resources Development, Credit Administration, Channel Management and Retail Banking. Prior to joining the Bank, she has gained experience as a Senior Assistant Accountant at the Road Construction and Development Company.

She holds a BSc Business Administration (Special) Degree with a Second Class Upper Division (Honours) from the University of Sri Jayewardenepura and Master's Degree in Business Administration (MBA) from the University of Colombo. She is a Fellow Member (FIB) of the Institute of Bankers of Sri Lanka, a member of AAT Sri Lanka, a Licentiate member of The Institute of Chartered Accountants of Sri Lanka and holds a Diploma in Human Resource Management (Dip HRM) as well.

She was able to enhance the Bank's image by winning three Gold Medals at the Convocation (1997) of Institute of Bankers of Sri Lanka for obtaining maximum number of distinctions at the intermediate and final examinations provided all subjects have been passed in the first attempt, obtaining the highest aggregate marks completing the final examination during the year provided while examination is completed in not more than three sittings over a period of two calendar years and completing the Final examination with the highest aggregate marks at the intermediate and Final Examinations; provided each subject has been completed in the first attempt; which is still an undefeated record.

She has made notable contributions to the Bank during her tenure, including development of HR policy of the Bank, and development of Bank's Strategic Plan for 2021-2022 etc Moreover, she has contributed for the betterment of the Banking industry being a visiting lecturer of Institute of Bankers of Sri Lanka and evaluating examinations.

MS. NIPUNIKA WIJAYARATNE
Deputy General Manager – Banking Support Services



Ms. Nipunika Wijayarathne serves as the Deputy General Manager of Banking Support Services, counting over 33 years of experience in banking, having joined the Bank in 1990 as a Management Trainee.

She holds a BSc Degree in Agriculture from the University of Peradeniya and MBA in Finance from University of Colombo. Prior to joining the bank she has served in the private sector. She counts more than 30 years of experience in Trade Services and Correspondent Banking.

She is an Associate Member of the Institute of Sri Lanka. She is also an Executive Committee Member of International Chamber of Commerce, Sri Lanka and a member of the Governing Board of the Institute of Bankers of Sri Lanka as well as a Board Member of PLC Fleet Management Ltd.

MS. PREETHIE KATULANDA
Chief Law Officer



Mrs. Preethie Katulanda is an Attorney-at-Law, who possessed 29 years experience in active practice in legal profession. She holds a Masters Degree in Business Management in Human Resources Management [MBA (HRM)] from the University of Colombo. She has also successfully completed the professional qualification in Human Resource Management from the Institute of Personnel Management (IPM).

Mrs. Preethie Katulanda joined the People's Bank on 01.12.2021. She commenced her career in legal profession from the People's Bank as a legal intern. She has well nearly two decades of work experience as an individual practitioner as well as a corporate sector member and out of which 17 years in the corporate sector having worked in Legal Division being a co-management team member attached to finance sector – business establishments, which are monitored by the Central Bank of Sri Lanka and has served a positions of Senior Manager, Asst. General Manager and lastly the Deputy General Manager – Legal in the said establishments.

MR. DHAMMIKA DASA
Chief Information Officer



Counting 27 years experience in the IT industry, Mr. Dhammika Dasa serves as the Chief Information officer (CIO) at People's Bank. He has considerable exposure and expertise in a diverse range of disciplines, including Strategic Management, Programme Management, Project Management, Infrastructure Technology Management, Software Development and Implementation exposure. Over the years, he has honed his skills across a number of domains such as Finance, Insurance, Banking, Manufacturing, Logistics and Leisure in Sri Lanka, Australia and New Zealand. Additionally, he possesses a comprehensive understanding of Information Security implementations.

Mr. Dasa obtained a BSc Degree in Mathematics and Computer Science from the University of Kelaniya. Prior to taking up his current position at the Bank he has held multiple Senior Management positions at prominent organisations such as Aitken Spence Group, KPMG Sri Lanka and Fiserv.

MR. K A NIHAL
Deputy General Manager – Human Resources



Mr. K A Nihal, who currently holds the position of Deputy General Manager – Human Resources, joined the Bank in 1994 as a Management Trainee. He counts over 29 years of experience across disciplines such as Branch Operations, Information Technology, Treasury, and Human Resources. He holds a Bachelor of Management (Special) Second Upper Degree offered by the University of Sri Jayewardenepura. In addition, he holds the professional banking qualification, Diploma in Banking and Finance from the Institute of Bankers of Sri Lanka (IBSL) and he has completed the Diploma in Professional Human Recourse Management from CIPM Sri Lanka. Mr Nihal also possesses a certificate on Treasury and Foreign Exchange Operations.

MR. E.A.M. DISSANAYAKE
Chief Internal Auditor



Mr. Mahinda Dissanayake, possessing over 33 years of experience in Branch Banking and Internal Auditing, serves as the Chief Internal Auditor at People's Bank at present. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA) and an Associate Member of the Institute of Bankers of Sri Lanka (AIB). In addition, he holds an MBA from the University of Colombo and a Bachelor of Science Degree in Public Administration (General) from the University of Sri Jayewardenepura. Furthermore, he has obtained a Diploma in Information Systems, Security Control, and Audit from the Institute of Chartered Accountants of Sri Lanka, awarded with technical collaboration from the Institute of Chartered Accountants of India

MR. WICKRAMA NARAYANA
Deputy General Manager - Enterprise Banking



Having joined People's Bank as a Management Trainee in 1994, Mr. Wickrama Narayana has amassed more than 29 years of experience in various aspects of banking such as Branch Banking, Corporate and Offshore Banking, as well as strategic planning. His expertise in SME lending with specialised focus on small business lending, project finance, entrepreneurship development, business revival and rehabilitation, spans over 12 years. At present, he leads Enterprise Banking in People's Bank, where he applies his expertise across Commercial Credit, SME, Development Finance, Microfinance, Project Finance and Rehabilitation.

Mr. Narayana obtained a Bachelor of Science Degree in Business Administration from the University of Sri Jayewardenepura, followed by an MBA in Banking and Finance from the Postgraduate Institute of Management University of Sri Jayewardenepura, and an MSc Degree in Management from the University of Sri Jayewardenepura. Additionally, he is a Fellow Member of the Institute of Bankers of Sri Lanka. Prior to his tenure at the Bank, Mr. Narayana served in various private sector manufacturing companies. He currently lectures at the University of Sri Jayewardenepura, the University of Colombo, the Institute of Bankers of Sri Lanka, and the Center for Banking Studies at the Central Bank of Sri Lanka (CBSL). Further he serves as a Director of Regional Development Bank (RDB) since January 2023.

Corporate Management

MS. NILMINI PREMALAL Deputy General Manager – Payment, Process Management and Quality Assurance



Ms. Nilmini Premalal, who functions as Deputy General Manager – Payment, Process Management and Quality Assurance, joined People's Bank in 2002 as a Management Trainee. She counts about 21 years of experience within the Bank, serving in the Finance & Management Accounting Department for over 18 years, and then moving in to the Strategic Planning, Performance Management and Research Department for a two-year period.

While serving as Deputy Head of Finance, Ms Premalal implemented several specialized contribution to the Bank's overall performance. As Assistant General Manager, she played a key role in creating and developing the Bank's strategic plan, covering the areas of Strategic Planning, performance Management, and Research Department.

Ms. Premalal holds a BSc Business Administration (Special) Degree with Second Class Upper Division from the University of Sri Jayawardenapura, and an MBA from the University of Kelaniya. She is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA), a Certified Management Accountant of Sri Lanka (FCMA), and an Associate Member of the Institute of Bankers of Sri Lanka (IBSL). She has also contributed her knowledge to the banking community through visiting lectures and evaluating examinations at the IBSL Sri Lanka. She is a member of the Association of Professional Bankers Sri Lanka and has partly completed the CIMA (UK). She is certified as Lean Master Green Belt by Institute of Lean Management (Pvt) Ltd.

Ms. Premalal currently serves as a Director on the Board of People's Micro Commerce Ltd, and she previously served as a Director on the Board of People's Merchant Bank and concurrently held the position of Chairman of the Board Audit Committee at People's Merchant Bank. She is currently serving as an Alternate Director of Institute of Bankers of Sri Lanka and Alternate Director of National Payment Council of Central Bank of Sri Lanka.

MR. T M W CHANDRAKUMARA Deputy General Manager – Channel Management



Mr. Chandrakumara commenced his career at People's Bank as a Management Trainee in 1994, accumulating more than 29 years of experience in the banking industry. He currently serves as the Deputy General Manager (Channel Management). During the course of his career, he has participated in various exposure

programmes, both locally as well as internationally, acquiring extensive knowledge in business banking management practices at various From 2018 to the end of 2020, Mr Chandrakumara held the position of Assistant General Manager (Banking Support Services), overseeing six departments: Supplies, Transport, Security, Maintenance Engineering, Building Engineering, and Desktop Publishing. During this period, he gained invaluable experience in procurement, construction and maintenance, stores and inventory control, in addition to transport and security procedures. From 2020 to 2023, he acted as Assistant General Manager (IT Administration and Business Support) and Assistant General Manager (Channel Management Department), where he gained significant exposure in implementing the 5S system to the Branch Network and CEFT operations. Mr Chandrakumara holds a Second- Class Upper Division Degree in BCom (Special) from the University of Kelaniya and an International Diploma in Supply Chain Management (International Trade Centre/WTO (UNCTAD), Geneva, Switzerland). He is an Associate Member of the Institute of Certified Management Accountants of Australia (CMA), a Licentiate of The Institute of Chartered Accountants of Sri Lanka (LICA), a member of the Accounting Technicians of Sri Lanka (MAAT), and the Institute of Bankers of Sri Lanka (AIB). Additionally, he is a Corporate Member of the Institute of Supplies and Materials Management of Sri Lanka (MISMM). Mr Chandrakumara has been in charge of the Service Delivery Channels, which includes 743 regulatory units of the Branch Network comprising ATMs, CDMs, CRMs, and KIOSKs since December 2022.

MS. SAMANTHI SENANAYAKE Deputy General Manager - Compliance



Ms. Samanthi Senanayake is a Legal Professional with 30 years of experience as an Attorney-at-Law. She also holds a Master of Law (LLM) from University of Delhi, India. In addition, she has successfully completed professional qualifications in Compliance Aspects and has been awarded with International Diploma in Compliance by the International Compliance Association in collaboration with University of Manchester.

Ms. Senanayake began her legal career as a Legal Intern at People's Bank and has since gained more than 3 decades of experience working as an Individual Practitioner and as a member of the Corporate Sector. She joined People's Bank in 2001 as an Assistant Law Officer and carried out her duties as a Law Officer for 9 years.

On 03 March 2009, Ms. Senanayake assumed the position of Compliance Officer of the Bank and she was subsequently promoted as the Deputy General Manager – Compliance on 28 April 2023.

Presently, Ms. Senanayake serves as the President of Association of Compliance Officers of Banks – Sri Lanka. She also holds the positions of Compliance Officer of the Bank to Credit Information Bureau of Sri Lanka (CRIB) and a member of the Information

Committee established under the Right to Information Act. She further acts as the Alternate Directress of CRIB and the Chairperson of the Advisory Committee of CRIB.

MS. SHAMEELA LOKU KALUGE Deputy General Manager – Treasury, Investment Banking and Financial Institutions



Ms. Shameela Loku Kaluge commenced her career with the Bank in 2002 as a Management Trainee, gaining over 21 years of experience in the Bank's Treasury Unit. She assumed duties as the Deputy General Manager – Treasury, Investment Banking, and Financial Institutions of the Bank in the year 2023, heading the Foreign Exchange operations, Money Market operations, Primary Dealer Unit (PDU) and Investment Banking Unit of the Bank, in addition to managing Bank's relationships with local and foreign commercial banks and financial institutions. During the period from 2011 to 2022, she deputised in several areas of the Treasury, including the PDU, where she has been overseeing the overall functions of the Treasury and PDU since 2017.

Ms. Loku Kaluge holds a Bachelor of Science Degree in Biological Science with a Second Class (Upper Division) from the University of Kelaniya, a Master of Science in Computer Science from the University of Colombo and a Master of Business Administration (Finance) with a distinction from Cardiff Metropolitan University, United Kingdom. Additionally, she holds a Diploma in Treasury, Investment, and Risk Management from the Institute of Bankers of Sri Lanka (IBSL). She has also achieved a distinction in the ACI Dealing Certificate – ACI, Financial Markets Association and is an Associate Member of the IBSL.

Ms. Loku Kaluge was appointed as a Director of the Association of Primary Dealers (APD) in 2017 and after serving as the Secretary of APD from 2020 to 2023, she currently holds the position of Vice President of the APD. She also serves as a member of the Sri Lanka Forex Association and the Association of Professional Bankers.

MR. NALAKA WIJAYAWARDANA Head of Marketing



Nalaka is a marketing specialist with over 30 years of experience in the banking sector in Sri Lanka and Canada. During his banking career, he has specialised in areas such as Strategic Marketing Planning, Brand Management, Corporate Image Building, Credit Card Marketing, and Business Banking Product Management

Prior to joining People's Bank, he held key positions such as Deputy General Manager - Marketing & Personal Banking at Pan Asia Banking Corporation, Chief Marketing Officer at Pan Asia Banking Corporation and Product Manager for Cash Management Services at Canadian Imperial Bank of Commerce (CIBC) in Toronto. He has also previously worked as a Senior Marketing Officer at Sampath Bank PLC. He is a Fellow of the Chartered Institute of Marketing (FCIM) UK.

MR. NALEEN PATHIRANAGE
Deputy General Manager - Retail Banking



Mr. Naleen Pathirana presently functions as the Deputy General Manager – Retail Banking of People's Bank. Prior to his appointment as the Deputy General Manager, he served as Assistant General Manager Liability Products in which capacity he oversaw key functions related to maintaining the Bank's deposit portfolio and expedition of liability products. Mr. Pathirana counts over 24 years of experience & deep-rooted knowledge in banking operations having served both state and private commercial banks and out of which his tenure in the People's Bank spans over 22 years where he joined the Bank as a Management Trainee in 2002.

At People's Bank, he has since served in multiple functional areas and disciplines in varying capacities covering Branch Banking and Products/Portfolio Management. He has over 05 years of experience as the Regional Manager in Matale and Gampaha region where he contributed immensely to the business propulsion of the Bank innovatively and productively. As the Assistant General Manager – Retail Banking, he played a pivotal role in shaping the Bank's overall deposit portfolio through various deposit mobilization campaigns and more notably helping it navigate through the deposit exigencies of the Bank.

Mr. Pathirana holds a BSc Honors degree with a second class upper division from the University of Colombo and MBA (Marketing) from the University of Bedfordshire, UK. He is an Associate Member of Institute of Bankers of Sri Lanka.

With extensive training / exposure gained on the subject matter of his specialty, Mr. Pathirana makes special contribution as a Trainer cum Motivator/ Resource Person to the Bank in various training programs to formulate proactive and dynamic business promotional work force for the bank.

MS. THUSHARI HEWAWASAM
Deputy General Manager - International Banking



Thushari Hewawasam presently serves as the Head of the International Banking Division at People's Bank. Commencing her career as a Management Trainee with the bank in 2002, she has amassed over 21 years of extensive experience across diverse banking domains, including Credit, Branch Banking, Corporate Banking, and International Banking. Her specialized proficiency in Corporate and Business lending spans two decades.

Thushari Hewawasam holds a Bachelor of Science Special Degree in Agriculture with second upper class honours from the University of Peradeniya and has furthered her education with an MBA from the Open University of Sri Lanka. Additionally, she is recognized as an Associate Member of the Institute of Bankers of Sri Lanka. Demonstrating her commitment to continuous professional development, she holds esteemed memberships, including being an Associate member of the Chartered Institute of Management Accountants (CIMA) (UK) and an Associate member of the Chartered Global Management Accountants (CGMA) (UK).

Ms. Hewawasam's professional affiliations extend to key roles in prestigious associations. She serves as a council member of the Association of Professional Bankers and holds a position on the banking committee of the International Chamber of Commerce Sri Lanka, showcasing her active involvement in the professional banking community.

MR. ANURA PERERA
Deputy General Manager – Risk Management



Mr. Anura Perera currently serves as the Deputy General Manager - Risk Management of the Bank. Having joined the Bank in 1991, before his appointment as the DGM-Risk Management, he held managerial roles including Manager – Treasury Operations, Senior Manager – Risk Management, Regional Manager, and Assistant General Manager – Risk Management & Credit Control. In a career spanning more than 33 years, Mr. Anura Perera has gained extensive exposure and experience in Branch Banking, Treasury Operations, Risk Management, and Credit Control. In academia, he holds a Bachelor of Business Management degree from the University of Kelaniya and a Master of Business Studies from the University of Colombo. Professionally, he possesses an ACI-Operations Certificate with a distinction pass from the Financial Markets Association-Paris, and he is an Associate Member of the Institute of Bankers of Sri Lanka.

Furthermore, Mr. Anura Perera serves as an Executive Committee Member of the Association of Banking Sector Risk Professionals and as a Member of the Sri Lanka Forex Association and the Association of Professional Bankers (APB) Sri Lanka.

MR. A.U.A. ANZAR
Deputy General Manager – Recoveries



Mr. Ahamed Anzar commenced his career with the Bank in 1993 as a Staff Assistant, gaining over 30 years of experience in the field of Branch banking, Regional management, Marketing, Channel management, Credit Review and Recoveries. He has displayed commendable skills in Channel Management and Marketing as well.

Mr. Anzar holds a Bachelor of Science Degree in Physical Science with a First Class Honors from the Eastern University of Sri Lanka and also is an Associate Member of Institute of Bankers of Sri Lanka. Further he functioned as an Assistant Lecturer of University of Kelaniya and University of Peradeniya before joining the Bank. He also participated as Guest Lecturer of South Eastern University of Sri Lanka for the Final year students on Banking and Finance. In addition to the above he has undergone many overseas exposure programs in India, Japan, Malaysia and UAE.

Executive Management



Front Row Left to Right

Mr. Yasas Rajapakse, Mr. Manjula Dissanayake, Mr. L U L Alwis, Mr. Mangala Kariyawasam, Mr. Anura Dissanayake, Ms. Dhammika Dasanayake, Mr. Prasad Ariyawanse

Back Row Left to Right

Mr. E P A Sisira Kumara, Mr. Rohan Perera, Mr. G H U S Gunarathne, Ms. Vinitha Ebenezer, Ms. Gayathri Jayasena, Mr. I K Indika, Mr. Shantha Gangabadage, Ms. Deepika Premadasa



Front Row Left to Right

Ms. Aruni Liyanagunawardana, Mr. Jayanath Dias, Mr. Saman Samarakoon, Mr. R Ravikaran, Ms. Virajini Munasinghe, Mr. Nalin Perera, Ms. Nilanthi Rubasinghe

Back Row Left to Right

Mr. T G S P Kumarasiri, Mr. Chaminda Ihalakorala, Ms. Indumini Rathnayake, Ms. Sadhana Perera, Ms. Trimalie Fernando, Mr. D M D Dissanayake, Mr. Lasantha Thenuwara

Chief Managers



Mr. N K Wimalasiri

Regional Manager
Galle R.H.O.



Mr. S L M A S Samarathunga

Regional Manager
Colombo Outer R.H.O



Ms. K Subasinghe

Chief Manager
Corporate & Inst. Banking.



Mr. D M Kapila

Chief Manager
Credit Recoveries



Mr. A Jayaasith

Regional Manager
Wanni R.H.O.



Mr. Prasad Marasinghe

Chief Manager
People's Card Centre



Ms. S M Deepadu Kumari

Senior Law Officer
Anuradhapura R.H.O.



Ms. Yamuna Athauda

Senior Law Officer
Gampaha R.H.O.



Ms. Rose Kumari Fernando

Senior Law Officer
Legal



Ms. Vindya Abeyratne

Chief Manager
Corporate & Inst. Banking



Mr. Kirthi Gunawardena

Chief Manager
Engineering Services
Maintenance



Mr. G R S Kodagoda

Regional Manager
Gampaha R.H.O.



Ms. V Kanagasabai

Regional Manager
Trincomalee R.H.O.



Ms. Renuka Arunasalam

Chief Manager
Overseas Customer Services



Mr. N Sriskantha

Chief Manager
Centralized Back Office



Ms. Piyaseeli Wanaguru

Chief Manager
Internal Audit



Ms. A M V D L Adhikari

Regional Manager
Kegalle R.H.O.



Mr. R L J Peiris

Regional Manager
Kurunegala R.H.O.

Chief Managers



Ms. Nadika Nissanka

Chief Manager
Commercial Credit



Mr. K Kodeeswaran

Regional Manager
Jaffna R.H.O.



Mr. H D Gunarathna

Regional Manager
Nuwara-Eliya R.H.O.



Mr. H M U H Herath

Regional Manager
Ratnapura R.H.O.



Mr. Madhawa Kanakka Hewage

Chief Manager
Supplies & Stores



Mr. Buddhika Ranathungage

Regional Manager
Colombo South R.H.O.



Ms. D E H Weerasuriya

Chief Dealer
Treasury



Ms. D S Lawrence

Senior Law Officer
Colombo North R.H.O.



Ms. A Deepthi R Mendis

Senior Law Officer
Corporate & Inst. Banking



Mr. Janath Jayawardene

Senior Law Officer
Colombo Outer R.H.O.



Ms. Vishaka Subasinghe

Senior Law Officer
Legal



Mr. Tharindu Nirushan De Silva

Chief Manager
IT Infrastructure & Operations
Information Technology



**Ms. L Pradeepa Nilmini
Gunawardhana**

Chief Manager
Development & Micro Finance



Ms. Dulani Buddhika

Chief Manager
Compliance



Mr. D S P N Rathnayaka

Regional Manager
Matara R.H.O.



Ms. K A A S Peiris

Regional Manager
Polonnaruwa R.H.O.



Mr. Mohamed Ruwais

Chief Manager
Internal Audit



Ms. Nalika Liyanage

Regional Manager
Colombo Outer R.H.O.

Chief Managers



Ms. Vinodika Peiris

Chief Manager
Risk Management & Credit Control



Ms. G A Amalka Ranasinghe

Chief Manager
Human Resources



Mr. Nalin Potthewela

Regional Manager
Kandy R.H.O.



Mr. S M A R Senanayake

Chief Manager
Corporate & Inst. Banking



Mr. Nishada Gunathilaka

Regional Manager
Moneragala R.H.O.



Ms. Manjula Amarasiri

Regional Manager
Ampara R.H.O.



Mr. Nishantha Arohana

Regional Manager
Hambanthota R.H.O.



Mr. Asitha Dhanawalawithana

Regional Manager
Anuradhapura R.H.O.



Ms. Varuni Perera

Chief Manager
GM's Department



Ms. Priyanka Rathnasiri

Regional Manager
Badulla R.H.O.



Mr. N Arudselvan

Regional Manager
Batticaloa R.H.O.



Mr. Rajeev Karunanayake

Regional Manager
Puttalam R.H.O.



Mr. K Chandrakumar

Regional Manager
Matale R.H.O.



Ms. Monica Suriyapperuma

Regional Manager
Kalutara R.H.O.



Mr. Tissa Tennakoon

Chief Manager
Risk Management & Credit Control



Ms. Ranila Samarawickrema

Chief Manager
Strategic Planning & Performance
Management



Ms. S M Disna Nandanie

Chief Manager
Internal Audit



Ms. Champa Siriweera

Chief Manager
Information Technology

Chief Managers



Mr. A A S Senavirathna

Chief Manager
Internal Audit



Ms. D M T S Dissanayake

Chief Manager
Corporate & Inst. Banking



Ms. W M Amitha Sanjeewani

Regional Manager
Colombo North R.H.O.



Ms. Chandima Induruwa

Senior Law Officer
Legal



Ms. Ruvini Dassanayake

Senior Law Officer
Puttalam R.H.O.



Ms. S A W Samaraweera

Senior Law Officer
Legal



Mr. Wipula Ihalage

Chief Security Superintendent
Security Dept.



Ms. Nadeesha Fernando

Assistant Chief Internal Auditor
Internal Audit



PEOPLE'S PULSE

People's Bank's identity is woven with strength, care, and an unyielding spirit, as it has stood alongside diverse generations through both triumphs and tribulations.

STRATEGY & VALUE CREATION

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Capital Balances | **66** Commitment to Sustainability

Operating Environment

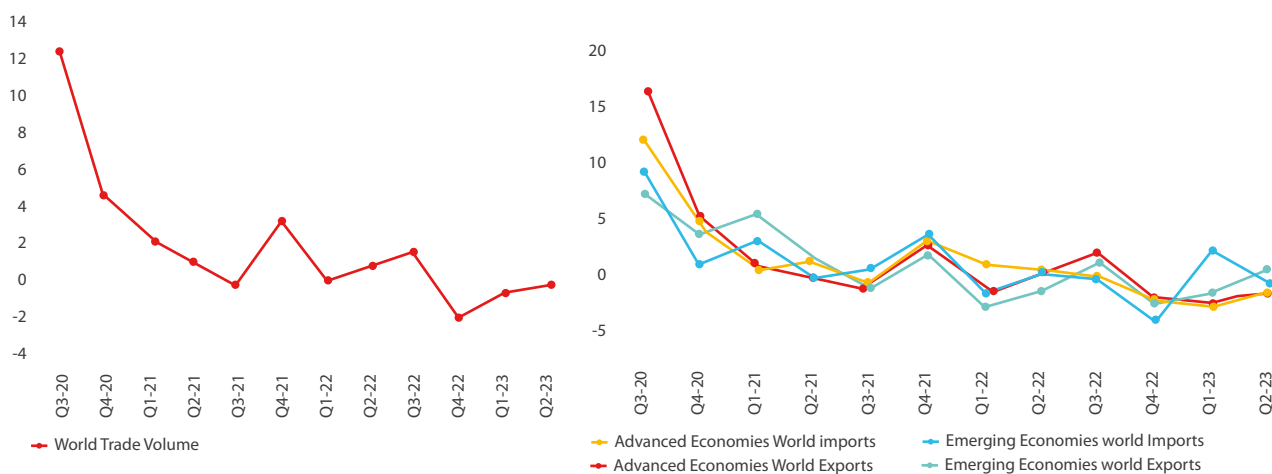
GLOBAL ECONOMY

In 2023, global economic growth faced significant headwinds, with projections from the International Monetary Fund (IMF) indicating a decline from 3.5% in 2022 to 3.0%. This slowdown can be attributed to a multitude of factors, including the lingering effects of the COVID-19 pandemic, ongoing conflicts in regions like Ukraine and the Middle East, as well as monetary and fiscal policy changes implemented by governments

worldwide. Additionally, the impact of climate change events has further suppressed global economic recovery efforts. Despite the lifting of pandemic restrictions globally, the manufacturing sector continued to contract, leading to cutbacks in staff and production by manufacturers. Furthermore, the pace of global trade recovery remained sluggish. The sluggish recovery in demand is largely attributed to persistent inflation, particularly notable in major economies such as the United

States and the European Union, which has consequently diminished consumer spending capacities. Moreover, global commodity prices experienced a decline throughout 2023, with expectations for further decreases in 2024 and 2025 driven by weak global growth. Despite the downward trend, prices are anticipated to remain above pre-pandemic levels, signalling ongoing economic challenges on a global scale.

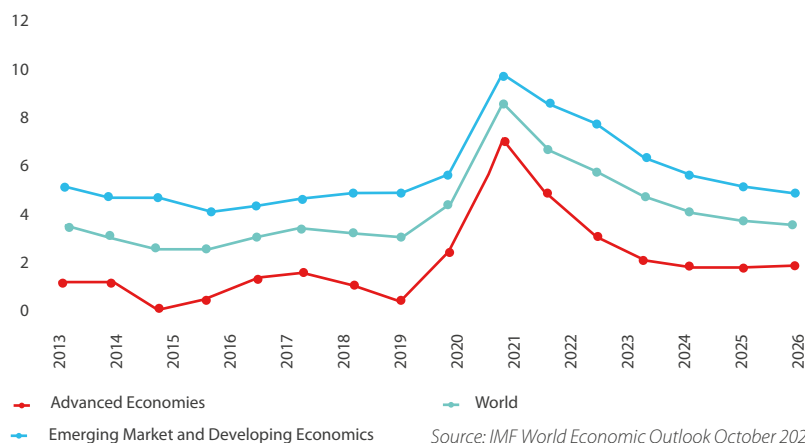
Global economy (%)



Source: CPB World Trade Monitor

The recent trend of declining headline inflation levels signifies a positive trajectory for economic recovery, supported by ongoing reorientations within global supply chains and improvements in global financial conditions. The reduction in inflationary pressures can be attributed to the decreased demand, leading to a decline in the prices of energy and food commodities. This decline in prices has contributed to the overall moderation in headline inflation, with forecasts indicating a decrease from 8.7% in 2022 to 6.9% in 2023. As supply chains undergo re-establishment amidst recovering demand, there's an optimistic outlook for sustained economic progress. However, the looming risk of extended conflict in the Middle East poses a potential threat to these gains, potentially disrupting supply chains and leading to unforeseen economic challenges in 2024. Vigilance and proactive measures will be crucial in navigating such risks and ensuring continued economic stability and growth.

Global Information



Source: IMF World Economic Outlook October 2023

prolonged impact of COVID-19-related economic losses, external uncertainties, and reduced domestic demand exacerbated by high inflation and interest rates. However, amidst these challenges, significant positive developments emerged. The approval of the IMF's Extended Fund Facility in March 2023 instilled newfound confidence in the economy, signaling a potential path towards stabilization and recovery. Furthermore, with the successful

completion of the Domestic Debt Optimization (DDO) program, Sri Lanka witnessed positive international recognition. Fitch Ratings responded by upgrading Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) to 'CCC-', reflecting improved prospects, while S&P Global Ratings raised the country's Long-Term Local Currency sovereign credit rating to 'CCC+' with a "stable" outlook, indicating enhanced creditworthiness. These upgrades

not only validate the government's efforts towards economic reform but also provide a more favorable environment for attracting investments and fostering sustainable growth in the coming years.

RATE OF INFLATION

In 2023, the Sri Lankan economy successfully contained the unprecedented inflation levels witnessed in 2022, with inflation being managed to single-digit levels. This achievement was primarily attributed to the implementation of tight monetary policy measures, the appreciation of the rupee against foreign currencies, and a decline in global commodity prices. These factors collectively contributed to stabilizing consumer prices and curbing inflationary pressures within the economy. Despite these efforts, challenges persist, particularly in the form of potential upward pressure on consumer prices due to Value Added Tax (VAT) adjustments and extreme weather events. While the Central Bank of Sri Lanka targets inflation at 5%, the impact of VAT adjustments and unpredictable weather patterns can pose challenges in maintaining inflation within the desired range. Vigilant monitoring and proactive policy measures will be essential to navigate these potential inflationary risks and sustain the achievements made in stabilizing inflation levels.

UNEMPLOYMENT

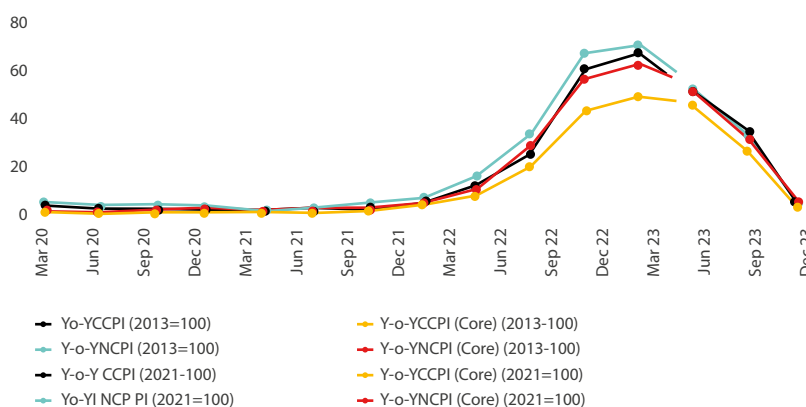
The reported worsening of the unemployment rate in the second quarter of 2023 has had profound implications on various aspects of the Sri Lankan economy. The rise in unemployment has led to increased household poverty levels as families struggle to secure stable sources of income. With lower disposable incomes at their disposal, households are constrained in their spending capacities, thereby impeding the recovery of market demand. Moreover, the heightened level of unemployment poses significant challenges to businesses, increasing credit risk as individuals struggle to meet their financial obligations. This confluence of factors underscores the interconnectedness of unemployment with broader economic indicators and highlights the urgent need for targeted interventions to address unemployment and its associated socio-economic repercussions. Efforts to stimulate job creation, enhance workforce skills, and support vulnerable households are critical in mitigating the adverse effects of unemployment and fostering sustainable economic recovery in Sri Lanka.

Quarterly GDP Growth (%)



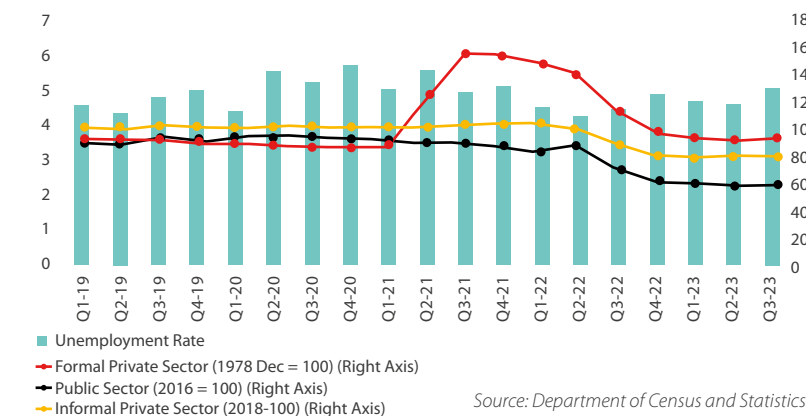
Source: Department of Census and Statistics

Inflation (%)



Source: Department of Census and Statistics

Unemployment Rate and Real Wage Rate Indices



Source: Department of Census and Statistics

Operating Environment

INTEREST RATES

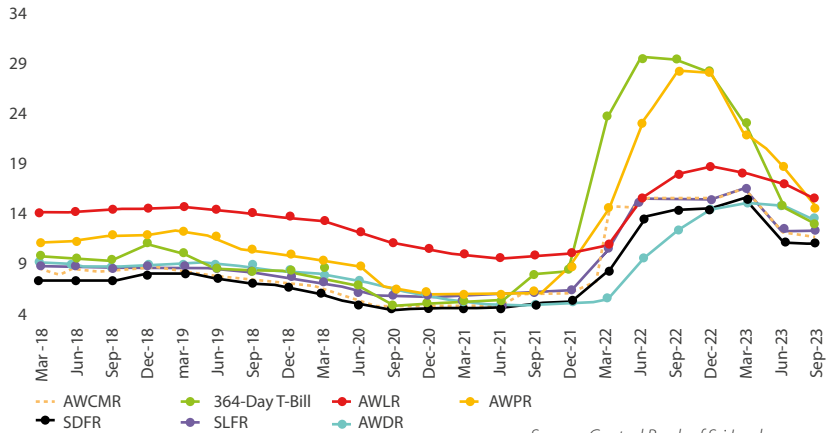
In June 2023 and onwards, market interest rates in Sri Lanka have been undergoing adjustments in response to several key factors. Firstly, the declining inflation rate has prompted a reevaluation of interest rates, with lenders adjusting their rates to reflect the reduced cost of borrowing. Additionally, the gradual decline in government security yields, attributed to the success of the Domestic Debt Optimization (DDO) program, has contributed to a reduction in risk premia associated with lending activities. Furthermore, the Central Bank's decision to reduce its policy rate from June 2023 onwards has exerted downward pressure on market interest rates. As a result of these combined factors, indicators such as the Average Weighted Deposit Rate (AWDR), Average Weighted Lending Rate (AWLR), and Average Weighted Prime Lending Rate (AWPR) have been declining, albeit at varying paces. This trend signifies a favorable environment for borrowers, as lower interest rates facilitate access to credit and stimulate economic activity. Additionally, it reflects the Central Bank's efforts to support economic recovery and stability through accommodative monetary policy measures. Continued monitoring of market interest rates will be essential to gauge the effectiveness of these policies in promoting sustainable economic growth and financial stability in Sri Lanka.

Following policy rate reductions in June 2023 onwards, yields from Government securities declined substantially and market interest rates also commenced a gradual decline.

FOREIGN EXCHANGE

In the first ten months of 2023, the domestic foreign exchange market in Sri Lanka showed significant improvement, marked by a notable appreciation of the Sri Lankan Rupee against the US Dollar by 10.9%. This positive trend stood in stark contrast to the sharp depreciation of 44.8% witnessed in the previous year. The turnaround can be attributed to several factors, including efforts to address the foreign exchange liquidity shortage that caused the drastic depreciation in 2022. Throughout 2023, measures were gradually implemented to bring the liquidity shortage under control, leading to a gradual appreciation of the rupee. However, in the third quarter of the year, the relaxation of import restrictions and the requirement for foreign currency to exchange Sri Lanka Development Bonds under the Domestic Debt Optimization (DDO) program temporarily reversed this

Market Interest Rates



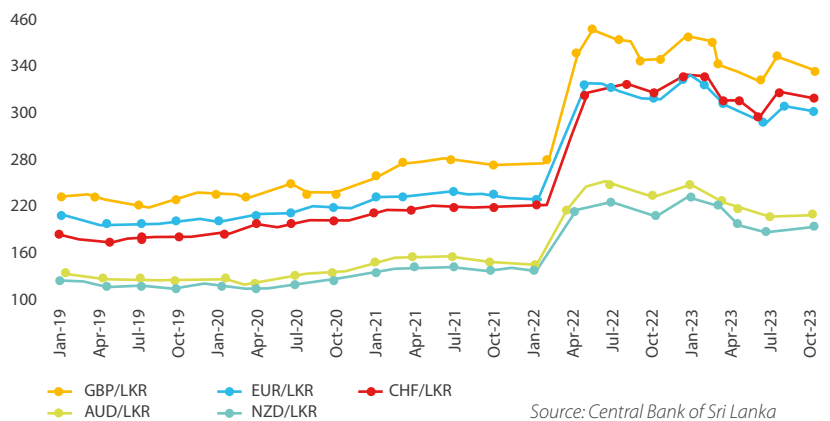
Source: Central Bank of Sri Lanka

appreciation trend, causing the rupee to depreciate once again.

Despite this setback, the overall foreign exchange liquidity situation improved over the course of 2023, primarily due to several supportive factors. These included the implementation of the IMF program,

budgetary support from institutions such as the Asian Development Bank and World Bank, increased inward remittances, export proceeds, and earnings from tourism. These measures helped to bolster foreign exchange reserves and stabilize the domestic foreign exchange market, mitigating the impact of external shocks and uncertainties.

Movement of the Rupee against Selected Currencies



Source: Central Bank of Sri Lanka

SRI LANKAN BANKING SECTOR

The banking sector, which experienced multiple challenges following the economic crisis, continued to face a turbulent environment in 2023. Although the IMF's program has enhanced confidence, the uncertainties about the sovereign debt restructuring process and the results of the bank diagnostics exercise raised some concerns on the sector. However, data indicates that the trough of the credit cycle

had passed, and the cycle has entered the recovery phase that will lead to sector stabilization.

The banking sector Asset Base expanded from LKR 19.4 Tn in 2022 to LKR 20.4 Tn as at end-2023, reflecting an improvement of 5.1% year-on-year bolstered by investments in short term financial instruments. Total investments in government securities by the banking sector stood at LKR 5.3 trillion By the end of



The growth in Stage 3 loans has been decelerating since June 2023 with the expansion in loans and receivables, indicating a stabilisation of credit risk in the banking sector.

November 2023, an increase of over 200% compared to the corresponding period in 2022

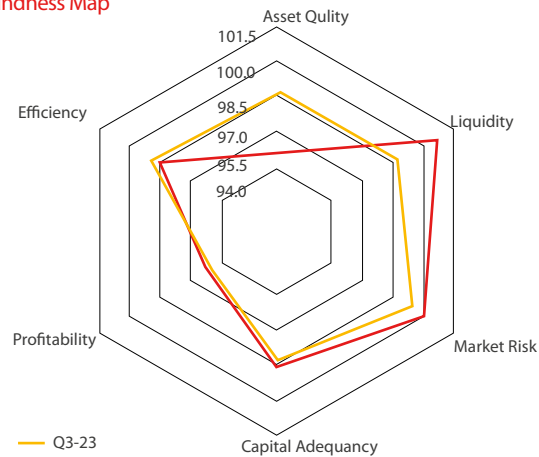
The loans and receivables of the banking sector contracted by 2.8% during the year ending December 2023, amidst the tight monetary policy stance that was in place until June 2023 and gradual increase in credit was witnessed during the second half of 2023 with the easing of policy interest rates by the Central Bank while the NPL ratio remained at an elevated level of 12.8% at the end of December 2023 compared to the corresponding period of the previous year.

The growth in Stage 3 loans has been decelerating since June 2023 with the expansion in loans and receivables, indicating a stabilisation of credit risk in the banking sector.

PROFITABILITY

In the first nine months of 2023, the banking sector in Sri Lanka witnessed a notable increase in profitability, with the Profit After Tax (PAT) of the sector soaring by 68.7% to reach LKR 144.3 Bn by the end of September 2023, compared to LKR 85.5 Bn recorded in the same period of the previous year. The primary driver behind this remarkable surge in profits was the decline in new impairment allocation by banks, signaling improved asset quality and risk management practices within the sector. Notably, several banks, including

Banking Soundness Map



* Deviation from the centre indicates a positive impact to the banking system stability.

Source: Central Bank of Sri Lanka

two Domestic Systemically Important Banks (D-SIBs), reported a decline in profits during this nine-month period, suggesting varying performances across the sector. Furthermore, banks significantly reduced the charging of new impairments for loans, receivables, and other financial assets during this period compared to the previous year. This strategic move reflects efforts by banks to mitigate potential credit risks and enhance overall profitability amid evolving market dynamics

and economic uncertainties. The overall uptick in banking sector profitability underscores resilience and adaptability within the sector, as banks navigate challenges and capitalize on opportunities to drive sustainable growth and financial stability in Sri Lanka. Continued focus on prudent risk management, innovation, and customer-centric strategies will be essential for sustaining and further enhancing profitability in the banking sector in the coming months.

PAT By Bank Group



Source: Central Bank of Sri Lanka

Operating Environment

INTEREST RATE RISK

Interest rate risk of the banking sector declined by end September 2023, compared to the same period of 2022. The banking sector's interest-bearing liabilities up to 6 months as a share of the total, increased to 75.1% by end Q3 of 2023, compared to 68.6% in 2022. Simultaneously, interest-bearing assets between 6 to 12 months increased to 33.7% of total interest bearing assets by end Q3 of 2023, compared to 26% in 2022. This development will benefit banks, as most interest-bearing liabilities may be repriced in the near term, while larger amounts of interest-bearing assets may be repriced in a comparatively longer term.

ROE, ROA AND NIM

The banking sector reported improvements to Return on Equity after tax (ROE) and Return on Assets before tax (ROA) due to increased profits. However, the Net Interest Margin (NIM) deteriorated to 3.6 per cent by September 2023, compared to 4.1 per cent by the corresponding period of 2022 due to the decline in Net Interest Income. The ROE of the banking sector improved to 11.2% in September 2023, compared to 8% in September 2022. ROA of the banking sector followed a similar trend to ROE, increasing to 1.5 per cent by September 2023 from 0.9 per cent by the corresponding period of the previous year

CAR

The Capital Adequacy Ratio (CAR) of the banking sector improved considerably by end Q3 of 2023, compared to the corresponding period of the previous year, mainly due to the contraction of Risk Weighted Assets (RWA) of the sector. The sector CAR improved to 16.4% by end September 2023, from 15.3% in the corresponding period in 2022. The regulatory capital of the sector increased marginally by 1.8% y-o-y, also contributing to the increase of the CAR by the end of Q3 of 2023. However, the sector recorded a decline in CAR during Q3 of 2023 as RWA increased, reflecting the credit expansion during the quarter.

Banking sector vs People's Bank's revenues and profitability

LKR Mn	2023 Q3	2023 Q4	2022	
	Banking Sector	People's Bank	Banking Sector	People's Bank
Total Income	2,143,569	422,242	2,359,928	357,229
Interest Income	1,989,156	394,795	2,079,368	321,936
Operating Expenses	272,193	50,703	323,994	47,342
Impairment for Loans & Other Losses	111,048	7,438	468,836	33,346
Profit Before VAT & Taxes	291,237	22,664	238,543	29,534
Profit Before Corporate Taxes	223,818	15,345	177,798	21,338
Profits After Corporate Tax	146,385	10,083	153,758	17,192

LOOKING TO THE FUTURE

In 2024, the International Monetary Fund (IMF) projects a further decline in global economic growth to 2.9%, down from 3.0% in 2023. This decline is attributed to various factors, including ongoing conflicts in regions like the Middle East, particularly the Gaza region. The war in the Middle East poses a significant risk to global economic stability, as escalated tensions could lead to surges in oil and gas prices, elevated production and transportation costs, and ultimately exert upward pressure on global inflation.

Despite these global challenges, Sri Lanka presents a more optimistic outlook. The country has experienced some positive developments that are expected to contribute to economic stability and growth. One significant factor is the Debt Deferral Order (DDO), which has reduced yields and eased the pressure on the government's cash flow requirements. This reduction in yields has also partially corrected imbalances in interest rates.

Negotiations with international creditors, such as the Paris Club and the Official Creditor Committee (OCC), as well as agreements with entities like the Exim Bank of China, are expected to address interest rate imbalances further. The anticipated conclusion of the External Debt Restructuring (EDR) is also expected to enhance economic stability by managing debt obligations more effectively.

Moreover, improvements in government revenue administration, facilitated by the new Central Bank of Sri Lanka Act implemented in September 2023, are expected to contribute positively to economic stability. The act restricts monetary financing, promoting fiscal discipline and reducing the risk of inflationary pressures.

Monetary policy easing initiated since mid-2023 is expected to stimulate domestic demand and economic activity in Sri Lanka. This rebound in economic activity is likely to improve income levels and alleviate pressure on households and firms. Additionally, targeted efforts to stabilize domestic inflation

at around 5% in the medium term will enhance purchasing power and improve debt repayment capacities, supporting further economic recovery in 2024.

Overall, while global economic challenges persist, Sri Lanka's proactive measures, policy reforms, and improvements in debt management and revenue administration offer a more optimistic outlook for economic stability and growth in the coming year. Continued efforts in these areas will be essential for sustaining the momentum of recovery and fostering resilience against external shocks.

APPROACH TO STAKEHOLDER ENGAGEMENT: IDENTIFYING STAKEHOLDERS

GRI 2-29

As a Government owned Bank, People's Bank must be clearly differentiated from other private commercial banks in the country due to its statutory obligations and responsibilities to the public of Sri Lanka, as a public asset. Although a commercial entity, unlike privately owned banks, People's Bank does not seek to operate solely under a profit motive. The Bank considers it a high priority to ensure public welfare through its core business activity of banking services, in addition to any further CSR initiatives.

Therefore, the process of identifying and prioritising the Bank's key stakeholders was primarily based on:

1. The People's Bank Act which stipulates the ownership, objectives and scope of activities of the Bank

2. Regulatory and compliance requirements to ensure continued operating licences
3. The Bank's strategic business objectives and obligations to the public of Sri Lanka as a Government Bank

PRIORITIZING STAKEHOLDERS

As the one of the largest Bank in the country, People's Bank engages with wide ranging and diverse stakeholders on a daily basis for short-term, as well as long-standing engagements and for regulatory purposes, located both within the country and in foreign countries. Therefore, in addition to identifying distinct stakeholder groups, the Bank also prioritizes its diverse stakeholder groups to identify key stakeholder groups to ensure alignment of correct responses and engagement strategies with each Group. Stakeholders are ranked according to the level of influence they have on the operations of the Bank and the Bank's influence over each group which also

influences the method and frequency of communications and engagement with each group.

Whatever the level of importance of each stakeholder group, the Bank ensures professional, ethical and transparent communications with each, through continuous employee training and assessment of service standards at its branches spread across the country.

A significant change in how the Bank engages with its stakeholders has occurred within the recent years, due to the rapid digitalization of the Bank's communications, marketing and customer interactions. The Bank has pre-empted this change through training for all its cadre and new recruits on external communications protocols, correct online etiquette and publishing guidelines, particularly with regards to the Bank's social media platforms and electronic communications.



Stakeholder Engagement

Key stakeholder categories, purpose and approach to engagement GRI 2-29, 207-3

Categories of stakeholders	Purpose of the stakeholder engagement	How we seek to ensure meaningful engagement
The Government (Ministry of Finance) <ul style="list-style-type: none"> Primary shareholder owning 92.27% of shares 	<ul style="list-style-type: none"> Align Bank strategies/ activities to support government development and poverty alleviation policies Communicate the Bank's progress/status to the Ministry of Finance Ensure taxes and levy Safeguard Government/public investment in the Bank 	<p>Support government poverty alleviation programs by acting as a medium to:</p> <ul style="list-style-type: none"> channel concessionary credit from the Government to micro and SMEs disburse funds under the Aswasuma program disburse pensions and government employees salaries Supply credit to the Government Support SOEs <p>In addition, the Bank ensures meaning engagement with the Government by</p> <ul style="list-style-type: none"> submitting copies of audited financials and annual report to the Ministry of Finance for review of the Bank's performance. Meet and communicate with the Ministry of Finance as and when required
Other shareholders <ul style="list-style-type: none"> Cooperative societies owning 7.73% of shares 	<p>The People's Bank Act requires that the Bank supports the development of the cooperative sector. Therefore, the Bank engages with this sector to fulfil its obligations and to protect the Bank's market share among the cooperative sector.</p>	<p>Support Cooperative sector via SME and Micro Finance departments of the Bank in the areas of financing, advising etc.</p> <p>Communicate with the representative Director in the Board and keep him informed on all the aspects of the Bank.</p> <p>Communicate with Cooperative representatives as and when required.</p>
Regulators <ul style="list-style-type: none"> Central Bank of Sri Lanka 	<ul style="list-style-type: none"> Ensure full compliance with all regulations and directives Channel concessionary funding to SMEs and micro enterprises Manage reputational risk 	<ul style="list-style-type: none"> The Bank engaged with the Central Bank and other regulators by submitting all statutory reports on time and having continuous dialogs. All statutory payments were made on time Ensuring sustainable performance
Customers <ul style="list-style-type: none"> SOEs Corporates SMEs Entrepreneurs Individuals Migrant workers 	<p>The primary purpose of engagement with different categories of customers is to expand the Bank's market share, expand deposits, and increase profits.</p> <p>However, as a Government Bank, People's Bank has the additional responsibility of supporting the development of local businesses, entrepreneurs, families and individuals.</p>	<p>The Bank has separate strategies to engage with different customer groups.</p> <p>In 2023, the Bank focussed on deposit campaigns and canvassing corporate clients.</p> <p>Ensuring privacy and cybersecurity.</p> <p>Positive relationships with high quality service while maintaining convenience and accessibility.</p> <p>Ensuring financial stability and compliance.</p> <p>Ensure customer health and safety.</p>

Categories of stakeholders	Purpose of the stakeholder engagement	How we seek to ensure meaningful engagement
Employees	<p>The Bank has a large, island wide workforce comprising all ethnic groups. The primary purpose of engagement is to align this widespread and diverse workforce with the Bank's strategic direction.</p> <p>Other objectives of engagement include:</p> <ul style="list-style-type: none"> managing reputational risk by maintaining service standards managing other risks, including credit and liquidity risk through regular communication of policies and limits. 	<p>We ensured meaningful engagement through targeted training programs, meetings, continuous evaluations, and regular bottom-up communications.</p> <p>Bank ensure the wellbeing of the staff by ensuring health and safety.</p> <p>Providing incentives and benefits, transparent, fair, and attractive remuneration, identifying talent pipeline.</p> <p>Ensure diversity and inclusion.</p>
Trade Unions <ul style="list-style-type: none"> The Bank has 6 trade unions 	The primary purpose of engagement is to prevent industrial disputes and trade union actions that would disrupt the Bank's operations.	In 2023, the Bank ensured meaningful engagement by conducting regular meetings with trade union representatives.
Suppliers	The objective of engagement is to ensure regular supplies of products and services required to ensure uninterrupted and high quality products and services.	In 2023, the Bank ensured meaning engagement with suppliers by discussions and negotiations.
Communities/public	<p>As a Government Bank, People's Bank has an obligation to the public of Sri Lanka.</p> <p>The primary purpose of engagement is to maintain the Bank's image and reputation as a public asset. In addition, the Bank also engages with the public for CSR programs.</p>	<p>In 2023, the Bank supported the public of Sri Lanka by disbursing funds for the Aswasuma programme and continued to disburse pensions and salaries.</p> <p>The Bank also conducted many CSR events for underserved communities and children mainly under "Mahajana Mehewara" program.</p>

Value delivered to our stakeholders 2022 vs 2023

Stakeholder Group	Value created	2022	2023
Investors	Return on equity	12.2%	6.6%
	Earning per share	LKR 17,192	LKR 10,083
	Net Asset Value per Share	LKR 145,294	LKR 160,059
	Taxes	LKR 13.9 Bn	LKR 13.9 Bn
Customers	Total number of customers	Over 14.7 Mn	Over 15 Mn
	New customers onboarded	682,300	811,687
Employees	Training Cost	LKR 92.8 Mn	LKR 96.6 Mn
	Staff benefits	LKR 26.6 Bn	LKR 24.5 Bn
	Promotions	33	239
Suppliers	Payments to suppliers	LKR 15.9 Bn	LKR 21.4 Bn
	Supplier registration via	e-GP	e-GP
Community	Investment in CSR	LKR 38.2 Mn	LKR 40.7 Mn
	Number of pensioners served	7,507	7,440

Materiality



People’s Bank is currently aggressively attracting younger generations into its fold, to retain brand relevance and continue business expansion.

PROCESS TO DETERMINE MATERIAL TOPICS

GRI 3-1

In determining material topics, the Bank took into consideration the current and potential impacts on the economy, environment and society, in the process of executing its growth strategy, while also taking into consideration the requirements and aspirations of its stakeholders.

The main stakeholder’s that were considered in this exercise were:

- The Bank’s primary shareholder - the Government of Sri Lanka

- The minority shareholder - cooperative societies
- Existing and potential customers
- Local and foreign business partners
- Employees
- Trade unions



KEY CONSIDERATIONS IN SELECTING MATERIAL TOPICS FOR DISCLOSURE

People’s Bank’s legal mandate and national obligations	The Government’s economic and social policies	Strategic priorities of the Bank	Operating context of the Bank	Stakeholder feedback and expectations	Future sustainability of the Bank
People’s Bank is bound by an Act of Parliament that specifies the Bank’s responsibilities towards public welfare, which means the Bank cannot make decisions purely on a profit objective.	As a Government owned Bank, People’s Bank is required to support Government economic, social welfare and poverty alleviation policies, which results in higher operating costs but also a larger positive social impact .	People’s Bank has a Strategic plan with clearly defined strategic priorities of the Bank to sustain growth.	Due to People’s Bank’s responsibilities towards public welfare, the Bank is required to take on a greater burden with regards to facilitating economic recovery.	In addition to its obligations to the public, to survive in a highly competitive industry, People’s Bank must take into account the aspirations of its existing and potential customers in terms of service standards and technology, as well as other stakeholders, such as employees and business partners.	As a systemically important Bank, People’s Bank’s long term sustainability is vital for the economic stability of the entire country and for public welfare.

PRIORITIZING MATERIAL TOPICS

The Bank’s priorities were translated into a list of material topics. The Bank’s priorities were decided primarily based on the level of contribution towards the Bank’s long-term sustainability. Long term sustainability

of the Bank requires that the Bank remains competitive and stable, within a rapidly changing external environment and customer profile. Although one of the oldest banks in the country, People’s Bank is currently aggressively attracting younger generations into its fold, to

retain brand relevance and continue business expansion. This has required products and services, and technology systems that are on par with, or exceed.

List of material topics GRI 3-2, 3-3

Bank's priorities	Reasons for prioritizing the topic	Corresponding material topics	Sections to be referred	Management Approach
Good governance	<p>The primary reasons for prioritizing good governance are to:</p> <ul style="list-style-type: none"> • Enhance public benefits • Address corruption • Enhance profitability and assets • Facilitate customer privacy and data protection • Ensure compliance with all applicable regulations 	<ul style="list-style-type: none"> • GRI 205: Anti-corruption • GRI 206: Anti-competitive behaviour • GRI 418: Customer Privacy 	Human Capital (pages 103 to 113)	Ensure strict adherence to all relevant laws and regulations through the maintenance of a robust governance and oversight structure.
Financial stability	<p>The primary reasons for prioritizing financial stability are to:</p> <ul style="list-style-type: none"> • Address risk factors – stage 3 loans, liquidity, credit risk etc • Enhance profitability • Support economic recovery • Enhance direct and indirect economic impacts of the Bank • Enhance contribution to national exchequer 	<ul style="list-style-type: none"> • GRI 201: Economic Performance • GRI 203: Indirect Economic Impacts • GRI 207: Tax 	Head of Finance Review (pages 68 to 73), Business Line Reviews (pages 74 to 91), Risk Management Report (pages 144 to 173)	<p>Maximize revenue across all business sectors by capitalizing on market opportunities and implementing efficient cost control measures to enhance profitability. Strategically manage risks, fortify capital position, and bolster the Bank's balance sheet.</p> <p>Top of Form</p>
Digital leadership	<p>The primary reasons for prioritizing digitization are to:</p> <ul style="list-style-type: none"> • Reposition the People's Bank brand to attract youth and high net worth segments • Develop new and customized products • Enable real time transactions • Support real time/better decision making • Reduce/contain costs • Reduce wastage • Increase operational efficiency • Support good governance • Minimize corruption • Increase transparency • Minimize manual errors/mistakes • Increase customer convenience • Minimize environmental impacts 	<p>Please refer:</p> <ul style="list-style-type: none"> • GRI 417: Marketing and Labeling 	Manufactured Capital (pages 92 to 95), Intellectual capital (pages 96 to 102), Customer Capital (pages 114 to 119)	Committed to perpetual investment in digitalization to uphold our status as the nation's most digitally advanced Bank, thereby delivering enhanced value to our economy and stakeholders.
Brand visibility	<p>The primary reasons for prioritizing branding are to:</p> <ul style="list-style-type: none"> • Maintain brand relevance • Attract new customer segments • Maintain image and traditional reputation of the Bank for generating positive social impacts 	<ul style="list-style-type: none"> • GRI 417: Marketing and Labelling 	Customer Capital (pages 114 to 119)	Enhance brand visibility through digital leadership, innovation, robust governance, excellence in customer service, efficient customer relationship management, a prominent market presence, and steadfast stability.

Materiality

Bank's priorities	Reasons for prioritizing the topic	Corresponding material topics	Sections to be referred	Management Approach
Talent management	<p>The primary reasons for prioritizing talent are to:</p> <ul style="list-style-type: none"> Counter brain drain by retaining competencies needed to sustain growth Train employees to support digitization and growth plans Facilitate customer retention and growth 	<ul style="list-style-type: none"> GRI 401: Employment GRI 402: Labour/ Management Relations GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination 	Human Capital (pages 103 to 113)	Attract, retain, and nurture a top-performing team of employees to execute the strategic agenda of the Bank.
Employee mental wellbeing	<ul style="list-style-type: none"> Protect human assets. Ensure wellbeing. Work life balance 	<ul style="list-style-type: none"> GRI 401: Employment GRI 404: Training and Education GRI 406: Non-discrimination 	Human Capital (pages 103 to 113)	Provide employees with financial and nonfinancial benefits and facilitate them to talk to consultants directly on their day to day issues.
Customer experience	<ul style="list-style-type: none"> Deliver a compelling value proposition to customers. Facilitating a seamless transition to digital channels that offer an elevated customer experience 	<ul style="list-style-type: none"> GRI 418: Customer Privacy GRI 417: Marketing and Labeling GRI 411: Rights of Indigenous peoples 	<p>Manufactured Capital (pages 92 to 95), Intellectual Capital (pages 96 to 102), Customer Capital (pages 114 to 119).</p>	Provide customers with a compelling value proposition by embracing a customer-centric approach and facilitating a smooth transition to digital channels that enhance the customer experience.
Employee productivity	<ul style="list-style-type: none"> Essential to drive the Bank's strategic agenda and performance 	<ul style="list-style-type: none"> GRI 401: Employment 	Human Capital (pages 103 to 113)	Allocate resources to employee training, development, rewards, and recognition, fostering a highly engaged workforce.
Training and development	<ul style="list-style-type: none"> To implementing the strategic plan of the Bank to deliver an outstanding stakeholder experience 	<ul style="list-style-type: none"> GRI 404- Training and Education. 	Human Capital (pages 103 to 113)	Develop industry-leading capabilities and empower our employees to reach their full potential through investment in comprehensive training and development programs, along with the necessary infrastructure to support their implementation.
Integrity, transparency and accountability	<ul style="list-style-type: none"> Ethical society and confidence in the banking system among the general public. 	<ul style="list-style-type: none"> GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour. 	Human Capital (pages 103 to 113), Head of Finance Review (pages 68 to 73), Intellectual capital (pages 96 to 102), Risk Management Report (pages 114 to 173)	Foster a culture within the Bank that upholds rigorous ethical standards, compliance with the law, and moral integrity, ensuring employees maintain the highest level of conduct.
Need to reskill employees	<ul style="list-style-type: none"> To meet Gen Z customer needs To abreast with the latest technological trends and developments. 	<ul style="list-style-type: none"> GRI 404: Training and education 	Human Capital (pages 103 to 113)	Ensure staff undergo appropriate reskilling and encourage them to stay updated with the latest technologies to better assist customers.

Bank's priorities	Reasons for prioritizing the topic	Corresponding material topics	Sections to be referred	Management Approach
Responsible lending	<ul style="list-style-type: none"> Minimize the risk of stage 3 transfers which is high due to prevailing economic conditions. 		Customer Capital (pages 114 to 119)	While there is a need to promote financial inclusion we have to exercise caution in lending, concentrating on sectors that are less affected.
Risk Governance	<ul style="list-style-type: none"> Enhance the integrity, trust and stability of the Bank 		Risk Management Report (pages 144 to 173), Corporate Governance Report (pages 174 to 195)	While promoting financial inclusion is essential, we must exercise caution in lending, focusing on sectors that are less impacted.
Environmental impact	<ul style="list-style-type: none"> Sustainable, green environment through eco-friendly and sustainable business practices 	<ul style="list-style-type: none"> GRI 302: Energy GRI 303: water and Effluents GRI305: Emissions 	Natural Capital (pages 134 to 142)	Mitigate our carbon footprint by investing in eco-friendly infrastructure and renewable energy sources, while also factoring in environmental considerations when making financing and investment choices.
Socio economic impact	<ul style="list-style-type: none"> Aling with the National priority issues 	<ul style="list-style-type: none"> GRI 202: Market Presence GRI 203: Indirect Economic Impact GRI 413: Local Communities 	Community Capital (pages 129 to 133)	Address social disparities by supporting the socioeconomic development of local communities.
Health and safety	<ul style="list-style-type: none"> Ensure a safe and healthy banking environment that is secure, motivating and engaging 	<ul style="list-style-type: none"> GRI 403: Occupational Health and Safety GRI 416:Customer Health and Safety 	Customer Capital (pages 114 to 119)	Ensure the safety and well-being of our stakeholders by maintaining secure business premises and delivering products and services that meet stringent health and safety standards.
Supplier value creation	<ul style="list-style-type: none"> Minimise the risk of business disruptions due to a breakdown in the supply chain 	<ul style="list-style-type: none"> GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment 	Business Partner Capital (pages 120 to 124)	Strengthen long-term, mutually beneficial business partner relationships and create shared value



IMPLEMENTED ACROSS THREE DISTINCT TIME FRAMES

Short Term

Ensure the maintenance of profitability, liquidity and capital levels by implementing tactical adjustments, such as safeguarding asset quality and cost reductions.

Medium Term

Diversify into more fee based revenue streams which invest on more digitalized solutions to process improvements.

Long Term

Be the most customer sought after Bank with the industry best employee satisfaction level.

Our Strategy



People’s Bank’s sustainable development strategy is aimed at continually improving service standards, becoming more customer-centric and making the Bank future-ready, to enhance the Bank’s sustainability well into the future.

People’s Bank developed a Strategic Plan for 2022-2024 in the face of unprecedented macro challenges in 2022 which included liquidity limitations of both local and foreign currency, rapidly rising rates of inflation and market interest rates and also sporadic social unrest. Strategy formulation adopted a participatory

approach to enhance sustainability and involved the Corporate and Executive management members and other team members including selected Branch Managers covering all regions.

STATEMENT ON SUSTAINABLE DEVELOPMENT STRATEGY

GRI 2-22

As the country’s one of the largest public Bank, People’s Bank has a long tradition of facilitating and directly investing in social welfare and poverty alleviation. The Bank has not abandoned this core business philosophy in its current modernization drive. Therefore, People’s Bank’s sustainable development strategy is aimed at continually improving service standards, becoming more customer-centric and making the Bank future-ready, to enhance the Bank’s sustainability well into the future.

The Bank set four Big Hairy Aggressive Goals (BHAGs) to track its strategic progress over the 3-year strategy path. These are:

1. To become the primary Bank for 35% of our customers
2. Obtain highest net promoter score (NPS) among leading local competitors
3. Become the top Bank in the country for export and inward remittances
4. Win the Gold Award by Great Place to Work Sri Lanka (Extra Large Enterprise category)

Progress review mechanism

In 2023, the Bank extended strategic oversight and strategy administration into the second layer of each Department, with these personnel also attending Strategic Progress Review meetings, in addition to the Key Management Personnel (KMP). This expansion of enabled greater variety and depth of feedback with regards to strategy implementation at ground level, thereby providing KMPs and senior management with more insightful information for decision making.

The Bank’s Strategic Plan consists of 26 strategic initiatives for the main Business Units, and six more for the supporting units, encompassing a total of 59 Board oversight Key Performance Indicators (KPIs) that are quantifiable and measurable. While the strategic initiatives run for the full period of the strategic plan, there are steps with time frames under each initiative. These results are monitored through regular reviews conducted throughout the year.

Monthly review meetings are conducted, headed by the CEO/ General Manager, and a quarterly review meeting by the Board Strategic Plan Review Committee (BSPRC) headed by the Chairman. Performance against the KPIs is carefully evaluated at these meetings, and corrective measures are recommended where necessary.

Initiatives Under Strategic Pillars

Driving Excellence	Building Customer Centricity	Being Future-Ready
<p>1. Operational excellence</p> <ul style="list-style-type: none"> • Business development growth • Operational process improvements • Digital transformation of operations • Improvements in TAT • Re-alignment of Branch focus • Improved customer satisfaction • Time utilization of Branches • Increase in customer wallet share and retention • PBT of each division/ • Product and service line 	<p>1. Customer service improvements</p> <ul style="list-style-type: none"> • Growth of C1/C2 customers and retention of C3 - C5 Customers (Retail) • Acquire/re-engage high-potential lapsed customers (Corporate/ SMEs) • NII per customer growth • Customer issues resolution TAT improvements • Dealer/distributor finance revenue/ leads • Growth in export income 	<p>1. Getting ahead of disruption</p> <ul style="list-style-type: none"> • Number of strategic partners • Foreign account growth • Overseas branch expansion • Growth in remittance value/volume • Network of foreign investors • FDIs channeled through the Bank • Develop an ecosystem – identify and map industries and all touch points

Driving Excellence	Building Customer Centricity	Being Future-Ready
<p>2. Portfolio quality</p> <ul style="list-style-type: none"> Asset quality improvement Reduction in NPA 	<p>2. Better targeting and value propositions</p> <ul style="list-style-type: none"> High-priority sector growth Treasury volume growth Foreign based customer growth Average wallet size of customers Number of customized propositions offered Improved customer satisfaction Export customer growth Non-traditional export customer growth Credit card growth – NII, volume and average limit 	<p>2. Building growth mindset-oriented team</p> <ul style="list-style-type: none"> Implementation of the succession planning strategy Organization-wide initiatives managed by HR Number of inter-department initiatives Number of employees “graduating” from the learning academy Transformational/dynamic Training modules
<p>3. Performance-driven culture</p> <ul style="list-style-type: none"> Employee engagement Revenue/cost per employee Employee upskilling Meaningful retention and contribution to the Bank External vs. internal hires 		

Plans for future sustainability

The Bank’s plans to ensure future sustainability is based on the seven pillars of sustainable deposit growth, robust risk management, a healthy credit portfolio, diversifying the portfolio, training and development of staff, regulatory compliance and Corporate Social Responsibility(CSR).



A SUSTAINABLE FOUNDATION

Sustainable deposit growth	Robust risk management	Healthy credit portfolio	Diversifying the portfolio	Training and development	Regulatory compliance	CSR
The Bank will continue to attract deposits as a comparatively low cost funding source to fund its growth plans	Risk management systems will continuously be reviewed and strengthened in line with both regulatory directives as well as international industry best practices	Credit portfolios will be continually monitored against Bank credit risk parameters while all new credit will be stringently evaluated	The Bank has commenced portfolio diversification into new segments including youth, corporates, and exporters and this drive will continue into the future to rebalance portfolio risk	All Bank staff will be continually trained, not only for back end technical operations but also front end service standards to ensure brand equity and reputational risks are managed	The Bank is in the process of further improving its digital platforms, together with staff training to enable full of compliance	People’s Bank’s tradition of CSR will be continued as a component of brand identity, while the Bank transforms into a modern financial services provider

Our Strategy

SHORT AND MEDIUM TERM MEASURES TO IMPROVE PERFORMANCE

Short term measures

- 1. Cost Optimization:**
Conduct a thorough review of operational costs and identify areas for immediate cost savings.
- 2. Digital Service Enhancement:**
Accelerate the development and promotion of digital banking services to increase customer engagement and transactions.
- 3. Increase Fee-Based Income:**
Review and optimize fee structures to increase fee-based income
- 4. Enhance Credit Risk Management:**
Strengthen credit risk management to ensure the quality of the loan portfolio.
- 5. Liquidity Management:**
Enhance short-term liquidity management to ensure the Bank has the necessary funds to meet its obligations.

Optimize the balance between liquidity and profitability.

- 6. Employee Training and Engagement:**
Invest in training programs to enhance the skills of Bank employees, particularly in customer service and digital banking.

Implement measures to enhance employee motivation and engagement
- 7. Updating Technology:**
Identify and implement the latest technologies, such as software updates, to improve system efficiency and security.
- 8. Regulatory Compliance:**
Ensure strict adherence to regulatory requirements and address any compliance issues promptly.

Medium term measures


- 1. Upgrade Technology Infrastructure**
Upgrade technology infrastructure to enhance efficiency, security, and scalability introducing advanced analytics
- 2. Digital Transformation Roadmap:**
Formulate a detailed roadmap for digital transformation, covering areas such as online banking, mobile banking, and digital customer experiences.

- 3. Customer Experience Enhancement:**
Implement medium-term initiatives to enhance overall customer experience, including improvements in service delivery, response times, and complaint resolution.

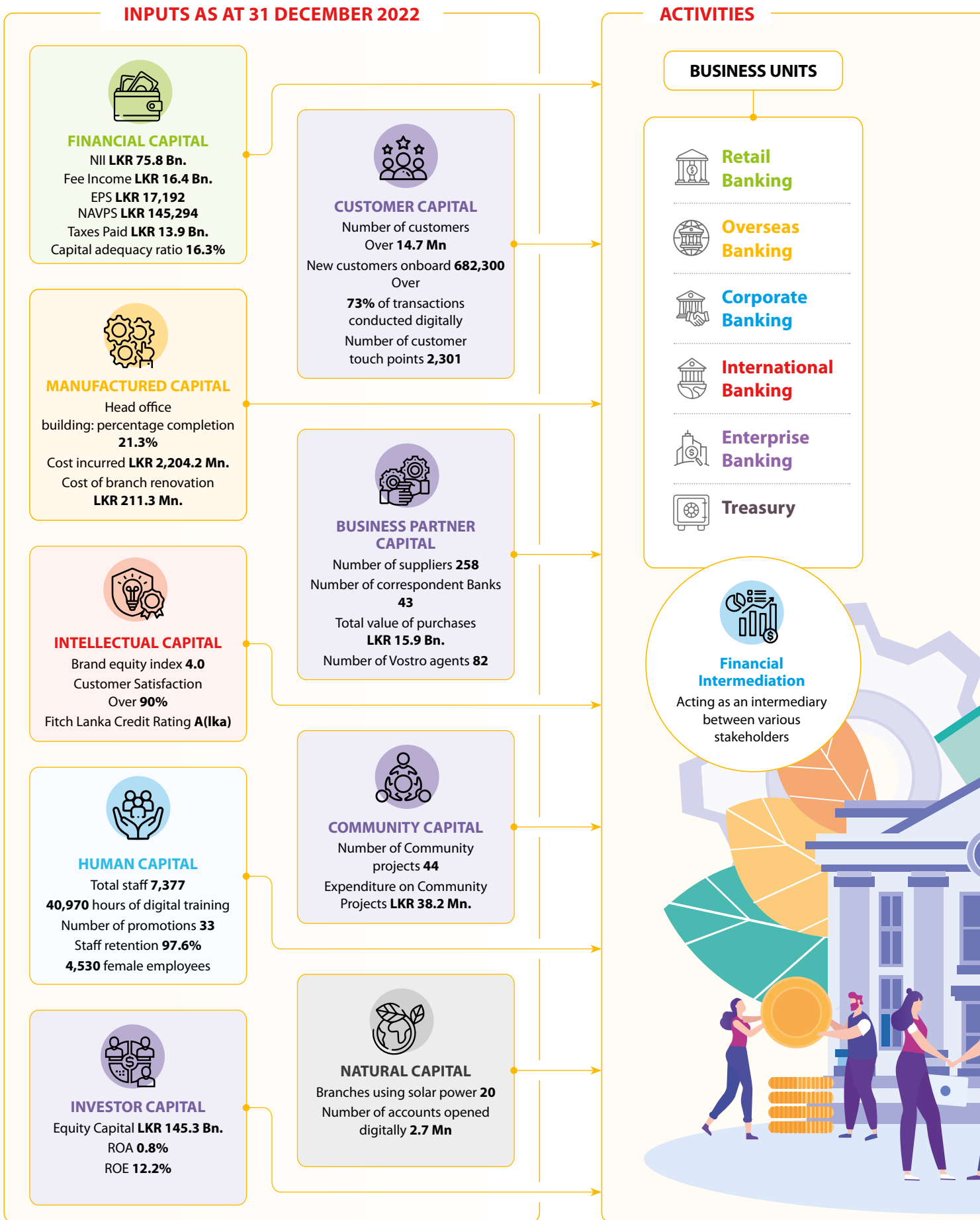
Introduce customer feedback mechanisms and use the data for continuous improvement.
- 4. Strengthen Risk Management:**
Develop and implement a comprehensive risk management framework, covering credit, market, operational, and compliance risks.
- 5. Branch Rationalization**
Conduct a thorough review of the branch network and optimize its structure based on changing customer behaviours and preferences.
- 6. Regulatory Compliance Excellence:**
Taking measures to ensure compliance aspects.
- 7. Performance Monitoring and Reporting:**
Implement performance monitoring and reporting systems to track progress against strategic goals.

POLICIES AND PRACTICES GRI 2-23

GRI Disclosure	Bank's Response	UNSDG Commitments
Policy commitments for responsible business conduct	<ul style="list-style-type: none"> The Board of Directors is responsible for developing and overseeing the CSF, while Corporate and Ex-ecutive Management is in charge of execution and fund allocation in accordance with policy guide-lines. A Sustainability Reporting Framework has been established (composed of a Central Sustainability Committee, Regional Sustainability Officers, Branch/ Department Sustainability Officers). The framework includes a key information gathering process. 	
	<p>SOCIAL SUSTAINABILITY</p> <p>Promoting social welfare: The Bank supports the Government in national welfare and poverty alleviation activities and also conducts its own CSR projects.</p> <p>Heritage, culture and religious development: The Bank supports the arts, culture and religions within the communities in which it operates.</p> <p>Diversity and gender equality: The Bank has an inclusive recruitment policy and employs people from all socioeconomic groups from all areas of the country. Gender parity is one of the key areas of pride with 39.6% of senior management represented by women.</p>	
	<p>ENVIRONMENTAL SUSTAINABILITY</p> <p>Buildings : The Bank has adopted Green Building standards for all new buildings and refurbishments of existing buildings. Selected branches designated under the Digitized Banking Program will be certified as Carbon Neutral buildings. Solar Power generating systems will be incorporated into buildings according to LEED/ GREENSL/ CIOB Green Mark Certification guidelines. All contractors are required to follow LEED/GREENSL/CIOB Green Mark Certification for new key branches and their materials will need to comply with the requirements.</p>	

GRI Disclosure	Bank's Response	UNSDG Commitments
	<p>Digitalization : The People's Bank has earned the reputation as the Greenest Bank, with the introduction of paperless banking in most of its operations:</p> <ul style="list-style-type: none"> • Cash and cheque deposit machines (CDM) • KIOSK for utility bill payments • Widest ATM network in the country • Paperless accounts opening and E-Statements for accounts • Loan processing in paperless environment • Internet, mobile and web based banking systems • Debit and credit cards • 24/7 People's Call Centre <p>Customers : The Green Banking concept has been introduced to customers including:</p> <ul style="list-style-type: none"> • Opening of accounts through Express Banking which is a paperless operation • E-statements that can be requested by account holders • SMS and Internet Banking • Debit cards – in the pursuit of a cashless society • Express Banking roll-out for new customers • CDM-Cash Depositing, ATM-Cash Withdrawals and Kiosk-Bill Payments • Green Loan system with lower interest rates 	
	<p>Employees: Employees are encouraged to obtain concessionary loans for the purchase of solar power systems, use environment friendly building methods and purchase electric or hybrid vehicles. They are also encouraged to switch to electronic documentation and communication methods for both internal and customer communications.</p> <p>OTHER ACTIVITIES</p> <ul style="list-style-type: none"> • Green Banking initiatives : Implement policies and practices that prioritize environmental sustainability in banking operations like paperless banking, reduced use of natural resources and so on. • Renewable Energy usage: Invest in renewable energy sources, such as solar, for the Bank's operations and lower carbon emissions. • Carbon Footprint Reduction: Measuring carbon footprint and reduce the carbon footprint of the Bank's operations, including transportation, energy usage, and waste management. • Paperless Banking Initiatives: Promote digital banking services to reduce the use of paper • Employee Environmental Awareness: Aware and encourage employees on sustainable practices both at work and in their personal lives. • Eco-Friendly Transportation: Encourage the use of eco-friendly transportation options for bank-related activities, • Partnerships with Environmental Organizations: Establish partnerships with environmental organizations and participate to promote environmental sustainability and conservation. 	
	<p>ECONOMIC SUSTAINABILITY</p> <ul style="list-style-type: none"> • Green Financing: Encouraging and financing sustainable and environmentally friendly projects, such as renewable energy, energy efficiency, and eco-friendly initiatives. • Microfinance and SME Support: Strengthen support for micro, small, and medium-sized enterprises (MSMEs) by offering financial products, financial literacy enhancement to foster economic growth at the grassroots level. • Financial literacy enhancement Programs: Expand financial inclusion initiatives to reach underserved populations • Digital Financial Services: Promote the use of digital financial services to increase efficiency, reduce costs, and enhance financial accessibility, especially in remote or rural areas. • Rural and Agricultural Development: Support agricultural development through specialized loan schemes. • Community Investment Programs: Allocate funds for community development projects, such as health clinics, facilitating schools, and other essential infrastructure, to contribute to the well-being of local communities. • Corporate Social Responsibility (CSR): Engage in CSR initiatives that address societal needs, including education, healthcare, and environmental conservation, demonstrating a commitment to social and economic well-being. • Ethical Banking Practices: Uphold ethical banking practices, promoting transparency, fairness, and responsible lending to build trust and confidence in the banking system. 	

Our Value Creation Model and Capital Balances



OUTPUTS AS AT 31 DECEMBER 2023

SUPPORT SERVICES

 **Human Resources**

 **Information Technology**

 **Procurement**

 **Administration**


 **Marketing and Communications**

 **Risk Management and Compliance**


 **Strategic Planning**

 **Financial Management**


 **Capital Management**

 **Maturity Transformation**
Using short-term funds to finance long-term assets


FINANCIAL CAPITAL


NII **LKR 54.3 Bn.**
Fee Income **LKR 13.8 Bn.**
EPS **LKR 10,083**
NAVPS **LKR 160,059**
Taxes Paid **LKR 13.9 Bn.**
Capital adequacy ratio **17.4%**


MANUFACTURED CAPITAL


Head office building: percentage completion **52.9%**
Cost incurred **LKR 3,157.1 Mn**
Cost of branch renovation **LKR 270.96 Mn**


INTELLECTUAL CAPITAL


Brand equity index **3.8**
Customer Satisfaction Over **90%**
Fitch Lanka Credit Rating **A(Ika)**


HUMAN CAPITAL


Total staff **7,656**
29,468 hours of digital training
Number of promotions **239**
Staff retention **96.4%**
4,662 female employees

CUSTOMER CAPITAL


Number of customers Over **15 Mn**
New customers onboard **812,000** Over
LKR 1.1 Bn worth of transactions conducted digitally
Number of customer touch points **2,241**


BUSINESS PARTNER CAPITAL


Number of correspondent Banks **44**
Total value of purchases **LKR 21.4 Bn.**
Number of Vostro agents **80**


INVESTOR CAPITAL


Equity Capital **LKR 160.1 Bn.**
ROA **0.5%**
ROE **6.6%**

COMMUNITY CAPITAL


Number of Community projects **21**
Expenditure on Community Projects **LKR 40.7 Mn.**

NATURAL CAPITAL


Branches using solar power **20**
Number of accounts opened digitally **3.8 Mn**

Commitment to Sustainability

EMBEDDING POLICY COMMITMENTS (GRI 2-24)

The Board of Directors is responsible for developing the Corporate Sustainability Framework while Corporate and Executive Management are in charge of execution and fund allocation in accordance with policy guidelines. This ensures ownership of sustainable concepts at the highest level of management.

Policy commitments are embedded through the People's Bank employees, who are the primary stakeholders, responsible for carrying out and overseeing the policy initiatives.

PROCESSES TO REMEDIATE NEGATIVE IMPACTS ON ENVIRONMENT, SOCIETY AND ECONOMY (GRI 2-25)

Customer grievance handling: The Bank's policy is to give prompt attention to any customer grievances and grant prompt redress where necessary. We have put a grievance handling procedure in place which functions effectively and efficiently. In the event of any dissatisfaction with our process, a customer has the option of escalating the issue to the Financial Ombudsman. Complaints are received through our 24-hour customer service hotline 1961 and dedicated Customer Service Handling Unit, and acted on promptly.

Employee grievance handling: Transparent mechanism promoting employees to bring forward any grievances directly by contacting Human Resources Department of the Bank.

MECHANISMS FOR INDIVIDUALS TO SEEK ADVICE AND RAISE CONCERNS REGARDING NEGATIVE ENVIRONMENTAL, SOCIAL AND ECONOMIC IMPACTS (GRI 2-26)

A Whistle-blower Policy has been operationalized with a Director appointed to review complaints whilst guaranteeing

anonymity to safeguard the employee. The following issues can be reported directly to the immediate supervisor or the Board Audit Committee.

- i. Breach of the Disciplinary Code
- ii. Failure to comply with legal/ regulatory obligation
- iii. Miscarriage of Justice
- iv. Financial malpractices

COMPLIANCE WITH LAWS AND REGULATIONS (GRI 2-27)

The Bank faced a fine of LKR 7 Mn in 2023, for non-compliance with the provisions of Financial Transactions Reporting Act due to a failure in the transaction monitoring system (AML System) to conduct reverse scanning, few non-complied instances in identifying Politically Exposed Persons and failure to restrict transactions on suspended accounts.

However, as at end December 2023, the Bank had introduced processes to prevent a recurrence of such incidents and system changes are also in the process of being implemented for greater compliance and more stringent monitoring.

People's Bank did not face any further fines for non-compliance with any other applicable directive or regulation.

MEMBERSHIP IN ASSOCIATIONS (GRI 2-28)

The Bank holds memberships in the following organizations:

- Institute of Bankers of Sri Lanka
- The Ceylon Chamber of Commerce
- Sri Lanka Bankers Association (Guarantee) Ltd.
- The Association of Banking Sector Risk Professionals – Sri Lanka
- Asia Pacific Rural and Agriculture Credit Association

- The Association of Compliance Officers of the Bank, Sri Lanka
- The Financial Ombudsman Sri Lanka (Guarantee) Ltd.
- Clearing Association of Bankers
- Employers' Federation of Ceylon
- Association of Primary Dealers (Subject to confirmation of DGM – Treasury and Investment Banking)
- Sri Lanka FOREX Association



PEOPLE'S GROWTH

Driving enduring value, People's Bank not only safeguards its stakeholders interests but remains steadfast in ushering in a new era of national prosperity.

MANAGEMENT DISCUSSION AND ANALYSIS

68 Head of Finance's Review | **74** Business Line Reviews | **74** Retail Banking | **76** Enterprise Banking |
78 Corporate Banking | **80** Treasury | **82** Overseas Customer Services | **84** International Banking |
86 IT and Digital Banking | **88** Marketing | **90** Credit Cards | **92** Manufactured Capital |
96 Intellectual Capital | **104** Human Capital | **114** Social and Relationship Capital -
114 Customer Capital, **120** Business Partner Capital, **125** Investor Capital, **129** Community Capital |
134 Natural Capital

Head of Finance's Review



Over the past five years, Sri Lanka has faced significant economic challenges, characterized by four periods of contraction between 2019 and 2022. This economic downturn persisted into the first half of 2023, with signs of recovery only emerging in the latter half.

PEOPLE'S BANK COMPLIED WITH ALL REGULATORY FINANCIAL STABILITY REQUIREMENTS THROUGHOUT 2023.

- **Capital adequacy ratio:** Bank's Tier 1 capital stood at 12.4% by the end of 2023, compared to 11.9% in 2022, compared to the regulatory minimum of 9.5%. The total Capital Adequacy ratio was 17.4% in 2023, compared to 16.3% in 2022, also exceeding the regulatory minimum of 13.5%.
- **Liquidity assets ratio(s):** Total Bank liquidity asset ratio for 2023 was 37.4%, marking a significant increase from 21.3% in 2022. Domestic Banking Unit (DBU) maintained a ratio of 37.4% in 2023, compared to 21.4% in 2022. Offshore Banking Unit (OBU) showed a ratio of 38.4% in 2023, compared to 20.1% in 2022, all comfortably above the regulatory minimum of 20.0%.
- **Liquidity coverage ratio:** The liquidity coverage ratio for rupees stood at 256.7% by the end of 2023, up from 213.1% in 2022. For all currencies, the ratio was 207.9% in 2023, compared to 119.5% in 2022, both exceeding the regulatory minimum of 100% for both rupee and all currencies.



- **Leverage Ratio:** The leverage ratio was 4.2% by the end of 2023, showing a slight increase from 3.8% in 2022, meeting the regulatory minimum of 3%.
- **Net Stable Funding Ratio:** The Net Stable Funding Ratio stood at 164.3% at the end of fiscal year 2023, a significant rise from 117.1% in 2022, comfortably surpassing the regulatory minimum of 100%.

FINANCIAL REVIEW BY THE HEAD OF FINANCE

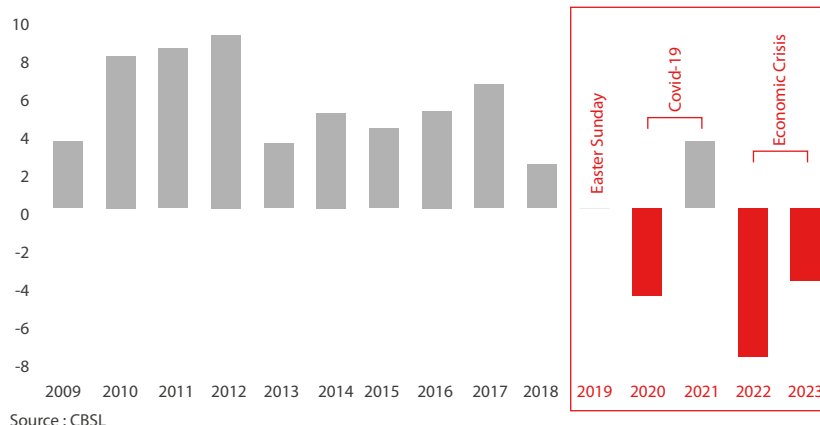
In reviewing the Bank's financial performance for the fiscal year 2023, it is essential to contextualize the bank's role as a State entity within Sri Lanka's economic landscape. Over the past five years, Sri Lanka has faced significant economic challenges, characterized by four periods of contraction between 2019

and 2022. This economic downturn persisted into the first half of 2023, with signs of recovery only emerging in the latter half. The cumulative effect of these contractions has been substantial, rolling back economic progress by nearly a decade, reminiscent of levels last seen in 2014, despite the current date being the onset of 2024. Consequently, as a State Bank, the Bank has shouldered a heightened burden during times of economic crisis, aiming to fulfill its obligations to both the Government and the populace while navigating the repercussions of profound economic losses.

The onset of COVID-19 lockdowns in March 2020 exacerbated the Sri Lankan Government's income losses, which were already compounded by nearly LKR 600 Bn in revenue losses stemming from alterations in the tax regime. Consequently, between January 1, 2020, and March 31, 2022, the Bank extended loans exceeding LKR 720 Bn to the Government, ensuring the uninterrupted availability of essential public goods and services. This substantial sum surpasses the balance sheets of many peers within the country. Furthermore, by June 2022, sovereign downgrading precluded the Government's ability to borrow from foreign banks, amplifying the burden of public funding on State-owned banks. Throughout this challenging period, the Bank remained steadfast in facilitating essential imports such as fuel and furnace oil, crucial for households and industries, as well as sustaining vital services like water supplies and hospital operations by opening Letters of Credit (LCs). The distinct burden borne by the Bank underscores its broader mandate, close alignment with the Government objectives, and overarching responsibility to serve the broader interests of society.

In 2022, due to the sustained and substantial infusion of public funds over the preceding years, the Bank faced liquidity shortages in both domestic currency and foreign exchange. Consequently, 2023 was predominantly characterized as a year of recovery and consolidation for the bank. During this period, the primary focus was on replenishing reserves and fortifying portfolios to uphold the ongoing stability of the country's overall financial system. This strategic approach aimed to bolster the Bank's capacity to navigate future economic uncertainties effectively while reinforcing its pivotal role in safeguarding the integrity of the national financial landscape.

Macro Realities: Gross Domestic Product - % Growth



Key focus areas of 2023

The financial year 2023 unfolded amidst an unfavorable macroeconomic backdrop characterized by declining GDP, elevated interest rates, foreign exchange shortages, heightened inflation, and significant uncertainty surrounding sovereign and domestic debt restructuring. In response, the Bank swiftly prioritized the restoration of financial stability as its foremost objective. To this end, the Bank concentrated its efforts on seven key areas with immediate effect.

A review of the Bank's actual performance across these focal points reveals several notable trends. Firstly, initiatives aimed at accelerating deposit growth to address liquidity shortfalls and diminish repo borrowings surpassed expectations, indicating successful implementation. Similarly, the Bank exceeded targets in augmenting foreign exchange reserves, particularly through short-term efforts to enhance inward remittances. However, endeavors to bolster reserves via medium-term strategies reliant on export proceeds fell short, indicating potential areas for improvement in this domain.

Furthermore, the Bank's endeavors to safeguard recoveries from State-Owned Enterprises (SOEs) proved fruitful, as evidenced by full compliance with SOE risk limits and sustained recoveries from such entities. Additionally, the Bank demonstrated resilience in maintaining a focus on collections and recoveries from other customer segments, outperforming predetermined targets in this regard.

Nevertheless, challenges were encountered in repricing loan interests, as well as in stimulating growth in SME loans and advancing digital migration for cost management and efficiency gains, all of which failed to meet expectations.

These areas represent opportunities for refinement and strategic adjustment to enhance future performance and ensure sustained progress toward organizational objectives.

Managing liquidity

At the outset of 2023, the Bank faced a rupee liquidity deficit of LKR 185 Bn and a dollar deficit of USD 600 Mn, attributed to the sustained public funding initiatives. The rupee shortfall necessitated repo borrowings to sustain public funding operations. In response, the Bank promptly initiated an island-wide deposit mobilization campaign to mitigate this deficit. This campaign proved highly successful, surpassing the rupee liquidity target within the first six months and resulting in a net deposit growth of LKR 250 Bn by year-end 2023. Consequently, the Bank not only relieved its liquidity constraints but also substantially reduced net repo borrowings to LKR 58 Bn from LKR 185.4 Bn by the close of 2022.

While the campaign yielded impressive results, it incurred considerable costs due to prevailing exceptionally high-interest rates during the first half of the year. Nonetheless, with the onset of declining interest rates in the latter half of 2023, a significant portion of deposits is anticipated to be repriced to prevailing rates in 2024. This gradual repricing is expected to contribute to the rebalancing of margins in the forthcoming months, aligning with the Bank's strategic objectives for sustainable financial stability.

Building foreign exchange reserves

In 2023, the Bank pursued an aggressive campaign akin to its deposit mobilization efforts, focusing on bolstering inward remittances and export receipts to augment foreign exchange reserves. While inward remittances surpassed annual targets, the

Head of Finance's Review

Bank fell short of achieving the desired export receipt targets. Notably, inward worker remittances amounted to USD 970 Mn, exceeding the target of USD 710 Mn, while foreign currency deposits experienced a net growth of USD 113.7 Mn, compared to the targeted USD 75 Mn. Conversely, export receipts for the year totaled USD 110 Mn, prompting ongoing efforts to meet set targets.

Simultaneously, the Bank embarked on an assertive campaign in 2023 to expand the private sector's share within its lending portfolio, anticipating returns to materialize in 2024 with the gradual resurgence of economic activities. Although foreign exchange liquidity was achieved, it incurred costs attributed to rupee depreciation and incentives offered to migrant workers to stimulate remittances. However, on a positive note, the influx of dollars enabled the Bank to retire dollar borrowings, effectively reducing its liabilities.

Looking ahead, the Bank remains committed to fortifying its forex buffer at prevailing rates and anticipates cost recovery as export activities gather momentum in 2024. This strategic outlook underscores the Bank's proactive stance in navigating currency dynamics while striving for sustained financial stability and growth.

Safeguard recoverability of SOEs

The majority of the outstanding debts held by the Bank are associated with State-Owned Enterprises (SOEs) such as the Ceylon Electricity Board, Ceylon Petroleum Corporation, Sri Lankan Airlines, National Water Supply and Drainage Board, and the Road Development Authority. These financial engagements serve to ensure the uninterrupted provision of critical resources such as fuel, coal, fertilizer, medicine, and other essential products vital for public welfare and economic continuity.

However, as part of a comprehensive strategy for sustainable financial management, the Bank has deliberately curtailed its exposure to SOEs throughout 2023 and intends to maintain this approach going forward. To this end, an SOE debt restructuring initiative was initiated in 2023, and stringent adherence to SOE risk limits has been upheld while concurrently pursuing recoveries from these entities.

This strategic shift underscores the Bank's commitment to prudent risk management practices and aligns with its overarching goal of fostering financial resilience and stability amidst evolving economic landscapes.

Loan repricing

In contrast to its peers, the Bank opted to defer the repricing of retail loans until January 2023. This decision stemmed from the recognition that implementing a sudden and significant increase in repayments amidst prevailing economic conditions would likely be impractical, potentially exacerbating borrower financial strain and increasing the incidence of defaults. Consequently, the Bank postponed repricing until January 1, 2023, at which point rates were raised by 4.5%. However, this delay in repricing resulted in an adverse impact on the Bank's interest income for the fiscal year 2023, amounting to a shortfall of LKR 13 Bn. Despite the incurred cost, this strategic approach reflects the Bank's commitment to prudent risk management and maintaining sustainable borrower relationships amidst challenging economic circumstances.

Stage 3 loans

In 2023, the Bank witnessed a notable improvement in its impaired loans (Stage 3) ratio, which decreased to 8.8% from 12.8% in 2022. This reduction signals an enhancement in the overall quality of the Bank's loan portfolio. However, despite this decline in the impaired loans ratio, there was an increase in the impairment (Stage 3) to Stage 3 loans ratio, rising to 41.0% in 2023 from 29.9% in 2022. This shift suggests that although the overall proportion of impaired loans decreased, the Bank allocated a higher percentage of impairment allowances specifically to Stage 3 loans in 2023 compared to the preceding year.

Furthermore, the Bank's exposure to Sri Lanka Development Bonds is non-existent, and its exposure to international sovereign bonds is limited to LKR 51 Bn, for which the Bank is required to absorb a 40% haircut, in line with industry standards.

To address outstanding debts of the private sector, the Bank initiated a comprehensive recovery program alongside a business revival initiative aimed at mitigating the social impacts of debt recovery, particularly for micro and small businesses. Moving forward, the Bank will maintain close oversight on collections and nonperforming loan recoveries, leveraging the gradual economic recovery. However, the potential imposition of higher taxes may exert pressure on repayment capability, necessitating vigilant monitoring and strategic response measures.

SME loan growth

Throughout much of 2023, the demand for credit witnessed a decline, attributed primarily to the prevailing high interest rates, elevated cost of living, and a general slowdown in economic activities. Despite these challenges, there was a gradual upward trend observed in SME loan growth during the final four months of the year, indicating a potential continuation into 2024. However, it is noteworthy that the Bank did not achieve its SME lending growth target for 2023. This outcome underscores the complexities and constraints faced by the Bank in stimulating credit demand amidst adverse economic conditions, despite the observed positive trajectory in SME lending during the latter part of the year.

Digital migration

The speed of digitalization slowed somewhat in 2023 due to the loss of in-house IT experts also unavailability of some components and rising costs. Nevertheless, the Bank remains at the forefront of digital banking in Sri Lanka, with a majority of 92% of retail loans processed digitally through the retail loan origination system and 74% of account openings through digital means. The digitization drive will continue to increase efficiency and productivity, which will enable the Bank to reduce its staff requirements over time.

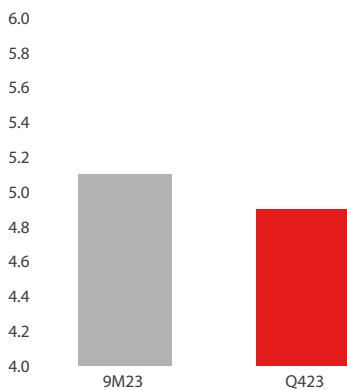
Profitability

The Bank's strategic focus on the aforementioned seven key areas played a pivotal role in swiftly stabilizing its financial position throughout 2023. However, despite these efforts, the Bank experienced a decline in profitability compared to the previous year, primarily attributable to several factors. These include slower business growth during the initial nine months of 2023, delays in repricing of retail loans, the cessation of interest payments from the Ceylon Petroleum Corporation (CPC), incremental costs associated with section 83 funding, and losses incurred from CBSL SWAPS.

The Bank's Operating Profit Before Value-Added Tax (VAT) decreased to LKR 22.7 Bn from LKR 29.5 Bn in 2022. Following the deduction of VAT on Financial Services amounting to LKR 7.3 Bn (compared to LKR 8.2 Bn in 2022), the Profit Before Tax stood at LKR 15.3 Bn, down from LKR 21.3 Bn in 2022. Moreover, Income Tax expenditure rose to LKR 5.3 Bn from LKR 4.1 Bn in 2022, resulting in a decline in Profit After Tax (PAT) to LKR 10.1 Bn from LKR 17.2 Bn in 2022.

Nevertheless, as economic activities gradually regained momentum in the final three months of the year, the Bank's profitability exhibited an upward trajectory in the last quarter. Notably, a PAT of LKR 4.9 Bn was recorded within the last three months of the year, surpassing the PAT of LKR 5.1 Bn for the entire first nine months of the year. This resurgence indicates a robust recovery and underscores the potential for growth in 2024, supported by improving economic conditions.

Profit After Tax: 9M23 Vs. Q423 (LKR Bn)

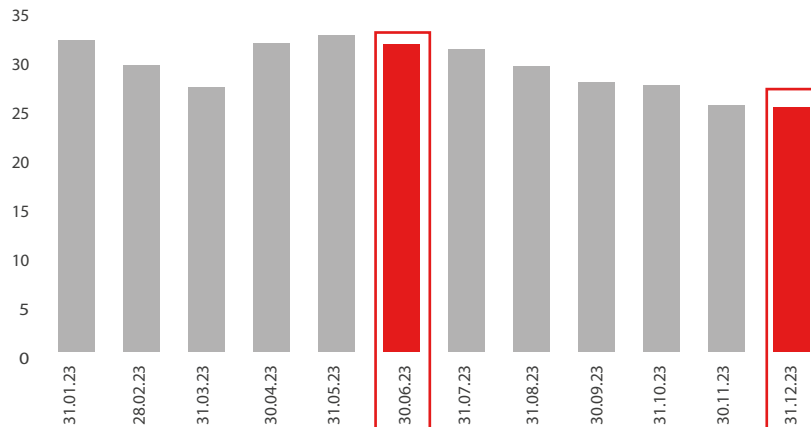


Revenue

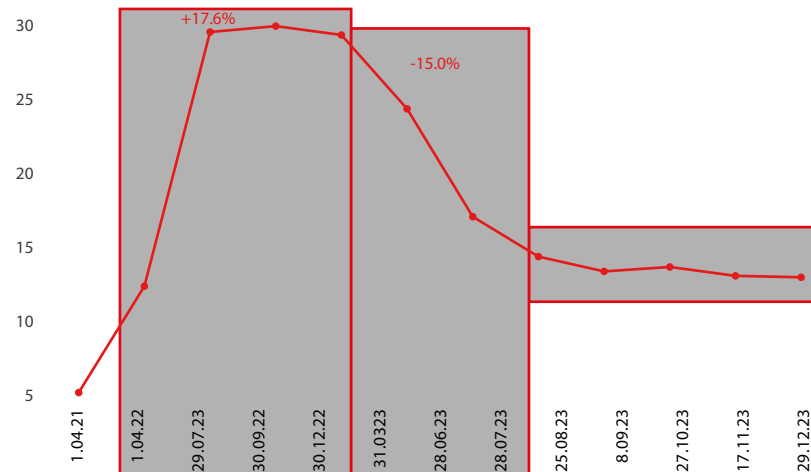
At the onset of the year, the Bank was compelled to restrict lending activities due to a liquidity shortfall, exacerbated by slower demand growth for credit persisting across the country. This subdued demand was a culmination of various factors, including the adverse effects of high living costs, elevated interest rates, and ongoing rupee depreciation, prevalent throughout the first half of the year. Notably, interest rates, which had surged to nearly 30% by the end of 2022, embarked on a gradual descent in 2023, albeit remaining elevated, reaching 12.9% by December 2023. These macroeconomic dynamics also contributed to persistent delays in loan repayments.

Furthermore, during the initial nine months of 2023, demand for other specialized investment banking services witnessed a decline compared to the previous year. Consequently, both interest income and fee and commission incomes experienced reductions for the same period, relative to the corresponding period in 2022. This downturn in demand for specialized services reflects the broader economic challenges and market conditions prevalent during the first three quarters of 2023, impacting the Bank's revenue streams.

Interest Expense Per Month: January to December 2023 (LKR Bn)



Interest Rate Environment (364-day treasury bill yield): 2013 to December 2023 (%)



The Bank experienced a decline in its Net Interest Margin (NIM) throughout 2023, primarily attributed to a lending and funding mismatch. Notably, retail loans constituted 25% of the total loan book, with two-thirds of these loans extended from 2019 to 2021 when interest rates were relatively low, yielding an average of 10.9%. The reduction in NIM from 2.7% in 2022 to 1.8% in 2023 resulted in a loss of LKR 21.4 Bn by the end of the year. However, the Bank anticipates improvements in NIM for 2024, supported by controlled inflation levels and significantly lower interest rates, which are expected to lead to a reduction in interest expenses by LKR 26.0 Bn in the coming year.

Despite a decrease in total loans and advances by 4.1% to LKR 1,709.5 Bn from LKR 1,783.1 Bn in 2022, the Bank's interest income for 2023 increased by 22.6% to LKR 394.8 Bn from LKR 321.9 Bn in 2022. However, this growth

in interest income was offset by a 38.3% increase in interest expenses, resulting in a 28.3% contraction in net interest income to LKR 54.3 Bn. Additionally, the Bank witnessed declines in Net Fee and Commission Income by 17.5% to LKR 12.8 Bn, Net Gains from Trading & Foreign Exchange by 44.6% to LKR 9.4 Bn, and an increase in Other Operating Income (Net) to LKR 4.2 Bn from LKR 1.9 Bn in 2022. Consequently, Total Operating Income declined by 26.7% in 2023 to LKR 80.8 Bn, with Net Operating Income after Impairment for Loans declining by 4.6% to LKR 73.4 Bn from LKR 76.9 Bn in 2022.

Looking forward, as the economy undergoes a revival, the Bank is poised to meet the rising demand with ample liquidity and a diverse range of lending programs, particularly targeting SME growth. Enhancing lending quality and expanding private sector lending

Head of Finance's Review



With excess liquidity at hand and a comprehensive suite of economic recovery initiatives primed for deployment, the Bank is well poised to expand its lending and other business activities throughout 2024.

will be paramount to improving portfolio quality. In 2024, the Bank anticipates a net growth of LKR 140 Bn in lending primarily through Retail Banking, Corporate Banking, and Enterprise Banking activities.

Expenditure

Despite a decline in revenues, the Bank witnessed an escalation in costs during the fiscal year, attributed to heightened operational expenses including taxes, liquidity management measures, and investments in IT systems. Operating expenses surged by 7.1% to LKR 50.7 Bn compared to LKR 47.3 Bn in 2022. This increase primarily stemmed from elevated office administration and establishment expenses, notwithstanding a decline in personnel expenses from LKR 26.6 Bn to LKR 24.5 Bn in 2023. This juxtaposition underscores the Bank's strategic focus on optimizing operational efficiencies while concurrently managing overhead costs amidst evolving market dynamics.

Impairment charges

Net impairment charges decreased to LKR 7.4 Bn in 2023 from LKR 33.3 Bn in 2022. It's important to clarify that this sum is net of recoveries, including grossed-up interest in suspense related to non-performing loans and advances, to the extent permitted in accordance with Section 5.4.1 of SLFRS 9 – "Financial Instruments". This adjustment ensures transparency and compliance with accounting

standards, providing clarity regarding the true impact of impairment charges on the Bank's financial performance.

Solvency

As of the end of 2023, the Bank reported a Tier 1 capital ratio of 12.4%, representing an increase from 11.9% at the end of 2022. Additionally, the Total Capital Adequacy Ratio (CAR) stood at 17.4%, up from 16.3% in the previous year. These upward trends in both the Tier 1 capital ratio and the Total CAR indicate a strengthened capital position for the Bank throughout 2023. Such enhancements offer reassurance to regulators, investors, and depositors regarding the Bank's capacity to absorb losses and uphold financial stability.

Subsequent to the amendment of the People's Bank Act in 2019, the Bank successfully issued Basel III compliant additional Tier 1 and Tier 2 Debentures, totaling LKR 35 Bn. This strategic initiative underscores the Bank's commitment to aligning with international regulatory standards and fortifying its capital base to better navigate evolving market dynamics.

Financial Position

In the fiscal year 2023, the Bank experienced a modest 2.2% year-on-year growth in its balance sheet, primarily attributable to deposit expansion. Total assets of the Bank increased to LKR 3,038.2 Bn from LKR 2,972.0 Bn in 2022. However, loans denominated in foreign currency witnessed a significant decline of 45% to LKR 320.4 Bn from LKR 582.8 Bn, largely due to rupee appreciation observed during the year. Notably, State-Owned Enterprises (SOEs) accounted for 43% of gross loans in 2023, with a considerable portion of these loans secured by Government guarantees.

Conversely, total liabilities increased marginally by 1.8% to LKR 2,878.1 Bn from LKR 2,826.7 Bn in 2022, driven by the growth in deposits. The Bank's deposit base expanded by 11.9% to reach LKR 2,653.1 Bn from LKR 2,371.5 Bn in 2022, with local currency deposits constituting 26.8% and foreign currency deposits accounting for 36.4% of the total deposits.

It's essential to contextualize the Bank's financial performance within the broader economic struggles faced by Sri Lanka in recent years. Despite the formidable challenges stemming from recurrent economic contractions, the Bank steadfastly upholds its role as a stabilizing force within the economy. Through unwavering dedication, the Bank fulfills its obligations to both the Government and the populace, striving to contribute to the

nation's long-term economic resilience and prosperity.

PERFORMANCE OF THE PEOPLE'S BANK GROUP

Outlook for 2024

With excess liquidity at hand and a comprehensive suite of economic recovery initiatives primed for deployment, the Bank is well poised to expand its lending and other business activities throughout 2024. However, the realization of the Bank's growth strategies hinges upon the continuation and outcomes of the IMF program, which are pivotal in ensuring greater economic predictability. While the proposed adjustments under the IMF program may entail immediate hardships, they are expected to instill monetary and fiscal discipline within the Government, crucial for maintaining a predictable interest rate regime conducive to the banking sector's funding and lending activities in the short to mid-term.

A stable interest rate environment is anticipated to enhance the Bank's net interest margins by gradually reducing interest expenses, potentially leading to a saving of LKR 26 Bn in 2024 solely through interest rate reductions. Furthermore, the Bank holds over LKR 245.9 Bn in T-bills and bonds, excluding coupons, maturing in 2024, obviating the need for further high-cost deposits to finance lending activities. Instead, the Bank intends to focus on expanding its current and savings accounts. Additionally, the Bank plans to adopt a three-year loan repricing practice akin to private sector banks to maintain cost-reflective lending rates.

In 2024, robust growth in both rupee and USD deposits, alongside significant expansion of the loan book, is envisaged. Projected growth in interest income and fee and commission incomes is expected to significantly enhance the bottom line, thereby strengthening key financial indicators such as Tier 1 capital and the total CAR of the Bank.

Despite these promising prospects, concerns persist regarding State-Owned Enterprises (SOE) debts in 2024. For overall systemic stability, any SOE debt restructuring should not result in day-one losses or other adverse consequences that may destabilize State banks. It is imperative to maintain lending limits on SOEs to mitigate credit risk escalation while ensuring the repayment capabilities of SOEs servicing their debts to the Bank.



Through its steadfast commitment to serving the people and the nation, the Bank endeavors to contribute to building a brighter and more prosperous future for all Sri Lankans. By leveraging technology, enhancing products and services, and upholding financial stability, the Bank aims to create an environment conducive to sustainable economic development, prosperity, and well-being for individuals and communities nationwide.

As the Bank embarks on a new phase of growth, its unwavering commitment to serving the people and the nation remains steadfast. Recognizing the pivotal role of technological advancement in modern banking, the Bank is dedicated to enhancing its technology systems to provide more efficient and accessible services to its customers across Sri Lanka. This entails investing in innovative digital solutions to streamline banking processes and improve customer experience.

Moreover, the Bank is committed to continuously refining its products and services to meet the evolving needs of its diverse customer base. By offering a comprehensive range of banking solutions tailored to various segments of society, the Bank aims to empower individuals, businesses, and communities to achieve their financial goals and aspirations.

Beyond its customer-centric initiatives, the Bank acknowledges its broader responsibility in ensuring the stability of Sri Lanka's financial system. As a key player in the country's banking sector, the Bank is committed to upholding the integrity and resilience of the financial system, thereby contributing to overall economic stability and growth. This entails implementing robust risk management practices, adhering to regulatory requirements, and fostering trust and confidence among stakeholders.

Through its steadfast commitment to serving the people and the nation, the Bank endeavors to contribute to building a brighter and more prosperous future for all Sri Lankans. By leveraging technology, enhancing products and services, and upholding financial stability, the Bank aims to create an environment conducive to sustainable economic development, prosperity, and well-being for individuals and communities nationwide. In doing so, People's Bank remains a trusted partner and ally in the journey towards a prosperous future for Sri Lanka.

Mr. Azzam A. Ahamat
Head of Finance

26 March 2024

Business Line Reviews

Retail Banking



Pawning portfolio, reaching a customer base of

2.7 Mn



Celebrating

51

Years of pioneering **Children's Savings**



Celebrating

30

Years of **'Vanitha Vasana'**



Celebrating

25

years of **'Isuru Udana'**



Sustained by the Retail Banking Division's untiring endeavours, People's Bank remained the market leader in pawning services during 2023, facilitating access to funds for all communities through gold loans.

Holding the distinction of pioneering many new products in Sri Lanka's retail banking sector, including dedicated savings products for children and women, People's Bank's Retail Banking Division offers a full suit of branded retail banking products to accommodate all segments of Sri Lankan society ranging from savings products and deposit schemes, to credit lines for individuals as well as professionals, and also pawning services. During the 2022 financial year, the Unit also targeted two new premium customer segments with new products - Elegance for high net worth individuals and top end salary earners, and Excelsior for upper middle level salary earning professionals - thereby expanding the Bank's customer portfolio and share of market.

During the financial year 2023, the Division continued to facilitate the Bank's growth plans

through the strategic deployment of a series of highly successful, island wide deposit and savings mobilization campaigns, including special savings campaigns for children, youth, and women. The effectiveness of the Division's savings mobilization campaigns was demonstrated through the sharp augmentation of the Bank's rupee liquidity levels within the year.

Sustained by the Retail Banking Division's untiring endeavours, People's Bank remained the market leader in pawning services during 2023, facilitating access to funds for all communities through gold loans. Pawning has gained momentum among individuals as well as businesses in response to the harsh economic conditions that prevailed, and in 2023, remained one of the fastest growing services. Recognizing the need of the populace, the Retail Division ensures rapid

disbursement of funds through pawning and provides the opportunity for monthly repayments, in addition to the option of full repayment at the end of the gold loan period, in order to support its customers.

In addition to its financial services for the public, the Retail Banking Division conducts numerous Corporate social Responsibility (CSR) projects annually with the sole objective of supporting community welfare and assisting under served populations as well as facilitating cultural and sporting events, regardless of race, religion or ethnicity. The Division also

engages in environmental conservation activities, that aim to promote the conservation mindset among employees, customers and communities. These social and environmental activities not only uphold People's Bank's ethos of public service, but also the People's Bank brand and reputation as a civic minded as responsible corporate.

The Division encourages team work, high ethical standards and a performance based mindset, to continually enhance its service standards to the public of Sri Lanka, regardless of economic and social status. This formula

for success is reinforced through awards ceremonies held throughout the year by the Retail Banking unit, to acknowledge exceptional performance in each promotional campaign and product category. The employee recognition ceremonies also include awards for the best branch and other related categories. In addition, competition and cooperation was encouraged through team building initiatives across the bank network. The Retail Banking Unit has remained firmly committed to serving the best interests of its customers and the Bank in a highly commendable manner.

Performance overview 2022 Vs 2023

Product line	Performance overview 2023	Business value 2022 LKR Mn	Business value 2023 LKR Mn
Personal lending	Overall, retail personal lending declined due to the high interest rates that prevailed for much of the year, although the Bank responded to emerging needs such as providing pre-departure loans for migrant workers and expats. The Bank contained its NPL ratio to 2%, which is below the industry average.	450,180	395,820
Pawning	The pawning portfolio continued to expand during 2023, reaching a customer base of 2.7 mn. The Bank also continued to enjoy an extremely high rate of loan renewals from repetitive customers, demonstrating the high level of public trust in the Bank.	184,778	260,985
Deposits	An island wide deposit mobilisation campaign was extremely successful in expanding the Bank's deposit base.	2,371,519	2,653,106

- **Celebrating 51 years of pioneering children's savings**

People's Bank pioneered children's savings in Sri Lanka by opening the first children's savings account in 1972 with a 50 cent deposit.

- **Celebrating 30 years of Vanitha Vasana**

People's Bank pioneered branded savings products dedicated towards women in 1993, with the launch of its highly regarded Vanitha Vasana savings account. In 2023, this unique product commemorated its 30th anniversary of empowering Sri Lankan women with promotional events across the country.

- **Celebrating 25 years of Isuru Udana**

People's Bank celebrated the 25th anniversary of its Isuru Udana savings account for children below 5-years of age with an island wide marketing and promotional campaign.

Plans for the Future

Following the reduction in interest rates, the Bank is already experiencing demand growth for personal loans. In 2024, the Bank will enhance personal lending through a number of initiatives:

- **Online loan applications for personal loans:**

This initiative will reduce the requirement for physical visits to bank branches by loan applicants.

- **Customer Relationship Management (CRM) platform:**

The CRM platform will be deployed in mid- 2024 enabling new conveniences for customers.

- **New Islamic banking products :**

The Bank will introduce Shariya compliant fixed deposits and current accounts in addition to the existing savings product under its Mudharabah product range.

- **Environmental conservation:**

Under the YES product the Bank conducted a range of environmentally friendly programs for 50 days from August 12th to September 30th to commemorate International Youth Day.

- **Empowering women:**

Under its Vanitha Vasana women's product, the Bank commemorated International Women's Day by organising fairs for women micro-entrepreneurs to market their products, from March 8th to May 31st. The fairs benefited over 300 women entrepreneurs.

CSR INITIATIVES IN 2023

People's Bank's Retail Banking Division engaged in a range of CSR activities during 2023, that are listed below.

- **Free seminars for Grade 5 scholarship students:**

The Bank sponsored 70 seminars for island wide benefiting approximately 50,000 children planning to sit the Grade 5 scholarship examination in 2023.

Business Line Reviews

Enterprise Banking



**Introduction of
"Export Hubs"**



The Kapruka Ayojana refinance scheme recoded a growth of

141.8%



Growth of

2.7%

in SME segment



Introduction of

Green Power

Loan scheme



Mr. Januka Karunasena
Co-founder/ Director
Earthfoam (Key Customer of People's Bank)

I felt genuineness in providing financial support for our business in time of need when many other banks look at risk free return in similar offers. Love the culture and thanks for the wonderful service.

The Enterprise Banking Division, through its four sub-divisions, initiated a string of Micro, Small and Medium Enterprise (MSME) Development, Commercial Credit and Business Revival and Rehabilitation Unit in 2023, to support national economic revival through the development of entrepreneurs and exporters across the economic spectrum.

PERFORMANCE OVERVIEW

Commercial Credit Department (Caters to corporates and larger SMEs)

The Commercial Credit Department of the Enterprise Banking Division specializes in financial services for larger SMEs and corporates. During 2023, business volumes in this sector declined for most of the year, due to high lending rates. However, following the reduction in interest rates and inflation rate after September 2023, this segment has rapidly returned to a growth trajectory. The Department reported a 17.0% growth in value of lending in 2023, compared to 2022.

SME Development Unit

The SME Development Unit offers multiple lines of concessionary lending through refinance and interest subsidy schemes by collaborating with various apex bodies such as, the Central Bank of Sri Lanka, the Ministry of Finance and the Ministry of Industries and Commerce. However, demand for credit declined within the first 3 quarters of the year due to the combined effects of increasing inflation, high cost of living and thereby increasing interest rates. From September 2023, by following the accommodative monetary policy regime and decreasing inflationary trends, the SME segment is again experiencing a gradual growth. In 2023, this segment recorded a 2.7% growth in value of lending.

Development and Micro Finance Department

Despite the adverse economic conditions that prevailed, due to the availability of a series of Refinance & Interest Subsidy Loan Schemes,

a considerable credit growth was achieved by the Development and Micro Finance Department in 2023.

The Kapruka Ayojana refinance scheme, which is a concessionary financial assistance service conducted in collaboration with the Coconut Cultivation Board (CCB), recorded a growth of 141.81% in 2023, compared to 2022. The SAPP (Small Holder Agribusiness Partnership Programme), which is a special refinance loan scheme under the Central Bank for the development of the domestic agricultural sector recorded a growth of 36.08% year on year. The SEPI-11 refinance loan scheme, which is a special loan scheme designed to provide financial assistance to trained youth who passed out from recognized vocational training institutions in the country to establish their own self-employment projects, recorded a growth of 415.00% in 2023, compared to 2022.

The NCRCS Interest Subsidy Loans introduced with the primary purpose of uplifting the socio-economic conditions of micro and small scale farmers who engage in cultivation of seasonal (short term) crops by funding working capital requirements at a lower costs, recorded a growth of 86.88% in 2023, against 2022. Interest Subsidy Loans under the STaRR credit line grew by 560.86% in 2023.

Business Revival and Rehabilitation Unit

Given the large quantum of businesses in financial difficulties, demand for business rehabilitation services increased sharply during the year. The Bank supported many of its' SME, Commercial and Corporate customers in difficulty during 2023, compared to the past 2 years and supported the revival of key economic sectors, such as the tourism and construction sectors, through various customized rehabilitation and revival mechanisms such as moratorium, loan rescheduling, loan restructuring, providing additional working capital funding and business advisory services. Demonstrating the effectiveness of the Bank's interventions, 60% of troubled businesses had returned to a positive cash flow status, as at end of December 2023.

Success story of business revival : Sevana City Hotel, Kandy

By the end of December 2023, as much as 60% of businesses that received support from the Rehabilitation Unit of People's Bank, had revived their businesses that were in danger of collapse. One such example is the Sevana City Hotel (Pvt) Ltd, which is a registered tourist hotel, located in the heart of Kandy town.

Mr. and Mrs. Seneviratna commenced their business as a Guest House in 1983, and

gradually developed it into a tourist hotel. However, the tourism industry was highly susceptible to the COVID-19 pandemic lock downs and the economic crisis, bringing the industry almost entirely to a standstill in 2022. This had a significant negative impact on the Sevana City Hotel resulting in the discontinuation of business channels and slowdown in business operations.

Responding to the challenge, the Rehabilitation Unit extended timely remedial actions and developed a customized repayment plan to match the prevailing cash flow of the business. The process allowed enough space for the business to recover, while servicing its debts. As at end of 2023, the hotel had not only recovered from its financial distress but was a profitable establishment.

Special programs for economic revival

People's Bank has also initiated a number of special programs to support economic revival. These programs are aimed at enhancing exports, developing SMEs and rural livelihoods, strengthening support for the co-operative sector and supporting entrepreneurs. Please refer the Economic Contribution section of this report on page 77 for details on these programs.

Plans for the future

With the establishment of Export Sector Specific SME Hubs (Export Hubs), implementation of Entrepreneurship Villages, Women Entrepreneurship Development programmes and establishment of Business Revival and Rehabilitation Unit, the scope of the Regional Credit Unit has been extended. Therefore, by establishing a strong credit culture in the Bank by strengthening credit units with required competencies, the Enterprise Banking Department expects to accelerate its quality lending portfolio in 2024.

As the MSME sector's credit absorption capacity is expected to significantly increase in 2024, the Bank will continue to channel concessionary credit and other forms of support to MSMEs.

Accordingly, new initiatives planned for 2024 include:

- **Partnering with Sri Lanka Export Development Board:**

The Bank in the process of entering in to partnering with Sri Lanka Export Development Board in 2024. This partnership will contribute to the export sector development of Sri Lanka by providing financial assistance and by improving the financial literacy, knowledge and skills required to cater export market requirements to MSMEs and large-scale entrepreneurs or businesses and thereby create employment opportunities in the country.

- **Implementing sustainable finance initiatives**

Having identified the importance of implementing green finance initiatives in the Bank, and following the guidelines of CBSL, the Bank introduced a special loan scheme to finance activities, which will result in creating a circular economy that helps to reduce resource usage, wastage and leakages, conservation of resources, reduce environmental pollution, reduce poverty, increase social wellbeing etc...

The product was branded as "Green Power" Loan scheme, which provides financial assistance for businesses in an environmentally friendly and socially responsible manner and also environment and social oriented projects, industries, businesses and technologies within the definition of 'Green Finance'.

The Bank expects to promote financial assistance to green, socially inclusive, environmentally friendly projects.

- **Conducting women empowerment programs**

In an effort to empower women entrepreneurs of the country, the Bank has designed various programs to assist them in strengthening entrepreneurial skills and capabilities.

Accordingly, the Bank has proposed a series of programs partnering with the International Finance Corporation (IFC) to empower, motivate, and uplifting women involved in MSMEs, especially in rural areas.

- **Partnering with the National Credit Guarantee Institution**

Identifying the importance of developing a credit guarantee scheme for SMEs in Sri Lanka, the Bank partnered with National Credit Guarantee Institute (NCGI) in 2023. The ultimate objective is to improve financial accessibility of customers whose business cash flows are viable, but do not have sufficient collateral to obtain credit from the Bank. The Bank plans to expand this program in 2024.

- **Developing partnerships with professional bodies to add value to the existing MSMEs and access new clients.**

The Bank is in the process of entering into various partnerships with professional bodies to identify youth and women entrepreneurs, to help them obtain institutional support to develop their businesses and assist them to source markets/clients, etc... The Bank is planning to collaborate with reputed solar system suppliers, suppliers in agriculture related machinery and other services providers in entrepreneurship development activities.

Business Line Reviews

Corporate Banking



Export oriented customer base increased by

15%



Foreign currency remittance base increased by

21%



LKR. 43 Bn

new loans were disbursed at last quarter of 2023



Promote the Corporate Internet Banking facility



The Bank has been able to significantly expand its export-oriented customer base by prioritizing and strengthening support to exporters resulting in a sharp increase in foreign currency revenue inflows.

People's Bank's Corporate Banking Division fast-tracked a strategic portfolio rebalancing in 2023, by actively expanding its share of the private sector, while reducing its concentration on state owned enterprises, which are mainly import oriented. During the year, the Bank focused on increasing business volumes with existing blue chip corporates, while adding new corporates to its customer base. Consequently, the Bank has been able to significantly expand its export-oriented customer base by prioritizing and strengthening support to exporters resulting in a sharp increase in foreign currency revenue inflows.

The Division's activities contributed towards the country's debt restructuring process by extending financial support to affected corporates and SOEs to release financial burden from the domestic debt optimization/ domestic debt restructuring (DDO/DDR) process, while committing to complete the DDO /DDR process to meet IMF targets.

The Corporate Internet Banking facility was promoted, to increase fee based income and aggressive relationship building campaigns were conducted to convert inactive current accounts into active ones.

Performance overview 2022 Vs 2023

The Bank has applied a reducing strategy for SOEs, and no new disbursements were done to increase the prevailed exposure.

LKR 43 Bn new loans were disbursed at last quarter of 2023. Foreign currency remittance base increased by 21% from USD 336 Mn in 2022 to USD 408 Mn in 2023.

Plans for the Future

- **Continue to expand private sector market share:**

A key strategic objective of the Bank is to rebalance its portfolios to represent a 50:50 balance between SOEs and the private sector. As a State Bank, People's Bank is also obligated to facilitate private sector recovery and growth. Therefore, the Bank will continue its private sector expansion in 2024 while prioritizing the export sector.

- **Address NPLs**

A focus area in 2024, will be to slash mainly the high valued NPL portfolio, which is an outcome of the previous years of economic difficulties.

- **Expand corporate deposit base**

The corporate deposits base declined in 2023, as companies used these funds for working capital, instead of using high cost bank financing. In 2024, the Bank will rebuild its corporate deposit base.

Business Line Reviews

Treasury



Outperformed the market by an average of around

30%



'Best Investment Bank' in Sri Lanka 2023

by the Global Banking and Financial Review



One of the **'The Next 100 Global Companies'**

by the Global Banking and Financial Review



An excess in both foreign currency and rupees liquidity positions.



The Treasury Division continued to excel in its contributions towards foreign exchange gains, capital gains, interest income, fee income, and income from other Investment Banking products, while also ensuring rapid enhancement of liquidity levels of the Bank to enable the Bank to meet its obligations.

The Treasury Unit of People's Bank is a highly specialized financial operation that performs a critical role in managing the Bank's assets and liabilities, liquidity, foreign exchange transactions, investments, and funding, which are crucial for the Bank's stability as well as profitability. The Treasury Unit's operations are supported by the Primary Dealer Unit (PDU) and the Investment Banking Unit (IBU). The PDU trades and invests in Government Securities to earn capital gains and interest income while managing the Sri Lankan Rupee denominated government securities portfolio, and IBU manages the trading portfolio and the equity portfolio of the Bank and handles the structuring of debentures and corporate debt instruments with its main function being

to contribute towards the Bank's fee based income. The IBU was established under the Treasury Unit in 2012 due to the growing demand for investment banking services and emerging market opportunities. Through the expertise of the IBU, the Treasury Division has effectively expanded its services to the market, in addition to managing the banks' own equity portfolio.

OPERATIONS IN 2023

Despite the challenging circumstances that prevailed within both the internal and external environments, the Treasury Division continued to excel in its contributions towards foreign exchange gains, capital gains, interest income, fee income, and income from other Investment

Banking products, while also ensuring rapid enhancement of liquidity levels of the Bank to enable the Bank to meet its obligations.

Compared to the market performance, People's Bank's investment portfolio once again outperformed the market by an average of around 30%, due to the Treasury's prudent investments in shares. Although debentures and structured products did not feature in the market during the year due to the prevailing high interest rates the IBU recorded an excellent performance in trustee services and valuations, which became one of the primary income streams of the Division in 2023. Reflecting the IBU's achievements, People's Bank was awarded the prestigious Best Investment Bank in Sri Lanka 2023, by the Global Banking and Financial Review and gained further laurels from the Global Banking and Finance Review through its recognition of People's Bank as one of the 'The Next 100 Global Companies', indicating the Bank's potential despite the many challenges prevailed the country.

People's Bank's PDU is one of the leading primary dealers in the country. By way of investing in high yielding treasury bills PDU made substantial contribution to the income during 2023 due to timely investments based on careful assessments of interest rate trends. Other income segments, such as foreign exchange gains, demonstrated robust profits supported by capital gains and fee income.

With regard to foreign exchange reserves of the Bank, while 2022 was perhaps one of the most challenging times in recent years, the Bank has made a full recovery in 2023. The unprecedented levels of liquidity crisis was accompanied by an economy weakened by the COVID pandemic and the sharp LKR depreciation, further exaggerated by a severe shortage of foreign exchange liquidity. Following the difficulties faced with regard to foreign debt servicing commitments, Sri Lanka's sovereign rating was downgraded. Anticipating the forthcoming market uncertainty, the Treasury responded swiftly to manage foreign currency commitments in order to streamline foreign currency cash flows, while USD allocations were prioritised to support mainly essential imports.

In 2023, the Bank's liquidity levels fully recovered with the Bank enjoying an excess in both foreign currency and rupees liquidity positions. This recovery can be attributed to the Treasury Unit's timely responses

to maintain foreign currency liquidity at a comfortable level. Towards the beginning of the year 2023, funds were allocated mainly to service essentials such as importation of fuel to meet the needs of the transportation and power sectors. Similarly, funds were allocated for the importation of pharmaceuticals, coal and fertilizer among others. The foreign currency liquidity position of the Bank rebounded in the latter part of 2023 with the inward remittances continuing to increase, thereby expanding the Bank's market share of inward remittances compared to 2022. Export proceeds of the Bank also increased in 2023, again contributing towards foreign exchange reserves of the Bank.

PLANS FOR THE FUTURE.

The Treasury Unit has maintained strong relationships with a number of funding sources and overseas counterparties in the past and these relationships can be leveraged in the future when the situation improves. In this regard, the Bank was engaged in discussion with these counterparties on an ongoing basis which are expected to bring about a positive outcome. Meanwhile, the Bank's foreign exchange levels are expected to continue its upward trajectory in 2024 as market conditions improve. Returns from Government securities on the other hand are dependent on interest rates movements which remain somewhat unpredictable. However, the Treasury Division is fully committed towards enhancing revenues through strategic management of its portfolios.

In order to support the Bank's plans for business growth by targeting new customer segments, the Treasury Unit has been expanding its Sales Team activities from 2022. Therefore, the Treasury Unit is now well equipped to expand its business activities and in particular expects to expand its investment banking activities in 2024, through more services offered for corporates. With market conditions commencing recovery in 2023, it is anticipated that continued market recovery will increase market demand for investment banking services. In addition, the prestige and trust associated with the People's Bank brand, the Unit is also poised to expand its services to its clientele.

Business Line Reviews

Overseas Customer Services



Workers' Remittances value increased by

75%



New relationships with another

10

Remittance Partners



People's FX Future Plus

Foreign Currency Fixed Deposit, was launched



A Remittance Tracker

was launched



People's Bank conducted "People's Remittance Vaasi Kotiyayi" Draw successfully for the 2nd consecutive year to motivate Sri Lankan migrant workers to remit money through formal channels.

As the dedicated division to provide remittance services for migrant workers, Exporters Investors, etc in 2023, the Overseas Customer services supported the Bank's overall strategy to enhance its foreign exchange reserves by canvassing inward remittances and foreign currency deposits expanding its international reach.

In 2023, the Bank's Workers' Remittances value increased by 75 % compared to 2022

FC Deposits of the Bank as at 31.12.2023 was LKR 299.7 Bn.

Some key initiatives of the Division in 2023 are listed below:

- Extended its network of Remittance Partners by establishing new relationships with another 10 new partners.
- Appointed People's Leasing & Finance PLC as a Sub Agent to enhance the Western Union transactions
- Continuous technology innovations were carried out throughout the year for the smooth processing of inward remittances.
- campaigns were carried out aiming migrant workers worldwide.
- People's Bank conducted "People's Remittance Vaasi Kotiyayi" Draw successfully for the 2nd consecutive year from 1st January 2023 till 31st December 2023 to motivate Sri Lankan migrant workers to remit money through formal channels. The Grand Draw winner was selected at the year end and presented
- Stationed 6 more People's Bank Representatives in offshore Exchange Houses marking the total number of representatives to 12.

with a Grand Prize of LKR 10 Mn. Additionally, LKR 3 Mn and LKR 2 Mn was awarded as the second and third prize respectively. A winner was selected every month and awarded LKR 1 Mn while weekly winners were awarded with LKR 100,000.

- “Doo Daru Ethera Isura” Foreign Currency Account for children was re-positioned with added features.
- A new product, People’s FX Future Plus Foreign Currency Fixed Deposit, was launched to attract more new foreign currency deposits towards People’s Bank for longer tenures.
- Promoting special credit lines for migrant workers for pre-departure financing, housing and education and other purposes.

TECHNOLOGY IMPROVEMENTS

As at end 2023, People’s Bank had consolidated its position as one of the most modern remittances services providers in the country, backed by hi-tech, secure systems. The Bank’s remittance systems are fully integrated for instant, real time transactions, including inward remittances into other banks. To facilitate the highest level of customer convenience the Bank maintains multiple remittance systems such as SWIFT including its own People’s e-remittance, People’s Instant Remit, People’s Web Remit, and other global Anywhere Payout platforms, Western Union and Ria.

- A Remittance Tracker was launched in October 2023, for customers to track the status of their remittances through our corporate website.

We have identified the need of the FX needs and taken number of effective measures to widen the foreign remittance base of the Bank and enhance the foreign Remittance well over the forecast during the year. As a result, with higher Remittance inflow, the Bank was able to settle all its FX commitments in full both locally and to foreign banks during the year.

PLANS FOR THE FUTURE

The Overseas Customer Services will continue to remain sensitive and responsive to needs of migrants, while focusing on expanding its international presence, increasing its migrant and expat customer base and introducing IT innovations to generate value additions through enhanced convenience for migrants and also their families.

Business Line Reviews

International Banking



Over
1000
overseas correspondents bank
network across
110 countries



recertification of its
ISO 9001: 2015
and
2015 SLS 9001: 2015
certification for Trade Finance
Services



3,900
Number
of export transactions



12,553
Number
of import transactions



Extending its expertise beyond the Bank, the Division also provided training on trade finance for other institutions.

The International Banking Division (IBD) facilitates the international business activities of its corporate customers and customers of branches offering a wide range of products and services including all trade finance facilities. These services are provided through centralized operational units including the Offshore banking unit and over 1000 overseas correspondents bank network across 110 countries.

The International Banking Division was able to obtain recertification of its ISO 9001: 2015 and SLS 9001: 2015 certification for Trade Finance Services once again, demonstrating the international standard of People's Bank's processes and services for international trade transactions.

The Division also supported the Bank's overall strategy of rebalancing the import-export mix by reducing exposure to State Owned Enterprises and expanding the Bank's share of the country's export sector. The Division provided specialized technical training and facilitated the Enterprise Banking Unit, regional credit units, branch staff, and the Corporate Banking Division, to attract and expand the export customer base.

Extending its expertise beyond the Bank, the Division also provided training on trade finance for other institutions.

PERFORMANCE OVERVIEW 2022 VS 2023

Product line	Performance overview 2023	Business value 2022 LKR Mn	Business value 2023 LKR Mn
Imports	<p>Business volumes that had nosedived due to import restrictions and foreign exchange limitations commenced recovery only after May 2023 following lifting of import restrictions on most products. Import transactions continued to improve towards the end of the year. Improvements to importers' businesses and the reduction of the Bank's commission rates, also supported demand growth for import services.</p> <p>However, total value of transactions remained below 2022 levels as the Bank had in 2023, discontinued transactions on behalf of the Ceylon Petroleum Corporation.</p> <p>The total number of import transactions in 2023 came to 12,553 compared to 14,608 in 2022.</p>	1,131,095	972,792
Exports	<p>The Bank emphasised export services in 2023, and achieved considerable success in this regard by growing the export customer base and increasing the number of export transactions.</p> <p>Total number of export transactions in 2023 was 3,900 compared to 3,663 in 2022.</p>	97,763	214,236

PLANS FOR THE FUTURE

The International Banking Division expects to expand its market share by focusing more on export related businesses. The division will heavily rely on digital platforms and tools to offer more convenient and efficient customer service.

The International Banking Division will continue to focus on providing technical support and specialized export documentation and procedural training for Bank personnel to maintain the export service standards of the Bank and to expand the export customer base, in the new financial year.

CSR INITIATIVES

Training programs related to trade finance facilities and procedures for external entities are one of the CSR initiatives done by the International Banking Division. In 2023 the Division conducted training and awareness programs for the Sri Lanka Airforce, Ceylon Fertiliser Company, and Colombo Commercial Company. These programs greatly help build relationships between the institutions, while improving the awareness of trade finance procedures.

Business Line Reviews

IT and Digital Banking



2.3 Mn

Number
of digital
retail customers



13,100+

Number
of digital corporate customers



3.8 Mn

Digital Accounts



98.3 Mn

Transactions
via online and mobile banking



People's Bank reached a milestone 2 Mn digital retail customer base with its mobile apps - People's Wave and People's Pay. Many new digital solutions were introduced to create value for customers and support the Central Bank's policy for a cashless financial system

People's Bank's 2023-2026 digitalization strategy is operationalized through continuous collaboration between the IT Department and the Digitalization Department to deploy the most efficient digital solutions across the Bank's business units and branch network.

RETAIL BANKING SOLUTIONS

During 2023, People's Bank reached a milestone 2 Mn digital retail customer base with its mobile apps - People's Wave and People's Pay. Nearly 85% of this number is located outside the Western Province indicating the expanding digital reach of the Bank that now records over 8 Mn digital transactions per month.

Many new digital solutions were introduced to create value for customers and support the Central Bank's policy for a cashless financial system:

- An AI based chat bot was incorporated into the People's Bank website to assist customers and visitors to the website. Where the chat bot cannot respond, the visitor is automatically connected to the call center for human intervention.
- QR payment solutions were improved by enabling QR facilities for POS machines.
- People's Bank partnered with "Visa" and introduced the "Visa Standards" to the Bank's QR merchants.
- A mobile phone-based POS solution was introduced for small-scale merchants, which is a lower cost alternative to the standard POS machines and will facilitate wider use of card transactions in the country.
- The existing retail loan origination system was extended to all branches, enabling faster and more convenient disbursements for customers all over the country.

- Customers were allowed to obtain their account balance via SMS, in their preferred language, by dialing a missed call to the Bank's call center.
- People's Remittance Tracker mobile app was introduced to customers so that they can find out the status of their remittances to Sri Lanka.
- A new, centralized, Pawning System was implemented for all the branches. As the system is centralized, customers can get pawning services from any branch of the Bank.

CORPORATE SOLUTIONS

The Bank's digital solutions have been a key value proposition in expanding the corporate customer base. In 2023, the Bank was extremely successful in attracting new corporate clients by promoting its cutting edge, corporate-oriented, digital, financial solutions.

In addition, the Bank is also actively engaged in digitizing government institutions' Payment Collections through a range of digital solutions for payments and collections that have significantly benefited the public.

During 2023:

- The Corporate loan origination system was further enhanced.
- Customized payment solutions were introduced for corporate clients based on their specific requirements.

Progress Indicators 2022 Vs 2023

	2022	2023
Number of ATMs CDM and CRM machines outside the Western Province	815	778
Number of digital retail customers	1.5 Mn	2.3 Mn
Number of digital corporate customers.	9700+	13100+
Number of Digital Accounts	2.7 Mn	3.8 Mn
Number of Transactions done via online and mobile banking for the year	77.4 Mn	98.3 Mn
Value of Transactions done via Online and mobile banking for the year	LKR 623.3 Bn	LKR 1042 Bn

High Availability and Disaster Recovery

Bank has invested in enhancing the high availability and disaster recovery capability of its mission critical systems. Real Time replication to Disaster Recovery site of all mission critical systems has been implemented now as the availability of Digital Applications for customers is of paramount importance in today's competitive business environment.

SD-WAN Implementation

Bank implemented SD-WAN technology covering 375 branches across the island in 2023. This is the largest installation within the financial sector in Sri Lanka.

SD-WAN, a cutting-edge networking technology, empowers organisations to securely connect users, applications, and data across multiple locations, enhancing speed, safety, and flexibility in the process.

Key features of the deployment include a central SD-WAN Hub at People's Bank's head office in Colombo 02, fortified with Redundancy Disaster Recovery (DR) measures to ensure uninterrupted service. By adopting SD-WAN technology, People's Bank takes significant steps towards cost efficiency, optimising network traffic, reducing WAN circuit costs, and centralising management.

This deployment aligns with the evolving technological landscape and solidifies People's Bank's position as the leader in digital banking innovation.

IT system security in 2023

- The ISO 27001 Information Security Management System was renewed in 2023, maintaining international standards in IT security.
- Information Systems are aligned with Baseline security guidelines issued by Central Bank of Sri Lanka.
- In order to protect customer data, IT system audits were conducted every quarter through an external auditor.
- The information security policy is reviewed annually and systems and system controls were upgraded.
- End point security solutions were revamped with new features
- Website and other social media are monitored regularly to prevent cyber attacks
- A phishing simulation training was held for employees of all departments to raise awareness on phishing attacks.
- Real time replication was enhanced for disaster recovery

Plans for the future

The IT and Digitalization Departments will remain focused on the Bank's objective of minimizing physical visits to bank branches through continuous digitalization and technology alternatives.

- In 2024, the focus will be on process automation using AI. A Bank wide exercise to map the automation process was initiated in 2023.
- The Bank is also planning an overhaul of its payment hub, ATM, POS internet payment gateways and mobile applications that will go live in mid-2024. With New ATM and card management system, the Bank is planning to introduce more card schemes like CUP etc. . . to customers. Furthermore, the Bank is planning to offer travel cards, virtual cards, e-wallet , green pin, cardless cash withdrawals etc..
- A Fraud Management system will also be introduced along with the new ATM Switch and Card Management system, which will enhance the security of customer transactions.

Business Line Reviews

Marketing



The industry's highest Top of Mind awareness (Corporate brand) of

36%



The brand was awarded an

AAA



The highest brand equity scores of

4.0

amongst all **Sri Lankan Banks**



The largest subscriber base on **YouTube**

2nd largest fan base on **Facebook** amongst all Sri Lankan banks.



As at end 2023, People's Bank enjoyed a strong social media presence, having the largest follower base on Tik Tok, the largest subscriber base on YouTube and 2nd largest fan base on Facebook, amongst all Sri Lankan Banks.

The Marketing Department is the primary voice of the Bank, engaged in positioning the People's Bank brand as a modern, dynamic, technology driven and customer centric financial services provider. The department also offers communications support to promote products and services, manage reputational risks faced by the Bank, attract new market segments such as Millennials, Gen Z, High Net Worth and Corporates and to strengthen the trust of its traditional mass market customer base. Marketing communications is also used to encourage the Sri Lankan public towards using unassisted banking channels, thereby supporting internal efficiencies and the national drive towards digitalization.

Today, the Bank has fully integrated its brand presence and communications into all digital channels and social media, keeping pace with Sri Lanka's next generation. These efforts have

significantly modernized the Bank's image and rejuvenated its customer base with a growing segment of millennials and Gen Zs. As at end 2023, People's Bank enjoyed a strong social media presence, having the largest follower base on Tik Tok, the largest subscriber base on YouTube and 2nd largest fan base on Facebook, amongst all Sri Lankan Banks.

The Division has also integrated the Bank's Corporate Social Responsibility (CSR) strategy into the overall marketing strategy, thereby enhancing value creation for the brand as well as society through the design and execution of community welfare programs for maximum impact. Please refer the Community Capital chapter of this report for further details of the Bank's CSR activities during 2023.

Incidents of non-compliance concerning marketing communications GRI 417-3

People's Bank did not face any non-compliances with regulations and/or voluntary codes, with regards to marketing communications and did not face any fines, penalties, or warnings for non-compliance with regulations, directives or laws pertaining to marketing communications in 2023. All marketing materials with regards to deposit products comply with Central Bank guidelines and stipulations. All marketing and communications material are reviewed by the management prior to releasing to the public.

Marketing communications are generally conducted in all three languages based on the business requirements, and product brochures are printed in at least in Sinhala and Tamil. with relevant information, terms and conditions. These are available at all our branch outlets. Customers can also call the dedicated 24-hour Call Centre for product information. In addition, the People's Bank tri-lingual website provides information on product features, interest rates, exchange rates, applicable charges and other relevant information. This information is revised daily.

HIGHLIGHTS OF THE YEAR - ASK AGENCY TO HIGHLIGHT THIS.

- For the first time in its history, the People's Bank brand was awarded a AAA rating in 2023 from the previous AAA-, by the Brand Finance Lanka. This makes People's Bank one of four banks in Sri Lanka to achieve this standard.
- The annual Perceptions, Attitude and Usage survey of 2023, indicated that People's Bank possesses one of the highest brand equity scores of 4.0 amongst all Sri Lankan Banks. The Bank also maintained the industry's highest Top of Mind awareness (Corporate brand) of 36%.

TRACKING CUSTOMER SENTIMENTS

Customer sentiment is an inherent aspect of every business. Customers' relationship with the Bank can elicit profound feelings and emotions on product and service quality,

interaction with customers, or the Bank's values. When customers speak positively, or negatively about the Bank, it is important to listen, track and learn from it. Hence, the Marketing Department tracks customer sentiments via the following studies.

- **Mystery Customer Survey**
This is the methodology used to measure sales quality and improve customer service. A pretend customer (the mystery customer), verifies Whether the Bank staff have complied with certain standards. The total experience of a customer is replicated to evaluate ambience, staff expertise, and courtesyetc. The Mystery Customer Survey is useful to evaluate issues that would pass unnoticed with traditional methodologies. The findings are incorporated into the KPIs of Branch Managers and Regional Managers, directly linking them to performance evaluations and training.
- **Net Promote Score**
This is a widely used market research metric that typically takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or a colleague.
- **Perceptions & Attitudes Survey**
This survey is a study, or research project completed with the goal of collecting impressions about a company, product, program, or an issue. Such surveys can be based on a variety of audiences for a range of purposes and are often conducted with the intent of uncovering consumer opinions.

PLANS FOR THE FUTURE

The Marketing Department will continue to aligning its marketing strategy with the strategic priorities of the Bank as its rebounds and accelerates growth momentum in the coming years, paving the way for sustained financial growth. A key component of this process will comprise building the brand equity of the People's Bank brand, to accelerate the Bank's perceptual transformation into a modern, customer centric and technology driven financial services provider. The Division will maintain a close tab on the people's pulse via all channels to safeguard the Brand name and corporatye reputation of the Bank at all times, while entrenching a positive brand image through social marketing and impactful corporate social responsibility activities.

Business Line Reviews

Credit Cards



15,000

JCB Debit Cards



Credit Card portfolio expanded by

20%



Credit Card transactions increased by

32%



Debit Card transactions increased by

37%



The credit card portfolio of the Bank continued to expand by over 20% reflecting the higher rate of utilization of credit cards. The volumes of both credit and debit card transactions continued to increase, through multiple transaction media

People's Bank's Credit Card Division is an indispensable player in the Bank's drive towards a creating a digital, cashless economy and has played a key role in promoting modern, card-based financial transactions among communities outside the Western Province.

Although the number of credit card holding customers declined in 2023, the credit card portfolio of the Bank continued to expand by over 20% reflecting the higher rate of utilization of credit cards. During 2023, the volumes of both credit and debit card transactions continued to increase, through multiple transaction media including POS and MPOS machines, and Internet Payment Gateways (IPGs). The number of credit card transactions and debit card transactions increased by 32% and 37% respectively year on year.

Sri Lankan consumers are increasingly utilizing the convenience and safety of cards, compared to cash. The Credit Card Division conducted many promotions and discount offers during 2023 to encourage and popularize card use among consumers and businesses. In spite of the difficult economic environment that prevailed, the division has also maintained the NPA ratio below the industry average NPA for credit cards.

NEW PRODUCTS IN 2023

- An mPOS merchant solution was launched, targeting micro, small and medium customers in September 2023 to transition MSMEs onto digital platforms and empower them with low cost financial solutions.



- People's Card Centre introduced a payment Acceptance solution for the Ministry of Justice to encourage cashless transactions.
- In 2023, People's Bank becomes the first Bank in Sri Lanka to issue and acquire the LankaPay JCB debit card. Within the year, the Credit Card Division issued 15,000 JCB debit cards to customers through the People's Bank branch network.

MARKETING AND PROMOTIONS

In order to popularize the use of credit cards, the Credit Card Division conducted two full-scale credit card merchant promotion campaigns during the festive seasons of April and December 2023. The Division also conducted general merchant promotions and discounts throughout the year.



PLANS FOR THE FUTURE

The Credit Card Division is analyzing cost-effective platforms and new technologies to enhance value to customers while expanding the People's Bank credit card brand to the entire country, especially regional locations. The Division is seeking the latest credit card product features for its cardholders, while also improving service standards and technology systems. In addition, the Division will also continue to support digitization of government organizations by developing card solutions and making POS, MPOS, IPG facilities available to increase the efficiency and productivity of these institutions.

Manufactured Capital



Manufactured capital encompasses the tangible assets owned by the Bank, including its physical infrastructure crucial for delivering services to clients. Despite technological advancements and digitalization, physical locations maintain significance, particularly in regions with a predominantly rural population. Thus, our footprint extends across an extensive network of branches, Service Centres, Self-Banking Units (SBU), Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), and other facilities for customer interactions. Additionally, our digital infrastructure enhances outreach capabilities, further strengthening our presence.

OUR APPROACH

Our banking services have consistently prioritized accessibility and affordability, key strengths of People's Bank due to our extensive geographical coverage. This approach has fostered strong relationships with our clients. Our expansive branch network, the largest in the country, along with a substantial number of Self-Banking Units (SBUs), has played a crucial role in our business growth and acquisition of new

accounts. Furthermore, our ongoing endeavors to enhance service quality and introduce innovative digital solutions have helped us maintain our leadership position in providing modern banking services nationwide.



KEY HIGHLIGHTS



Largest network of
747
branches and service centers



Largest network of
307
Self-Banking Units



Customer portfolio covers over
68%
of the population



Green buildings
Ongoing transition towards renewable energy



MATERIAL THEMES

- Digital leadership
- Customer access

OPPORTUNITIES

- Acceleration of digital solutions to improve efficiency and reduce costs

CHALLENGES

- Macroeconomic slow down
- High inflation and stagnant income levels
- Political turbulence and uncertainty
- Transportation/logistics issues
- Foreign currency shortage



CONTRIBUTION TO UN SDGS



Affordable and Clean Energy

People's Bank is adopting the green building concept by building green branches and adopting renewable energy in existing branches to reduce the impact of fossil fuels.



Decent Work and Economic Growth

The Bank ensures decent work and benefits for all employees to facilitate their economic growth.



Industry, innovation, and infrastructure

The Bank's continuous investments towards new digital products, new hardware and digitalization of its business model contributes towards overall industry, innovation, and infrastructure.



Reduced inequalities

We have reduced social inequality in access to finance through island wide customer touch points that make our products and services accessible to people from all walks of life.



Responsible Consumption and Production

The Bank upholds to responsible consumption through continuous digitalization, which increasingly eliminates the use of paper in providing banking services and in procurement activities.



Climate Action

The Bank has made a commitment towards climate action by minimizing wastage and use of resources, while also reducing environmental pollution.

VALUE CREATED



ATMs, CDMs, CRMs and KIOSKS

LKR 1.888 Bn
with over
113 Mn
transactions



Digital Apps
LKR 1,042.1 Bn
with over
98.3 Mn
transactions



Accounts and Loans

Close to **1.1 Mn**
accounts opened

LKR 16.5 Bn Loans
granted digitally

CAPITAL LINKAGES



FINANCIAL CAPITAL

Cost reductions



HUMAN CAPITAL

New technology and processes



INTELLECTUAL CAPITAL

SBUs and consistent branding look and feel



SOCIAL AND RELATIONSHIP CAPITAL

Customer convenience



NATURAL CAPITAL

Green branches and renewable energy

Manufactured Capital



New People’s Bank Head Office building, designed with 23 floors and three basement floors, continued in 2023 completing over 50% of it’s work

As the Bank and its subsidiaries are purely services providers, the manufactured asset base is limited to the fixed assets of island wide properties housing the head offices and branch offices, service Centers, Self Banking Units, furniture and fixtures, and office equipment. The companies in the Group also have their own vehicles as moveable assets.

In addition, the Bank’s manufactured assets include an expanding collection of physical digital infrastructure including computers, servers, laptops, palmtops and smart phones, that play an essential role in the Bank’s digitalization strategy.

To ensure efficient performance throughout the year, the Bank and its subsidiaries maintained all its physical assets with repairs and refurbishments whenever required and also expanded its physical asset base in line with business growth requirements.

Bank’s manufactured assets

Asset type	Value 2022 (LKR '000)	Value 2023 (LKR '000)	change %
Freehold land	24,079,999	24,775,609	2.89
Freehold building	7,398,919	10,760,917	45.44
Buildings on leasehold land	3,158,121	3,352,340	6.15
Motor Vehicles	1,496,655	1,448,468	(3.22)
Furniture	676,169	750,748	11.03
Machinery, equipment and self banking units	5,117,370	5,525,264	7.97
Computer	7,513,405	8,226,740	9.49
Total of property, plant and equipment	49,440,637	54,840,085	10.92

- Work on the new People’s Bank Head Office building, designed with 23 floors and three basement floors, continued in 2023 completing over 50% of it’s work at No. 374, Dr. Colvin R. de Silva Mawatha, Colombo 2.
- In 2023, the Bank also expanded its non-branch network by adding 18 new SBU units and 233 new CRM machines, mostly outside the Western Province.
- Presently 20 Branches have been powered with solar energy and 50 Branches are in the final stage. Another 81 Branches are projected to complete in 2024.

Group’s manufactured assets

Asset type	Value 2022 (LKR '000)	Value 2023 (LKR '000)	change %
Freehold land	27,868,121	29,219,040	4.85
Freehold building	12,154,270	15,895,921	30.78
Buildings on leasehold land	3,243,884	3,438,103	5.99
Motor Vehicles	1,882,890	1,718,942	(8.71)
Furniture	1,256,191	1,337,011	6.43
Machinery, equipment and self banking units	6,168,366	6,634,352	7.55
Computer	8,517,895	9,192,438	7.92
Total of property, plant and equipment	61,091,617	67,435,808	10.38





REACHING OUR CUSTOMERS



747
Branches



307
SBUs



28
KIOSKS



820
ATMs

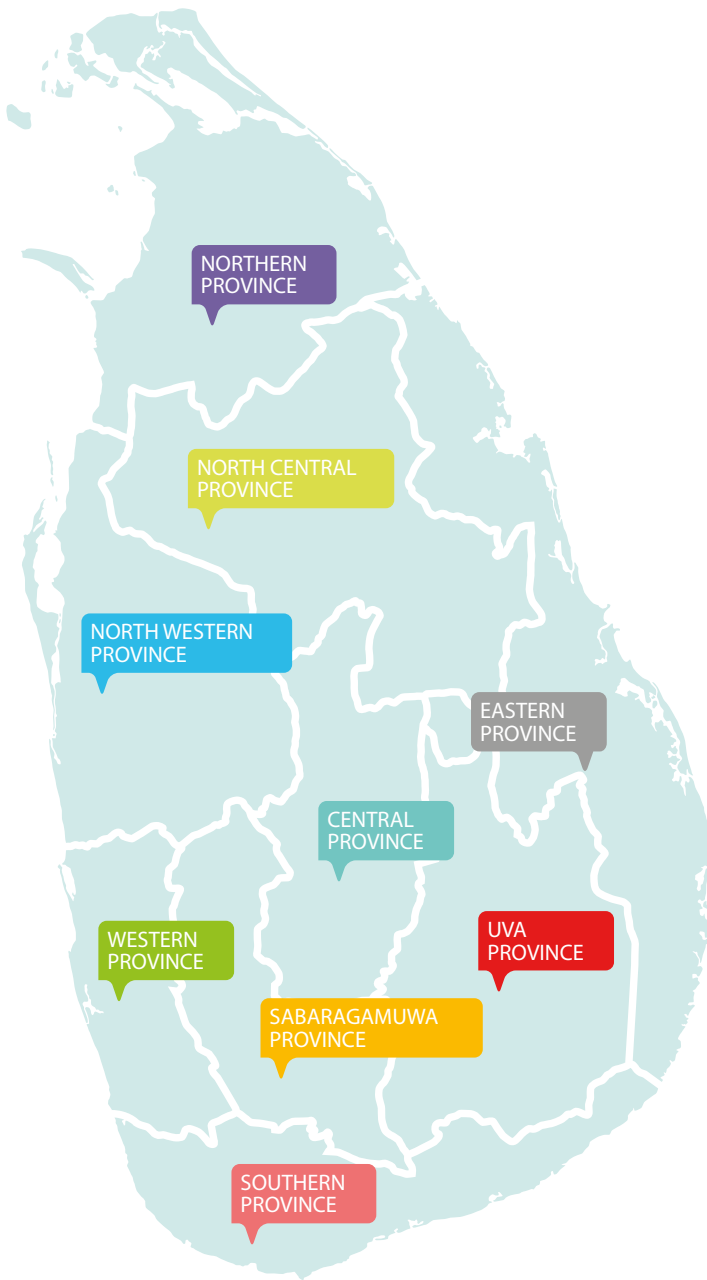


19
CDMs



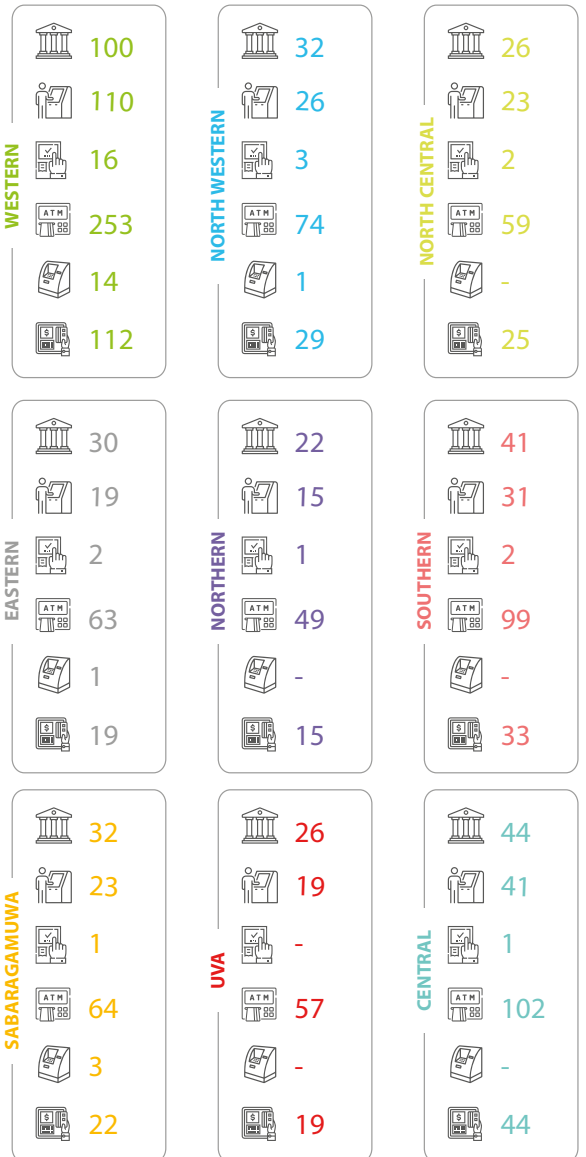
318
CRMs

Due to the Bank's focus on serving rural and underprivileged communities, we have established an extensive network of branches and facilities over time.



GEOGRAPHICAL DISTRIBUTION OF BANKING NETWORK/CUSTOMER TOUCHPOINTS GRI 2-6

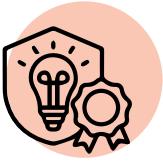
The Bank conducts its business operations entirely within Sri Lanka. As indicated in the map below the Bank's network covers all provinces in Sri Lanka. The Bank serves all sectors of the economy; agriculture, industry, and services. Our clients include retail, corporate, and SME customers.



PLANS FOR THE FUTURE

The Bank will continue to enhance its manufactured capital base, with emphasis on physical IT infrastructure, to provide the required support for its business expansion plans and strategic digitalization plans.

Intellectual Capital



Intellectual capital encompasses the intangible assets of the Bank, encompassing stored knowledge, expertise acquired by staff members, tacit knowledge, intellectual property, branding, image-related properties, processes, staff training initiatives, and customer trust and loyalty. It also encompasses culture, ethics, and innovative capabilities. Knowledge, expertise, and innovation serve as sources of competitive advantage, distinguishing us within the industry.

OUR APPROACH

In response to political unrest and constraints on our promotional efforts earlier in the year, we opted for a more empathetic approach to connect with the community. Our strategy focused on maintaining top-of-mind awareness for People’s Bank by organizing a series of activities that supported communities in areas facing significant needs. Introducing a new umbrella brand, ‘Mahajana Mehewara’, we initiated island-wide community service programs. While public service initiatives can sustain

brand visibility, ensuring excellent service is crucial for attracting new customers. To gauge our performance in this regard, we conducted extensive research throughout the year to gain valuable customer insights and elevate our service standards.



KEY HIGHLIGHTS



Digital customer base expanded to

3.8Mn
island-wide.



Over

75%

of the Bank’s conventional transactions now conducted through digital channels includes SBU’s and POS



In 2023, nearly

100Mn

transactions, totalling **LKR 1 trillion**, were conducted via People’s Wave, People’s Wyn, People’s Pay, and People’s Web.



Digital deposits surpassed

LKR 723Bn

as of December 2023.



MATERIAL THEMES

- Digital leadership
- Customer access

OPPORTUNITIES

- Acceleration of digital solutions to improve efficiency and reduce costs

CHALLENGES

- Macroeconomic slow down
- High inflation and stagnant income levels
- Political turbulence and uncertainty
- Transportation/logistics issues
- Foreign currency shortage



CONTRIBUTION TO UN SDGS



Industry, innovation, and infrastructure

The Bank's continuous investments towards new digital products, new hardware and digitalization of its business model contributes towards overall industry, innovation, and infrastructure.



Responsible consumption and production

Upgrading of systems and processes promotes operational efficiency and conservation of power, water, and other resources.



Peace, justice, and strong institutions

The Bank maintains a strong governance and compliance culture that contributes towards an ethical and non-discriminatory organization.

VALUE CREATED



Over 2.3 Mn. People's Wave App downloads



35000+ new customers are registered monthly for People's Web - Retail

CAPITAL LINKAGES



FINANCIAL CAPITAL

Accessing lucrative market segments through new branding strategies and increasing efficiency through digitalisation



HUMAN CAPITAL

Resumption and enhancement of training activities that were affected by the restrictions at the beginning of the year, and moving towards e-learning programmes to supplement conventional regional on-the-job training



MANUFACTURED CAPITAL

Continued growth of digitalisation



SOCIAL AND RELATIONSHIP CAPITAL

Growth of customer loyalty and participation through effective communication



NATURAL CAPITAL

Moving towards paperless processes both externally with customers and for internal administration

Intellectual Capital

As a services provider, the intellectual assets of the Bank and its subsidiaries are limited to trademarks, collective tacit and technical knowledge of its personnel, distinct organizational culture, and systems and processes that have evolved over the decades, including more recently, technology-based systems that are unique to the Bank and the Group.

Following the aggressive modernization drive of People's Bank over the past decade, digital systems and technical personnel now represent a key intellectual capital of the Bank, driving an internal culture change and repositioning the Bank as one of the most digitalized financial services providers in Sri Lanka.

People's Bank's 2023-2026 digitalization strategy is operationalized through continuous collaboration between the IT Department and the Digitalization Department to deploy the most efficient digital solutions across the Bank's business units and branch network.

CUSTOMIZED SOFTWARE AND DIGITAL SOLUTIONS

The Bank continually enhances its software systems and digital solutions through in-house software developments and also by purchasing external technology solutions that are customized for the Bank's unique requirements. As at end 2023, People's Bank was well ahead of its private sector competition in some sectors of digital development.

- In 2023, People's Bank became the first large Bank to migrate to SD-WAN technology connecting all 375 branches across the island.
- The IT Division developed inhouse process automation solutions, instead of purchasing ready to use software packages, enabling greater applicational flexibility and customization while also savings costs.
- The pawning system was customized for the entire branch network
- As at end 2023, 75% of the Bank's server were migrated to private cloud-ready platform which enhances data security and business continuity

DIGITAL PAYMENT SOLUTIONS

PEOPLE'S WAVE



- One of the most downloaded retail mobile apps in Sri Lanka
- Over 2.3 Mn. downloads since launch in 2017
- Allows customers to carry out over 50 different banking facilities remotely
- Made a significant contribution to driving financial inclusivity.
- Enabled self-registrations and biometric access.

PEOPLE'S WYN



- Mobile banking app custom-designed for corporate clients
- Facilitate corporates to carry-out all their business tasks on mobile device anytime, anywhere in the world
- Allows transfer of funds between banks via CEFT, SLIPS, and RTGS and utility bill payments.
- Provides transaction authorisation facilities.

PEOPLE'S WEB – RETAIL



- Provides a number of retail banking features in addition to all options available in People's Wave
- Nearly 1.9 Mn. customers registered at year-end.
- 35000+ new customers are registered monthly with the facility.

PEOPLE'S WEB – CORPORATE



- Offers variety of corporate banking features in addition to those available in People's Wyn with secure dual authentication transaction facility.
- 13,000 corporates are registered with the facility.
- Facilitates paperless trade finance transactions.
- Manage payroll, TT - Outward Remittances and fixed deposit opening and withdrawal (end-to-end digitalized without paperwork).
- Importers and exporters are also able to apply for various Trade financing products online (end-to-end digitalized without paperwork) such as Letters of Credit, Shipping guarantees, Bank Guarantee, and Trade Loans, without visiting any Bank branch.

PEOPLE'S WIZ ACCOUNTS



- First-ever real-time digital customer onboarding banking application in Southeast Asia, Africa, and the Middle East
- The significant drop in paper usage contributing to Green Banking Vision
- 3.8 Mn+ customers onboarded since launch in July 2017
- Integration of an anti-money laundering system expedites the account opening process by eliminating the need to log in to a separate system.
- Enhancement of documentation practices: Minimizes the necessity of printing, signing, and filing documents through email and the system.
- Bundled offerings to customers, activating Online Real-time services (Debit card/E-statement/Internet Banking/Mobile Banking/cardless cash facility), reducing both time consumption and operational tasks.
- SMS/Email notifications for successful account opening, mitigating errors in account numbers.
- Automated document archival system, allowing for the storage of documents for future reference.

PEOPLE'S WIZ CREDIT - RETAIL LOAN ORIENTATION SYSTEM (RLOS)



- Advanced retail loan processing system replacing manual system
- An automatically calculated borrowing risk rating feature is enabled.
- Automatically generates legal documents, ensuring consistency and uniformity in the documentation.
- Loan process is standardized to minimize human error.
- The approval process is automated, significantly reducing the time required for completion.
- End-to-end process from application to post-disbursement
- Rolled out to 340 branches by the end of 2023.

PEOPLE'S WIZ CREDIT - CORPORATE LOAN ORIENTATION SYSTEM (CLOS)



- End-to-end digitised business loan origination system
- Handles single credit facilities and credit packages, with multiple product types and for a range of businesses
- Rolled out to 207 branches by the end of 2023.

Intellectual Capital

PEOPLE'S PAY - WALLET APP



- Tri-language access user-friendly interface and a host of new features including biometrics and self-registration.
- Ease up customers' day-to-day life which enables them to save their payment details for future reference.
- Available self-transaction limit adjustment facility, linking other bank accounts for transactions.
- Partnered with utility service providers to provide customers with due payment amounts online in real time.
- 400,000. customers registered at year-end.
- 24000+ new customers are registered monthly with the facility.

PEOPLE'S PAY - MERCHANT MODULE LANKA QR REGISTRATIONS



- Encourages small businesses to transition to real-time.
- Improve financial inclusivity.
- Facilitates fast, secure, and low-fee digital payment to SMEs
- By the end of 2023, over 54,000 merchants registered.
- Facilitate the creation of QR which is compatible with visa and Lanka QR standards.

PEOPLE'S EZE ACCOUNTS: VIRTUAL ACCOUNT OPENING SERVICE



- Non-face-to-face digital customer identification and verification process.
- Allows customers to complete the onboarding process remotely.
- Seamless integration with the Department of Persons for real-time National Identity Card verification
- AI-based verification crosschecks customer's physical appearance with the National Identity Card and uploaded photo
- Video documentation of remote KYC process available for future reference
- Location-based verification through Google services

RETAIL BANKING SOLUTIONS

During 2023, People's Bank reached a milestone two million digital retail customer base with its mobile apps - People's Wave and People's Pay. Currently 75% of all transactions are performed digitally. Nearly 85% of this number is located outside the Western Province indicating the expanding digital reach of the Bank that now records over 8 Mn digital transactions per month. In 2023, 77% of digitally onboarded new customers comprised from the Gen Z demographic.

Many new digital solutions were introduced to create value for customers and support the Central Bank's policy for a cashless financial system:

- An AI based chat bot was incorporated into the People's Bank website to assist customers and visitors to the website. Where the chat bot cannot respond, the visitor is automatically connected to the call center for human intervention.

- QR payment solutions were improved by enabling QR facilities for POS machines.
- People's Bank partnered with "Visa" and introduced the "Visa Standards" to the Bank's QR merchants.
- A mobile phone-based POS solution was introduced for small-scale merchants, which is a lower cost alternative to the standard POS machines and will facilitate wider use of card transactions in the country.
- The existing retail loan origination system was extended to all branches, enabling faster and more convenient disbursements for customers all over the country.
- Customers were allowed to obtain their account balance via SMS, in their preferred language, by dialing a missed call to the Bank's call center.



In a move to elevate customer service, People's Bank announces the launch of its AI-powered Chatbot feature on its website



Bank implemented SD-WAN technology covering 375 branches across the island in 2023. This is the largest installation within the financial sector in Sri Lanka.

- People's Remittance Tracker mobile app was introduced to customers so that they can find out the status of their remittances to Sri Lanka.
- A new, centralized, Pawning System was implemented for all the branches. As the system is centralized, customers can get pawning services from any branch of the Bank.

CORPORATE SOLUTIONS

The Bank's digital solutions have been a key value proposition in expanding the corporate customer base. In 2023, the Bank was extremely successful in attracting new corporate clients by promoting its cutting edge, corporate-oriented, digital, financial solutions.

In addition, the Bank is also actively engaged in digitizing government institutions' Payment Collections through a range of digital solutions for payments and collections that have significantly benefited the public.

During 2023:

- The Corporate loan origination system was further enhanced.

Customized payment solutions were introduced for corporate clients based on their specific requirements.

HIGH AVAILABILITY AND DISASTER RECOVERY

The Bank has invested in enhancing the high availability and disaster recovery capability of its mission critical systems. Real Time

Progress Indicators 2022 Vs 2023

	2022	2023
No of ATMs CDM and CRM all over the country	1141	1157
No of ATMs CDM and CRM machines outside the Western Province	719	779
No. of digital retail customers	1.5Mn	2.3Mn
No. of digital corporate customers	9700+	13100+
No of Digital Accounts	2.7Mn	3.8Mn
No of Transactions done via Online and mobile banking	77.4 Mn	98.3Mn
Value of Transactions done via Online and mobile banking	LKR 623.3Bn	LKR 1042 Bn

replication to Disaster Recovery site of all mission critical systems has been implemented now as the availability of Digital Applications for customers is of paramount importance in today's competitive business environment.

SD-WAN IMPLEMENTATION

Bank implemented SD-WAN technology covering 375 branches across the island in 2023. This is the largest installation within the financial sector in Sri Lanka.

SD-WAN, a cutting-edge networking technology, empowers organizations to securely connect users, applications, and data across multiple locations, enhancing speed, safety, and flexibility in the process.

Key features of the deployment include a central SD-WAN Hub at People's Bank's head office in Colombo 02, fortified with Redundancy Disaster Recovery (DR) measures to ensure uninterrupted service. By adopting SD-WAN technology, People's Bank takes significant steps towards cost efficiency, optimizing network traffic, reducing WAN circuit costs, and centralizing management. This deployment aligns with the evolving technological landscape and solidifies People's Bank's position as the leader in digital banking innovation.

IT SYSTEM SECURITY IN 2023

- The ISO 27001 Information Security Management System was renewed in 2023, maintaining international standards in IT security.
- Information Systems are aligned with Baseline security guidelines issued by Central Bank of Sri Lanka.
- In order to protect customer data, IT system audits were conducted every quarter through an external auditor.

- The information security policy is reviewed annually, and systems and system controls were upgraded.
- End point security solutions were revamped with new features.
- Websites and other social media are monitored regularly to prevent cyber-attacks.
- A phishing simulation training was held for employees of all departments to raise awareness on phishing attacks.
- Real time replication was enhanced for disaster recovery.

BUSINESS PROCESS DEVELOPMENT

- **People's Wiz Accounts:** Offers a comprehensive digital account opening facility that includes a bundle of digital features and services to enhance customer experience and convenience.
- **People's eZe:** Facilitates customers with the convenience of remote onboarding through video kyc location.
- **People's Wiz Credit:** Implemented a paperless loan origination system, eliminating the need for physical paperwork and enabling a fully digital and streamlined loan application process.
- **People's Pay Merchant Module:** Simplified "Lanka QR" registration process, which enables and encourages small businesses to adopt this digital payment solution.

Intellectual Capital

TECHNICAL SKILLS AND ORGANIZATIONAL KNOWLEDGE

The Bank's intellectual asset base includes a pool of specialists in different fields. Regular recruitments are made to ensure availability of different technical skills and specializations, as required by the Bank to meet its growth objectives.

The Bank's strong IT Division has the expertise to adapt software applications and develop customized in-house digital solutions. As IT skills are essential to maintain the pace of

the Bank's digitalization, in 2023 the Bank recruited 32 IT graduates to fill vacancies due to brain drain and in anticipation of future requirements.

During the six decades of operations, the Bank had built-up an exceptional pool of expertise with a workforce consisting of long-service staffers to interns.

Significant recruitment efforts occurred in 2023 to bring in fresh perspectives and youthful vigour, enhancing the Bank with qualified and dynamic new talent.

PLANS FOR THE FUTURE

In the digital future, intellectual assets will be crucial for competitive advantage. Therefore, the Bank will continue to invest in enhancing its human resource based intellectual capital through the recruitment of experts and by continually training its workforce. The Bank will also continue to digitalize its operations and expand its trademarked products, including digital products.

IT and Digitalization Departments of the Bank will continue their dedication to minimizing physical visits to Bank branches by emphasizing continuous digitalization and leveraging technology alternatives. The primary focus for this year will be on process automation utilizing Artificial Intelligence (AI). This initiative builds upon the Bank-wide exercise initiated in 2023 to map out automation processes across various departments.

Additionally, the Bank is planning a comprehensive overhaul of its payment hub, ATM network, point-of-sale (POS) systems, internet payment gateways, and mobile applications. These updates are scheduled to go live in the middle of 2024. The overhaul aims to enhance efficiency, security, and user experience across all channels, ensuring seamless transactions for customers. As part of these updates, the Bank will introduce new ATM and card management systems, providing customers with advanced features and improved card management options. This includes enhanced security measures, expanded functionality, and a user-friendly interface designed to streamline banking processes and enhance customer satisfaction.

Designation	Number of Recruitments	Level
Customer Service Assistants	496	Operational
Management Trainees	49	Officers
IT Graduate Trainees	32	Officers
Chief Information Security Officer	01	Executive
Chief Security Superintendent	01	Executive
Other - IT Department	13	Operational

The Bank's human intellectual capital base comprises many highly qualified personnel as listed below.

Qualification	No. of Employees
MSc / MBA / Postgraduate	666
BA / BSc	1652
CIMA / CFA / CMA / CA Sri Lanka / Banking	1930
Qualifications in Law	86
Qualifications in IT	264
Diplomas and other	4193
Total	8791

CORPORATE CULTURE

As a State-owned Bank, with a long tradition of involvement in national poverty alleviation and development of rural economies, People's Bank has a unique organization culture compared to private sector banks in the country. While the Bank has successfully driven a culture change towards more dynamic and technology-based systems through rapid digitalization of previous manual processes, and expanded its portfolio of the country's private sector and youth populations, People's Bank continues to retain its people-oriented traditions, catering to all communities from all economic segments.

RESEARCH AND DEVELOPMENT / INNOVATION

People's Bank pioneered Sri Lanka's first Innovation Centre, to promote innovative digital financial solutions that enhance the quality

of life for all stakeholders. Collaborating with fintech companies have helped us to remain agile and responsive to emerging trends.





Our Human Capital represents the essence of our organization, particularly as a Bank deeply connected to the everyday lives of ordinary individuals. While our identity evolves with changing times and customer demographics, our people remain our most valuable asset. With a workforce of 7,656 individuals hailing from diverse backgrounds across Sri Lanka, People’s Bank stands as one of the Largest Banks in the country. As a significant state Bank, we play a pivotal role in the lives and livelihoods of our customers, drawing on the rich tapestry of experiences and perspectives from all corners of the island.

OUR APPROACH

In recent times, the dedicated efforts of our staff have served as the cornerstone of our success, and this year has been no exception. Recognizing the pivotal role they play; we have remained steadfast in providing them with unwavering support to ensure they have all the resources and encouragement needed to accomplish our shared goals. Whether through comprehensive training programs, professional development opportunities, or a supportive work environment, we have

prioritized fostering a sense of trust and commitment among our team members. By empowering our staff and investing in their growth, we not only strengthen the foundation of our organization but also cultivate a culture of excellence and achievement that propels us forward toward continued success.



KEY HIGHLIGHTS



Total employees:

7,656



Over

60%

Female employees



Retention rate:

96.4%



Profit per employee:

LKR 1.3Mn

CAPITAL LINKAGES



FINANCIAL CAPITAL

Contribution of employees to the revenue growth of the Bank Cost saving initiatives by staff to reduce consumption of power and other resources



SOCIAL AND RELATIONSHIP CAPITAL

Our employees develop their own skills by the exposure they get to customer relationship management, supply chain management, and CSR projects, which leads to greater job satisfaction and employee retention



INTELLECTUAL CAPITAL

The updated training modules that are currently being implemented will enhance the Intellectual capital of the Bank



MANUFACTURED CAPITAL

The new HR function restructuring system will contribute significantly to Manufactured Capital.



NATURAL CAPITAL

Staff members participate in sustainable practices such as the distribution of seedlings for tree planting campaigns islandwide and minimising the use of paper Employees who work in the green branches will engage in sustainable resource usage and power saving activities as a regular work day routine

Human Capital

MATERIAL THEMES

- Employee productivity
- Talent management
- Training and development
- Anti-corruption
- Reskill employees

OPPORTUNITIES

- Shift to online training modules where possible
- Build teamwork within the departments to ensure that work progressed on schedule
- New deployments at the internship level

CHALLENGES

- Economic crisis in the first quarter of 2022 resulting in foreign exchange restrictions and fuel shortages through the rest of the year
- Transport issues affected staff attendance, necessitating special transport arrangements by the Bank
- Constraints in working from home as the infrastructure did not exist for a majority of personnel, and impractical for many of the Bank's functions
- Delays and disruption in training programmes due to foreign exchange and travel restrictions
- The veteran managers need training in the digitalised workflow systems to enable them to give leadership to new Gen Z recruits
- Increase in migration of skilled staff



CONTRIBUTION TO UN SDGS



No poverty

The Bank contributes towards poverty alleviation across the country by creating direct employment opportunities.



Good Health and Well-being

The Bank has continued its strong health and sanitation standards to safeguard the health of all employees and customers.



Quality Education

The Bank provides training and development opportunities staff of all grades and supports educational advancements.



Decent Work and Economic Growth

The Bank is the largest employer in the banking category and has a range of human resource policies and employee benefits, while also complying with all applicable labor regulations.



Reduced Inequalities

The Bank is a non-discriminatory employer and recruits, and provides rewards and growth opportunities for employees based on merit, with no bias of ethnicity, religion or any other demographic.

VALUE CREATED



LKR 24.5 Bn
Allocated as Staff Benefits



239 Members
of the Staff were promoted and upgraded during the year





The Bank provides many opportunities for growth and advancement for Sri Lankans regardless of gender, ethnicity and other demographics

As People's Bank operates within the specialized sector of banking, the Bank's human capital base is a key intellectual asset, in addition to being an indispensable stakeholder of the Bank's daily operations and representation of the Bank's brand image through the quality-of-service delivery.

As a state-owned Bank, People's Bank is also cognizant of its responsibility to create high quality employment opportunities for all Sri Lankans in all parts of the island. The Bank provides many opportunities for growth and advancement for Sri Lankans regardless of gender, ethnicity and other demographics and invests a large share of its revenues

towards this objective through competitive salaries and other benefits, as well as training and development and career advancement opportunities.

During the financial year 2023, the Bank experienced a surge in brain drain across all its functional units, exerting stress on its human resource administration function to maintain uninterrupted and high standards of service delivery. However, the Bank has managed this situation effectively through continuous recruitment and training, while also marshalling all available cadre to strengthen the Bank's balance sheet.

FUTURE PROOFING THE BANK

The Human Resource administration restructuring process commenced in 2021 with the purchase of new software, and implementation continued in 2023. Automation of HR administration aims to digitize all HR processes. The payroll is partially automated, including overtime calculations, leave management, and other administrative functions. In the future, such functions will be directly linked to the core system and will have the ability to run without human intervention. In 2024 the entire HR system will be accessible online for all staff.

In addition to the above, a Bank wide organization culture change has been initiated, to transform the Bank into a future ready 21st century organization. This process is coordinated by the HR Department.

In 2021, the initiation of online training marked the inception of a progressive journey. Moving forward, there are plans to enhance this initiative by introducing an e-Learning academy within the framework of the new Human Resource Information System (HRIS). The forthcoming platform aims to foster an e-learning culture within the Bank, offering a diverse array of learning tools and materials to facilitate continuous development.

Succession planning

The Bank diligently maintains an approved succession plan for Executive Management and Corporate Management grades. This strategic approach ensures the grooming of the next echelon of management within the organization.

Also, the Bank is actively managing an approved Career plan specifically designed for employees in Manager and above grades, with a strategic focus on the year 2024.

Furthermore, the Bank conducts Executive Development Programs and leadership skills development programs to train the upcoming staff for KMP positions.

WORKFORCE PROFILE GRI 2-7

As at end December 2023, the total workforce of the Bank, including permanent and non-permanent staff, stood at 7,656 compared to 7,377 by end-2022. All our employees are on a full-time basis.

Total employee breakdown by gender and by region (permanent employees and others)

Province	Male	Female	Total	Total %
Western	1,114	1,961	3,075	40%
Southern	282	502	784	10%
Central	305	469	774	10%
North Western	221	398	619	8%
Uva	204	233	437	6%
Northern	176	210	386	5%
Sabaragamuwa	203	317	520	7%
Eastern	267	281	548	7%
North Central	222	291	513	7%
Total	2,994	4,662	7,656	100%

Human Capital

Permanent employee breakdown by gender and by region

Province	Male	Female	Total
Western	1,002	1,820	2,822
Southern	259	471	730
Central	280	445	725
North Western	209	383	592
Uva	176	215	391
Northern	161	187	348
Sabaragamuwa	169	300	469
Eastern	251	267	518
North Central	196	254	450
Total	2,703	4,342	7,045

Non permanent employee breakdown by gender and by region

Workers who are not permanent employees of the Bank are contract employees and university selectees. The Bank provides internships to university students who are in their final year of the degree. In addition, the Bank provided training opportunities for 1,308 students who are awaiting entrance to universities.

Province	Male	Female	Total
Western	112	141	253
Southern	23	31	54
Central	25	24	49
North Western	12	15	27
Uva	28	18	46
Northern	15	23	38
Sabaragamuwa	34	17	51
Eastern	16	14	30
North Central	26	37	63
Total	291	320	611

WORKERS WHO ARE NOT EMPLOYEES (GRI 2-8)

Individuals contracted to provide auxiliary services such as security and janitorial tasks are not considered employees of the Bank. They are engaged through contractual agreements. Since these services are not integral to the core operations of the Bank, data related to these indicators is not monitored or tracked.

COLLECTIVE BARGAINING AGREEMENTS (GRI 2-30)

With 94.7% of total employees covered by collective bargaining agreements, the organization ensures equitable treatment for all employees, regardless of whether they fall under these agreements or not. Employees not covered by collective bargaining agreements receive the same conditions and benefits as those who are covered. This commitment to fairness and consistency across the workforce reflects the organization's dedication to fostering a harmonious work environment and upholding standards of equality and inclusivity.

RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE (GRI 202-1)

There is no legally mandated minimum wage for entry-level positions in the banking industry. The Bank provides salaries above the minimum entry-level wage rate. Salary adjustments occur every three years, with increments determined by the Bank's performance, industry benchmarks, and market conditions.

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY GRI 202-2

In the context of the Bank's operations being confined to Sri Lanka and its workforce predominantly consisting of Sri Lankan citizens recruited domestically the recruitment and appointment of senior managers from various ethnic backgrounds and specific geographic locations serve to enhance communication and interaction with local communities. The term "local" pertains to geographic locations within the island nation. Notably, significant locations are determined based on regions that generate the highest revenues for the Bank. All of the senior management were hired from the local community and by this Bank aims to foster deeper connections with local communities, understand their needs and concerns, and tailor its services and strategies accordingly. This approach underscores the Bank's commitment to cultural diversity, effective communication, and community engagement, thereby strengthening its relationships and impact within Sri Lanka's various regions.

POLICY COMMITMENTS

GRI 2-16, 2-23, 2-24

We have implemented the following policies to uphold the utmost integrity and conduct among all staff members when conducting business on behalf of the Bank.

GRI 205-3

- **Code of Corporate Governance**
Containing the values and conduct required by the Bank, the Code of Corporate Governance sets the tone for all employees. Its focus on ethical behaviour and integrity not only sets the tone for employees, but also helps build an environment of trust, transparency, and accountability that will lead to long-term investment, financial stability, and business integrity for the Bank.
- **Code of Conduct for employees**
This links the Bank's mission, values, and principles with standards of professional conduct, as all employees are required to sign this document at the start of their employment with the Bank.
- **Disciplinary Code**
This document is formal in nature and outlines the Bank's definition of misconduct whilst setting out the formal disciplinary procedure that will be applicable in such a circumstance. The idea is to set out a progressive workplace that deftly deals with misconduct issues, thereby retaining its integrity.
- **Whistle-blower Policy**
The whistle-blower policy is yet another measure in the Bank's stance against misconduct and corruption and reflects the Bank's zero tolerance policy. A Bank appointed Director reviews such complaints

whilst guaranteeing anonymity to safeguard the employee. The following issues can be reported directly to the immediate supervisor or the Board Audit Committee.

- i. Breach of the Disciplinary Code
- ii. Failure to comply with legal/ regulatory obligation
- iii. Miscarriage of Justice
- iv. Financial malpractices

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

GRI 205-2

The Bank has fostered a robust anti-corruption culture through a comprehensive series of training initiatives administered by the Internal Audit Department. These programs have equipped all employees with knowledge and awareness regarding the prevention of corrupt practices and fraudulent behavior. Furthermore, employees have been thoroughly briefed on the Bank's anti-corruption policy, which has received approval from the Board of Directors. Our stance on bribery and corruption is unequivocal, with a zero-tolerance policy in place. Any detected offenses are met with swift and stringent disciplinary measures.

	Number	Percentage
Total number and percentage of Board members that the organization's anticorruption policies and procedures have been communicated to	All	100%
Total number and percentage of employees that the Organisation's anti-corruption policies and procedures have been communicated to	All	100%
Total number and percentage of employees that have received training on anti-corruption	4,140	54%
Total number of confirmed new incidents of corruption for the year	96	57%
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	270	2.3%

Incidents of corruption were reported mainly due to frauds, negligence with loss to the Bank, and due to other misconducts.

GRIEVANCE HANDLING GRI 2-16

The Bank has implemented a system for addressing employee grievances, outlined in the "Mechanism to address employee concerns" circular. Employees have the

opportunity to lodge complaints and grievances initially with the CEO/General Manager. Subsequently, a committee comprising members of corporate management conducts a thorough review of these concerns. Based on the findings of the

review, the CEO/General Manager then takes appropriate steps to address and resolve the grievances raised by the employees. During 2023, 87 corrective actions were taken for a total of 170 grievance incidents presented.

Human Capital

RECRUITMENT AND TURNOVER GRI 401-1

New employee hires

Years	18 – 25 Year		26 – 35 Year		36 – 45 Year		46 – 55 Year		>56 Year		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Western	73	101	26	30	3	1	1	1			236
Southern	21	29	2	2							54
Central	22	23	3	3							51
North Western	12	14		1							27
Uva	23	16	3	2							44
Northern	13	21		2							36
Sabaragamuwa	32	14	2	3							51
Eastern	14	14									28
North Central	23	35	3	2							63
Total	233	267	39	45	3	1	1	1	0	0	590

Employee turnover

Years	18-25 years		26-35 year		36-45 years		46-55 years		56 years and above	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Western	-	-	4	23	16	66	4	3	29	23
Southern	-	-		5	2	5			2	4
Central	-	-		3	2	5	1	4	7	5
North Western	-	-	2		5	8	2		1	3
Uva	-	-			2		1		2	1
Northern	-	-	1	6		3	1		3	
Sabaragamuwa	-	-		2	1	2		1	2	4
Eastern	-	-	1	2	3	2	2		4	1
North Central	-	-		2	2	4			4	
Total	-	-	8	43	33	95	11	8	54	41

REMUNERATION AND BENEFITS

The Bank has an impartial remuneration structure, offering our employees fair, competitive, and attractive packages. They include performance based rewards and other

monetary and non-monetary benefits. Salary revisions take place triennially where the necessary increments were carried out based on the Bank's performances, industry standards and market conditions.

Employees are entitled to Gratuity, Employees' Provident Fund (EPF), and the Employees' Trust Fund (ETF) payments in line with the relevant laws and regulations. The Bank contributed LKR 426.9 Mn. to the ETF and LKR 1,707.7 Mn. to the EPF for the financial year 2023.

Benefits which are standard for full-time employees but are not provided to non-permanent employees GRI 401-2

Life insurance	Personal accident insurance scheme
Health care	Medical benefits, Death gratuity
Disability and invalidity coverage	Yes
Parental leave	Only maternity leave
Retirement provision	Yes
Stock ownership	No
Others	Annual bonuses, Travelling allowances to certain grades, Holiday bungalows, Staff loans

PARENTAL LEAVE GRI 401-3

	Female
Number of employees entitled to maternity leave	4,662
Number of employees who took maternity leave	266
Number of employees who returned after maternity leave	266
Returned to work (%)	100%

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES GRI 402-1

Employees are provided with adequate notice of any operational changes and their possible impacts on their functions. This helps to mitigate any adverse impacts on staff morale which may occur.

Typically, the minimum number of weeks' notice provided to employees and their representatives before implementing significant operational changes that could substantially affect them is as follows:

- Transfers: 2 weeks
- Resignations: 1 month
- Retirements: 3 months
- Terminations: 1-3 months

The notice period and provisions for consultation and negotiation are specified within the collective agreements of the Bank.

HEALTH AND SAFETY

GRI 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10

Although the COVID pandemic subsided in 2023, the Bank continued to make the necessary physical arrangements such as providing sanitizers and masks at all branches and operating ambulance services to protect employees.

Other safety measures include a separate department named "Fire and Disaster Recovery" that falls under the purview of the DGM (Business Support Services). Representatives covering branch network and head office departments have been appointed as the coordinating points. Training sessions were also held.

The Officer in-charge is responsible for identification of hazards, risk assessment, and incident investigation. First aid rehearsals are conducted to ensure quick actions in disaster situations. Special trainings on how to prevent and deal with office environment hazards are carried out during the year under review.

The Bank provides occupational and health services as below;

- Annual Fire Drill in collaboration with Fire Service Department of Colombo
- Ambulance Service for staff
- Nawaloka Medical Center at Head Office
- COVID-19 precautions and booster vaccination drive
- Zumba sessions for staff wellness
- Free gym access and sports facilities

Expenses incurred in relation to medical claims of the staff and pensioners amount to LKR 2,574.7 Mn.

14 work related injuries were reported and there have not been any work-related ill health incidents reported in 2023. These were mainly due to health-related injuries, one motorcycle accident and one centipede bite.

Human Capital

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

Employees' well-being and productivity are maintained through minimizing workplace stress, thereby reducing unauthorized absences and potential income loss. We've implemented measures to foster a healthy work culture, enabling employees to lead fulfilling lives and work satisfactorily. Initiatives include offering Yoga Classes and access to a fully equipped gymnasium. Additionally, our state-of-the-art library at the Head Office facilitates continuous learning for employees. We incentivize higher education by reimbursing exam fees for MBA completion and professional subscriptions. Furthermore, staff engagement activities organized by the Bank's Sports Club, Art Club, and similar organizations provide further opportunities for participation.

Over the past few years, our employees have faced challenging conditions, which have significantly contributed to stress in the workplace. Recognizing our paramount responsibility to prioritize the safety and well-being of our staff, we understood that without ensuring their physical and mental well-being, meeting our targets would be unattainable. Therefore, it was imperative for us to establish and enforce relevant working guidelines aligned with health and safety concerns.

To address these issues comprehensively, we have taken several proactive measures to ensure occupational health and safety throughout 2023.

Training sessions have been conducted at both the head office and regional levels, involving these representatives and staff members. The officers in charge have been tasked with identifying hazards, conducting risk assessments, and investigating incidents as part of our ongoing safety protocols. Additionally, we have organized first aid rehearsals to ensure swift responses in emergency situations.

By prioritizing these initiatives and fostering a culture of safety and well-being, we aim to create a conducive work environment where our employees feel supported, secure, and empowered to perform their best.

On the other hand when it comes to discussing about employee mental wellbeing, the ripple

effects of work-life imbalance may manifest in a negative organizational culture, hindering collaboration, innovation, and employee engagement. Moreover, the cumulative impact on individual employees can lead to a decline in team morale and cohesiveness, affecting the overall effectiveness and efficiency of the workforce.

The Management of the Bank grasped the adverse effects of this circumstance and employee who pass through such difficult patches in their official or personal life and badly need some associate to be attentive to their plights, stories untold and suppressed inside which they are unable to unfold before their managers, superiors, family members or friends either.

On the above grounds, the Bank has introduced a specialized unit under the

purview of Human Resources Department named as "SELF WELLNESS CENTRE" which is now in function, in collaboration with external specialists and veterans in the field, exclusively to enhance mental well-being of employees.

The Human Resource Department assures 100% confidentiality with regard to the employees who seek such mental health boosting sessions, while all sessions are individual as well as free of charge, to any staff member irrespective of their grade or position in the Bank. The time allocation for the individuals and other infrastructure are adjust based on employees feed back as a further step. Human Resource Department is having continuous discussions with counsellor and make necessary arrangements from the employer point of view to create favourable working environment to the employees.



WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY GRI 405-3

Programme	No. of Programmes	No. of Participants
BCP/DRP/Occupational Health and Safety	2	120
BCP/DRP/ Occupational Health and Safety	13	1212
Business Continuity Management System	1	1
Business Continuity Plan of PB	1	52
Workplace fire and safety seminar	1	3
Grand Total	18	1388

TRAINING AND DEVELOPMENT

The Bank has a Staff Training College which supports the training agenda for the year. The main focus of staff training has been on achieving the goals of the Bank aligned with the new Strategic Initiatives for the years 2022-2024 mapped to the strategic pillars of Driving Excellence, Building Customer Centricity, and Being Future Ready.

The Bank will also introduce e-learning systems where the results of the training will be aligned with the remuneration, promotions, and other benefits, which will definitely improve the effectiveness of the training.

Future training programs will concentrate on the following areas covering both soft and conceptual skills:

- Attitude development and motivation for customer service excellence
- Customer centric mindset, complaint management, and negotiation skills development
- Personality development, personal grooming, social and corporate etiquette
- Stress management and counselling skills
- Strategic planning
- Technical skills development programs (mainly focusing on improving knowledge of products which include digital, credit, pawning, treasury and foreign currency products and improving knowledge on audit, compliance, risk management, and lean management for officer grade employees)
- Training programs for newly recruited Management Trainees
- Executive Development Programs (special training series for senior management/ higher officers on soft skills development)

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE GRI 404-1

	2023
Training Cost (LKR Mn.)	96.6
Training Hours	190,671
Average training hours per employee	25
No of hours on digital training	29,468
On-line training sessions	25

Programme	No of Participants	Training Hours
Communication and training about anti-corruption policies (Training hours on Audit, Compliance, Risk & Information Security)	4,140	22,735

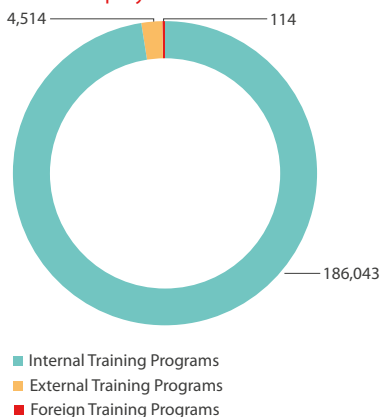
Average Training hours by employment category

Average Training hours by employment category Programme	Average Training Hours	
	Male	Female
Corporate Mgt.	34	60
Executive Mgt.	67	104
OfficerS(3-III - Grade I)	35	31
SA	20	18
CSA	15	17
MT/IT Graduates	111	188

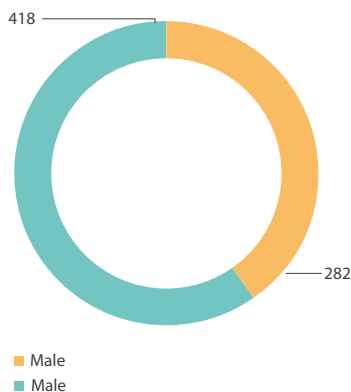
Training Statistics - Permanent & Contract Employees

Type of Training	No of Programs	No of Participants	Training Hours
Internal Training Programs	429	23,509	186,043
External Training Programs	77	376	4,514
Foreign Training Programs	5	5	114
Total	511	23,890	190,671

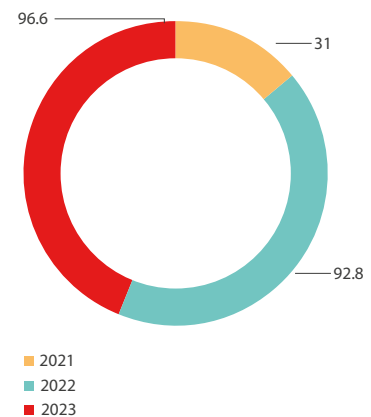
Training Statistics - Permanent & Contract Employees



Average Training Hours by Gender



Training Cost (LKR Mn.)



Human Capital

PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS GRI 404-2

Aligning with strategic initiatives for the year 2023 and considering the challenges arisen from the Macro and Micro-environment of the country, Training & Development of staff had been highly focused on achieving the goals of the Bank & developing soft skills & technical skills of employees. As per the training need survey and the training requirements identified, the training areas had been selected for annual training plan.

Training Programmes & Activities conducted in 2023

- Soft & conceptual skills development programmes (focused on following areas)
 - Analytical Skills
 - Positive Attitude Development
 - Communication skills /Business Writing & E-mail Etiquette/Negotiation Skills Development/Presentation Skills Development
 - Conceptual skills Development
 - Customer Service Excellence/ Customer Centric Mindset, complaint Management & Negotiation Skills Development
 - Emotional Intelligence
 - Leadership Skills Development/ Change Management/Managing People in Diversity/Team Building & Team Synergy for High Performance/ Time Management & Work Life Balance (Unleashing Potential through Managing)
 - Personality Development, Personal Grooming & Corporate Etiquette
 - Stress Management/Motivation, Coaching, Counselling & Mentoring Skills as a Superior
- Executive Development Programme commenced focusing on AGMs & CMs
- Induction programmes (Out Bound Training for Management Trainees/ Training Programme for Newly Recruited IT Graduate Trainees/Training Programme for Newly Recruited Management Trainees/ Training Programme for Newly Recruited Customer Service Assistants)

- Technical skills development programmes (focused on improving knowledge of products which include Digital, Foreign Currency products, Treasury products, and improving knowledge on Audit, Compliance , Risk Management, Credit, Pawning, & Lean Management for officer grade employees)
- Special training programs on Implementation of Export Hub (Theoretical & practical knowledge on operational procedure & facilities of International Trade finance)
- ChatGpt application for simplification of work related tasks/MS-Office (2016) Basic/ New Email Solution (Office 365) Awareness Session/Office 365 Email & MS Teams/SIB System for Day To Day Branch Operations/ Advanced Computer Training on MS-Excel

In line with Bank's digital transformation, Staff training college had been able to provide more than 25,000 training hours for digital products & services related trainings. As an average, total of 25 training hours have been completed per employee in 2023.

PERFORMANCE APPRAISAL

GRI 404-3

The Bank has implemented a new Performance Management System to assess the performance of all employees. Following a thorough examination of the existing performance evaluation system, the Bank has opted for the quantitative-based Balance Scorecard (BSC) evaluation method for manager and above grades, while utilizing a competency/qualitative-based 180-degree performance evaluation method for Deputy Managers and positions below that grade.

After conducting training sessions to equip all managers and above-grade employees with the necessary skills for evaluation, performance appraisals for the year 2023 have

been carried out. The outcomes will play a pivotal role in determining incentives in the initial phase, and subsequently, the results of the new Performance Management System will be considered for future promotions, remuneration and identification of training needs etc.

During the year, all our eligible permanent employees excluding contract employees engaged in performance reviews which is 99.8% of total employees in 2023 and the rest will be assessed on the renewal year of their contract.

PROMOTIONS AND TRANSFERS

The Bank has a formal promotion and transfer policy which ensures transparency in the process. Promotion schemes have been established for each grade and all promotions are conducted through an exam and interview process up to Senior Manager (Grade 11) level.

The Board of Directors decides on promotions to Executive, Corporate Management, and other senior management positions through an interview process. Opportunities for promotions to most grades, and to senior management levels usually arise when vacancies occur.

Transfers of staff can happen both within their present region and to outside regions. Any employee who is dissatisfied with a transfer directive, can appeal to the Appeal Committee established under the transfer policy.

DIVERSITY GRI 405-1

The Bank ensures diversity in its employee cadre through its merit-based recruitment and performance management systems that provides equal opportunities for minorities and women.

AGE	Male	Female
18-25	202	232
26-35	625	1,248
36-45	1,235	2,432
46-55	716	521
>56	216	229

Geographic dispersion of employees

Region	Male	Female
Ampara	125	109
Anuradhapura	130	177
Badulla	132	160
Batticaloa	78	104
Colombo North	69	172
Colombo Outer	122	368
Colombo South	88	215
Galle	92	195
Gampaha	139	375
Hambantota	97	132
Jaffna	85	131
Kalutara	83	186
Kandy	135	270
Kegalle	81	181
Kurunegala	147	295
Matale	73	95
Matara	93	175
Monaragala	72	73
Nuwara Eliya	97	104
Polonnaruwa	92	114
Puttalam	74	103
Rathnapura	122	136
Wanni	91	79
Trincomalee	64	68
Head Office	613	645
Total	2,994	46,62

INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

GRI 406-1

Our commitment lies in nurturing an environment that protects employees from both physical and verbal harassment, as well as discrimination based on factors such as race, religion, gender, age, or social status. This policy guarantees fair treatment throughout the employee lifecycle, including recruitment, reward, recognition, and promotion processes. We pride ourselves on maintaining a non-discriminatory stance, exemplified by our industry-leading representation of female employees.

The organization has not reported any incidents of discrimination in 2023 which indicates a commendable record of maintaining a discrimination-free environment

and promptly addressing any issues that may arise.

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

GRI 405-2

We have consistently upheld a 1:1 ratio in basic salary and compensation for women compared to men across employment categories and key operational locations. Our policy ensures complete non-discrimination, providing equal treatment to women and men. However, variations in remuneration ratios may occur due to differences in employees' service periods and salary grades.

NON-DISCRIMINATION

The Bank is an equal opportunity employer that does not discriminate on any demographics and is committed to fostering

an environment that safeguards employees from physical and verbal harassment and discrimination on the basis of race, religion, gender, age, or social status. The above policy ensures fair employee recruitment, reward, and recognition. All employees are assured of fair and equitable treatment when it comes to promotions.

People's Bank has the highest number of female employees in the industry which showcases the Bank's non-discriminatory policy.

As an island wide institution with 60.9% of female employees, the Bank accommodates challenges in terms of work-life balance of its female employees. Throughout the pandemic, pregnant employees and lactating mothers were allowed to work from home.

PLANS FOR THE FUTURE

In 2024, the Bank is undertaking its annual performance evaluation for the year 2023, by using the newly introduced New Performance Management System. This system aims to gauge individual employee performance, identify any performance gaps, and pinpoint training needs.

Simultaneously, a significant initiative involves finalizing the implementation of the New Human Resource Information System (HRIS), which will automate various processes within the HR department, such as Leave and Attendance, Payroll, Promotions, Transfers, Recruitment, Training and Development, and Performance Evaluation. This marks a noteworthy transformation in the Bank's history.

Furthermore, the HR department is committed to instigating a comprehensive cultural shift throughout the organization based on the primary findings from the organizational culture survey conducted in 2023. This cultural change is designed to align with the three key areas identified in the research.

Additionally, a primary objective is to deliver leadership development training for all managerial and higher-grade staff. This initiative is aimed at preparing these individuals to effectively engage with the emerging generation of customers and recruits. The strategic combination of youthful dynamism and seasoned experience is anticipated to enhance the human capital of the Bank.

Social and Relationship Capital - Customer Capital



Our strong customer capital has traditionally been derived from our extensive branch network across the island. However, evolving economic conditions and the emergence of diverse customer segments with differing demographic profiles and expectations have necessitated the adoption of new strategic approaches.

OUR APPROACH

Our customer base encompasses nearly two-thirds of the population, reflecting our commitment to accessibility over profitability. Despite facing significant challenges such as inflation and foreign exchange crises during the year, People's Bank remains dedicated to serving its traditional customer base, who continue to show loyalty. However, we recognized the imperative to aggressively expand our reach to a new

group of customers with diverse income levels, needs, preferences, and aspirations. Moreover, we acknowledged the growing influence of millennial customers, who comprise a substantial portion of our customer base and exhibit a strong inclination toward digitalization. In response, we adapted our products and communications to cater to their preferences accordingly.



KEY HIGHLIGHTS



Over
15Mn
customers



87.2%
of customer complaints
resolved



811,687
new customers
onboarded during
2023 alone



51.2%
of the customers
are women



MATERIAL THEMES

- Financial performance
- Customer experience
- Operational efficiency
- Talent management
- Socio-economic impacts
- Brand equity
- Customer access
- Health and safety

CHALLENGES

- Political and economic instability
- Lack of receptiveness to traditional marketing communications
- High interest rates impacted lending
- Constraints from regulators on marketing expenditure

OPPORTUNITIES

- Realise benefits from digitalisation
- Further increase the share of overseas remittances

VALUE CREATED



Channels profitability
LKR 10.1 Bn



CONTRIBUTION TO UN SDGS



No Poverty

The Bank's policy of financial inclusion empowers all its customers to overcome poverty through access to finance for business and personal growth.



Reduced inequalities

The Bank does not discriminate against any person based on any demographic, and supports the reduction of social inequality through access to financial services for everyone.

CAPITAL LINKAGES



FINANCIAL CAPITAL

Increased market share in remittances, digitalisation, and opening to new customer segments led to increased financial capital.



HUMAN CAPITAL

Alignment of remuneration with customer satisfaction provides mutual benefits.



INTELLECTUAL CAPITAL

Technological skills help launch innovative applications which fills customer needs.



MANUFACTURED CAPITAL

Investments in digitalisation give a new customer experience in line with the expectations of the millennial generation.



NATURAL CAPITAL

Reduced paper usage consequent to digitalisation and green buildings contribute to conserving natural capital.

Social and Relationship Capital - Customer Capital



Out of the Bank's 15 Mn customer base 75% reside outside the Western Province while 51.2% of customers are women, as the Bank is a pioneer in empowering women through financial services.

As one of the largest Banks in the country, People's Bank accommodates one of the largest customer bases in the Sri Lankan financial services sector with over 15 Mn customers representing nearly two thirds of the country's population of children, working age adults and the elderly. This includes a large share of Sri Lanka's migrant worker community, many SOEs providing essential products and services to the public, and a growing base of private companies.

In addition to its core banking services People's Bank is also a vital link in the delivery of social welfare funds by the Government to underserved communities and pensioners, making CSR an integral component of the Bank's business model.

SOCIAL WELFARE SERVICES

- Through its financial services for SOEs, People's Bank ensures national energy security by facilitating imports of petroleum and coal for electricity and petroleum products for manufacturing and transportation, as well as facilitating the import of other essential products.
- People's Bank is the primary channel to distribute pensions for retired public servants and accommodates thousands of pensioners every month.
- People's Bank channels development funding for micro and SMEs from the Central Bank and the Ministry of Industries.
- In 2023, People's Bank was selected as the main Bank to channel welfare funds for underserved communities through the Aswasuma program. The Bank and its branch network catered to thousands of individuals under the Aswasuma program in addition to conducting its daily business activities.
- The Bank and its branches conduct many CSR activities across the country throughout the year.

New customers

People's Bank has also been rapidly gaining new customer segments, in the higher income categories and youth populations, to ensure relevance and sustainability of the Bank through new generations of tech savvy, upwardly mobile customers.

New, digital products and services are attracting millennials and Gen Zs to the Bank. This is a major factor taken into account the formulation of new products and strategies.

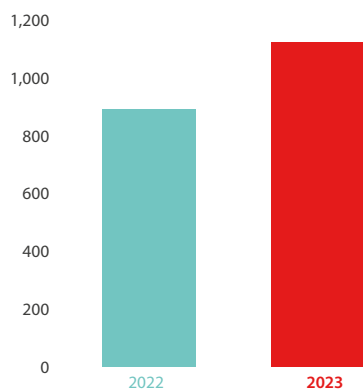
The Bank is also attracting high net worth customers through premium offerings under its Elegance and Excelsior packages. Elegance is targeted at high-net-worth individuals, while Excelsior targets high-income upwardly mobile professionals. These packages are designed to accommodate the lifestyles and status of high net worth individuals with preferential treatment and personalized services.

CUSTOMER PROFILE

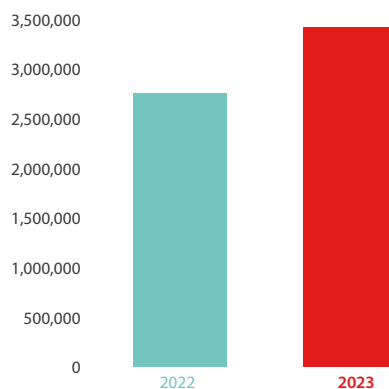
Out of the Bank's 15 Mn customer base 75% reside outside the Western Province while 51.2% of customers are women, as the Bank is a pioneer in empowering women through financial services.

Although one of the oldest Banks, People's Bank also represents a growing youth customer base with 28.2% of its customers from the millennial generation.

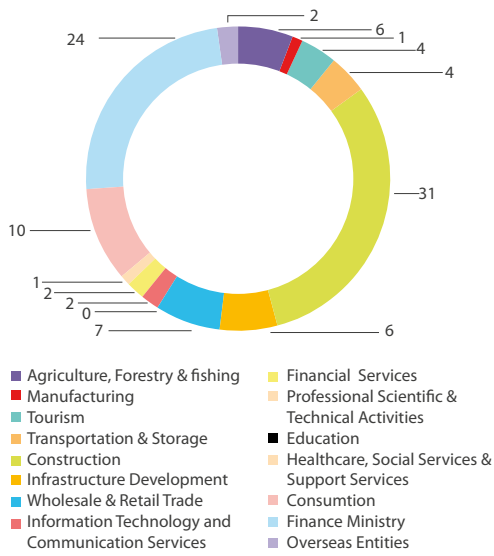
VALUE OF TRANSACTIONS (LKR Bn)



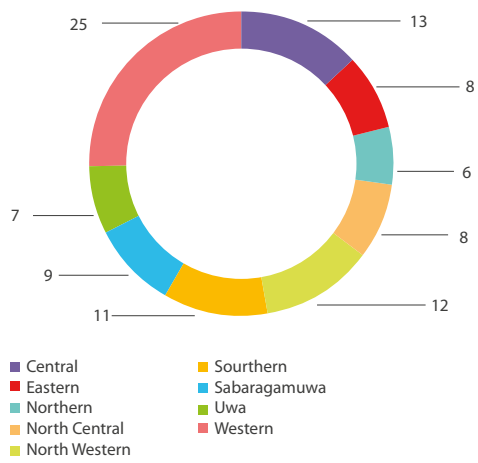
NUMBER OF REGISTERED CUSTOMERS



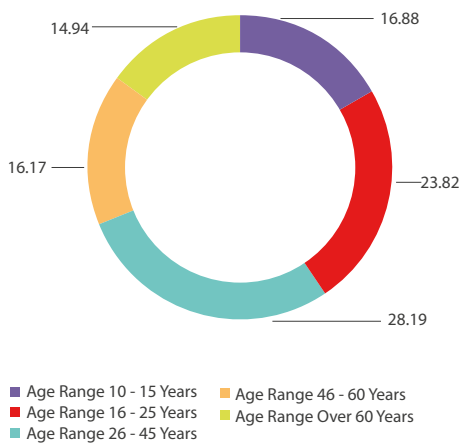
Customer Industry Profile (%)



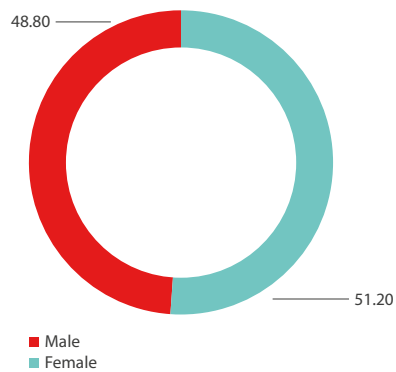
Customer Geographical Profile (%)



Customer Age Profile (%)



Customer Gender Profile (%)



Social and Relationship Capital - Customer Capital

PEOPLE'S BANK'S UNIQUE SERVICE PROPOSITION



PEOPLE'S BANK'S UNIQUE SERVICE PROPOSITION



Ease of access

353

branches,

394

services center)



A dedicated

24X7

call center is available that provides services in Sinhala, Tamil, and English.



Digital financial solutions
(Largest digital customer base

3.4Mn

digital customers)



Financial inclusivity & diversity

(From infant to pensioner, migrant or expat, man or woman, MSME to Blue chip, importer and exporter)

Public conscience (Not purely profit driven)

Next-gen ready - 52% of the 15 mn customers are 16-45 years. Average age of employee is 38 years

People's Bank branches are located even in remote locations that are not profitable. However, the Bank continues to maintain these branches as a form of social responsibility.

- Online corporate loan system launched in 2023
- People's Wave & Pay apps have a monthly average of 62,700 registrations and 597 Bn transactions.
- The Facebook page has a fan base of nearly 798,000
- The Bank's website has an average of 473,000 Page views per month.

IMPROVING SERVICE STANDARDS

- Branch layouts have been standardized to make customer interactions smoother.
- Self Banking Units have been deployed across the island using all 3 languages.
- A dedicated 24X7 call center is available that provides services in Sinhala, Tamil, and English.

Customer surveys

In order to measure service standards the Bank conducts three customer-focused surveys during the year; mystery customer survey, perception and attitude survey, and net promoter score survey.

People orientation initiatives

The Bank conducted many service quality improvement programs at branch level, assign service quality ratings to branches and the pawning centers, which are also linked to KPIs of Branch Managers and Regional Managers.

Process orientation initiatives

Process orientation is done by evaluating a combination of internal resources and external resources for expansion, relocation, mergers and/or to strengthen the staff.

Physical evidence initiatives

Physical evidence initiatives relate to the application of 5S to improve the efficiency of the operations of the Business Units.

Customer communication

The Bank's Customer Charter has been crafted in accordance with Central Bank of Sri Lanka (CBSL) guidelines.

The Bank has now fully integrated two-way communication with customers through digital channels. These channels provide customers the opportunity to ask questions, submit complaints, and obtain prompt feedback. The Bank responds to customer inputs on a 24x7x365 basis, which is a unique achievement for a Sri Lankan Bank. The website has been redesigned to reduce clutter and make it state-of-the-art resembling other high profile websites. The apps and other digitalised applications have also been a resounding success.

Customer complaints

The Bank has a grievance handling procedure in place and in the event of any dissatisfaction with our process, a customer has the option of escalating the issue to the Financial Ombudsman. Complaints are received through the 24-hour customer service hotline and dedicated Customer Service Handling Unit, and acted on promptly. Employees are kept informed about customer complaints at the monthly Branch Managers' Conferences and corrective action is decided on to prevent recurrence.

Complaints relating to interruptions of ATM services are handled by the Central ATM Control Department. Here too, procedures are in place to rectify the situation with minimum delay

Status of customer complaints 2023

Description	Number
Number of customer complaints received	484
Number of customer complaints resolved	422
Pending Complaints	62
Pending Investigations	2
Pending Legal cases	2
In progress	58

Customer health and safety GRI 416-1

All People's Bank branches and contact points have been designed with customer health and safety in mind, and branches have precautions in place for emergency situations such as fire exits, fire extinguishers, and fire sirens. Armed and non-armed security personnel are also available. Despite the winding down of the COVID-19 pandemic, the Bank continues to be vigilant regarding health-related risks. All health and safety protocols that were introduced at customer touch points according to Government guidelines continue in place.

Product and Service Labelling and Marketing Communications

GRI 417-1, 417-2

All marketing communications are formulated according to the Bank's Customer Charter and Central Bank guidelines to ensure accuracy of information disseminated to the public regarding the Bank's products and services and brochures are printed in all three languages (Sinhala, Tamil, and English) with relevant information, terms and conditions. These are made available at all our branch outlets. In addition, customers can obtain necessary information by connecting with our dedicated 24-hour Call Centre as well as the website. There have been no incidents of non-compliance concerning product and services information and labelling.

SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA

GRI 418-1

Customer privacy is protected through regular IT vulnerability assessments, network upgrades, IT audits by third parties, and continuing training on IT security.

People's Bank did not receive any substantiated complaints from outside parties, or regulatory bodies in 2023, concerning breaches of customer privacy and/or losses of customer data. The Bank protects customer privacy and confidentiality in its market surveys by making customer confidentiality mandatory from its market research agencies and by signing a separate non-disclosure agreement with market such external service providers.

SALE OF BANNED OR DISPUTED PRODUCTS

In compliance with the CBSL Customer Charter, and the Bank's own ethical codes, the Bank does not sell or market products which are banned in the market, or are the subject of stakeholder or public debate. The Bank does not finance any project which is illegal. There were no non-compliances during the year regarding the sale of banned or disputed products.



Social and Relationship Capital - Business Partner Capital



The Our business partners are essential providers of resources, products, and services sourced externally to sustain our operations. These partnerships form a crucial component of our value creation process, underscoring the significance of our relationships with these external entities in ensuring the smooth functioning of our business.

OUR APPROACH

The Bank is committed to nurturing mutually beneficial relationships with its business partners through proactive collaboration, resulting in a transaction volume of LKR 21.4 Bn over the past year. This partnership is characterized by an open, responsible, and ethical procurement policy, which guarantees impartial and fair tendering processes, while maintaining transparency and efficiency in fulfilling contractual

obligations. Upholding strict compliance with industry regulations, the Bank operates with transparency and integrity, adhering to ethical business practices and promptly meeting financial obligations.



KEY HIGHLIGHTS



Supplier registration via
e-GP



11
Member
associations



Over
91%
of the value created for
suppliers of local origin



Relationships with
44
correspondent banks and
80 Vostro agents

CAPITAL LINKAGES



FINANCIAL CAPITAL

Efficient supply chain management improves productivity and generates cost savings.



HUMAN CAPITAL

Training in supply chain management facilitates the growth of business partner capital.



INTELLECTUAL CAPITAL

The digitisation of tender processes introduced during COVID-19 pandemic enhances efficiency. Upholding ethical business practices fosters robust partnerships with business partners.



MANUFACTURED CAPITAL

Investing in digitisation and enhancing procurement processes augments business partner capital.



NATURAL CAPITAL

Encouraging suppliers to embrace sustainable practices and improve energy efficiency helps reduce their environmental impact. Imposing rigorous screening procedures on all suppliers promotes environmental and social sustainability. Ensuring that goods and services procured by the Bank are produced, delivered, and disposed of in a socially and environmentally responsible manner enhances the preservation of natural capital.

MATERIAL THEMES

- Operational efficiency
- Supplier value creation

OPPORTUNITIES

- Ability to resume construction projects that were halted due to financial constraints

CHALLENGES

- Restrictions on imports and limited availability of foreign exchange caused delays in the procurement of certain imported supplies
- Certain projects had to be halted or postponed due to financial constraints
- Foreign partners' credit lines reduced due to downgrading of Sri Lanka's sovereign rating

VALUE CREATED



paid to local suppliers
LKR 19.4 Bn.

91%



paid to foreign suppliers
LKR 2.0 Bn.

9%

CONTRIBUTION TO UN SDGS



Gender Equality

The Bank provides equal opportunities for both men and women among its business partners.



Decent work and economic growth

Business partners of the Bank have the opportunity to improve their economic contributions and to provide decent employment



Sustainable cities and communities

The Bank's extensive supply chains encourage sustainable operations among its business partners



Climate action

The Bank maintains responsible procurement practices that encourage environmental awareness and conservations



Partnerships for the goals

The Bank has a large network of local and foreign business partners to achieve its goals.



Social and Relationship Capital - Business Partner Capital

GRI 2-6 The Bank has a wide and diverse network of business partners that provide both essential and non-essential products and services for the Bank's smooth operations and support the Bank's competitive advantage in the market. The Bank enhances value for them through transparent procedures that align with internal policies and regulations. These include Government regulations and the internal procurement manual of the Bank, to maintain transparency in all procurement activities. In addition, the Bank's supplier evaluation system takes into account environmental and social concerns. Where possible, the Bank contributes towards the development of its suppliers through constructive feedback, maintaining high quality standards, and ensuring timely payments.



PROCUREMENT POLICY

The Bank ensures that its procurement policy results in the most advantageous balance of price, quality, and performance when purchasing business-related products and services, while also minimizing corruption, waste, and possible abuse in the purchasing process. The Procurement Manual sets guidelines in developing the procurement policy and procurement policies are revised to accommodate evolving needs. The procurement process is also supported by Technical Evaluation Committees (TEC) comprising of experts that are set up to evaluate all technical specifications for procurements. The TEC committees develop both operating and capital budgets (CAPEX and OPEX) for all activities, which are utilized to prepare implementation plans for procurement and operations, delegating tasks among personnel according to their domain knowledge and the organizational structure.

PROCUREMENT PROCESS

GRI 308-1, 414-1

- Board-approval is obtained for tender procedures and new suppliers are subject to rigorous screening. Critical and high leverage items, such as DI cards and IT equipment, are procured through a global tender, and the Bank maintains partnerships with selected global suppliers.
- All new suppliers are screened for compliance with environmental and social criteria of the Central Environmental Authority (CEA) and other regulations including the use of child or forced labor.
- With increased use of digital systems during the COVID-19 pandemic, tenders were also solicited through an online process, as described through a dedicated email and opened via Zoom, ensuring transparency in the procurement process.
- Suppliers are also required to register on the Electronic Government Procurement (e-GP) system, which is mandatory under the Ministry of Finance.

BUSINESS PARTNER CATEGORIES



Business Growth Partners

- Correspondent Banks
- Vostro agents
- Franchise partners
- State institutions



Suppliers

- Utility service providers
- Material suppliers
- Fixed asset suppliers
- Travel and transport



Maintenance Partners

- Software suppliers
- Waste management
- Communication
- Debt collection agencies
- Human resource providers



Others

- Contractors
- Premises providers

Business partners 2022 vs 2023 **GRI 204-1**

	2022	2023
Number of registered suppliers	We use E-procurement platform which is introduced by Ministry of Finance since 2020 and do not practice supplier registrations.	
Number of correspondent Banks	43	44
Number of Vostro agents	82	80
Payment to supplier LKR Bn.	15.9	21.4
- Local	14.8	19.4
- Foreign	1.1	2.0

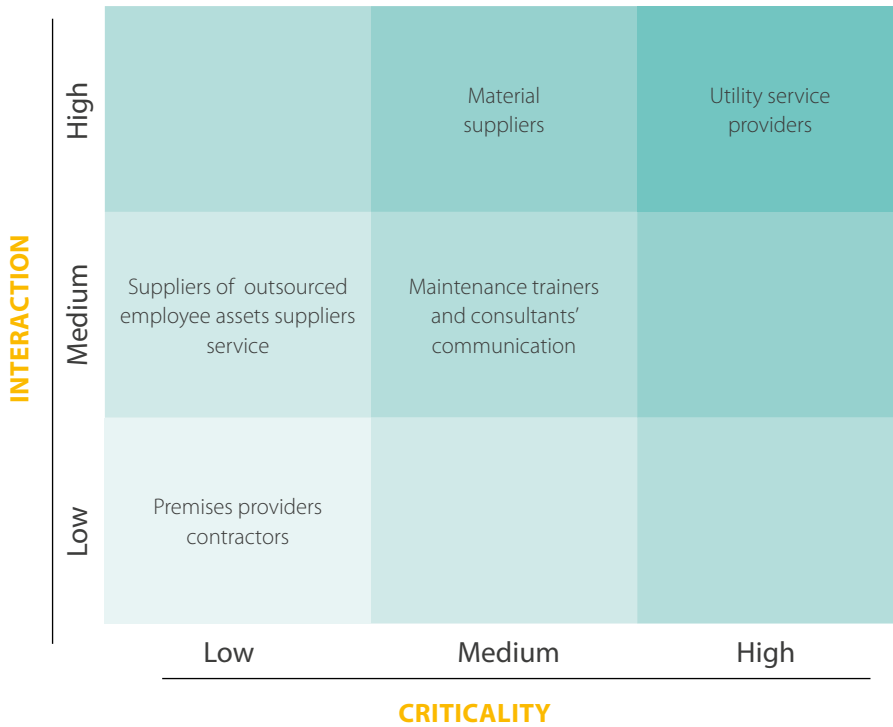
SUPPLY CHAIN MANAGEMENT

Given the large operational requirements of People's Bank as the largest bank in the country, managing the supply chain is vital for smooth operations and service standards, while also ensuring cost efficiencies in procurements. The Bank successfully

coordinates the supply chain stages, to reduce total costs while ensuring the timely availability of correct goods and services at the correct place. In managing its suppliers, the Bank fosters mutually beneficial outcomes that maximize value for the Bank through the procurement of goods and services of



A core component of People's Bank's international reach, are the banking partners and agents that operate in different locations of the globe. This trusted and secure network has enabled People's Bank to extend its reach beyond the shores of Sri Lanka to provide financial services for migrant workers and Sri Lankans living in a large number of foreign countries.



high quality at the best price while ensuring commensurate returns for suppliers through fair prices and prompt payments. This philosophy of creating win-win transactions have resulted in building a large data base of long-term suppliers for the Bank.

LONG TERM RELATIONSHIPS

A core component of People's Bank's international reach, are the banking partners and agents that operate in different locations of the globe. This trusted and secure network has enabled People's Bank to extend its reach beyond the shores of Sri Lanka to provide financial services for migrant workers and Sri Lankans living in a large number of foreign countries. Over the years the Bank has built up a long list of long term relationships with banking partners, that now include 44 correspondent Banks and 80 Vostro agents.

Foreign lending institutions are another category of business partners that the Bank has engaged with in the past, to access low cost funds. While the country's sovereign rating downgrade has obstructed funds from such agencies during the current financial year, the Bank has continued to maintain contact with such reputable and globally recognized agencies in order to access such funding lines in the future.

SUPPLIER ENVIRONMENTAL ASSESSMENT GRI 308-1

Environmental sustainability is a fundamental aspect of the Bank's commitment to sustainability. To ensure this commitment is upheld throughout its operations and supply chain, the Bank has implemented a formal policy. This policy dictates that the Bank will engage exclusively with suppliers, authorized

Social and Relationship Capital - Business Partner Capital

dealers, manufacturers, and contractors who adhere to environmental laws, regulations, and rules. This includes compliance with national legislation such as the National Environment Act, as well as adherence to the Bank's own environmental policy.

Furthermore, the Bank extends this environmental responsibility into its supply chain and procurement processes. Environmental protection clauses are incorporated into procurement policies and tenders, ensuring that environmental considerations are integral to the selection of suppliers and contractors.

To enforce these standards, the Bank subjects all new suppliers to thorough screening procedures. These procedures evaluate suppliers' adherence to environmental and social criteria, ensuring that their production processes align with regulations set forth by the Central Environmental Authority (CEA). Additionally, suppliers must demonstrate a commitment to ethical labor practices, including the prohibition of child or forced labor.

Child labor

As a State Bank, People's Bank complies with all applicable labor regulations and does not employ child labor.

PLANS FOR THE FUTURE

People's Bank will continue to develop innovative technology solutions to enhance access to its services for domestic as well as migrant worker customers and the Bank anticipates continued growth in market share in these sectors in 2024. While continuing to support SOEs and government agencies, the Bank will emphasize expansion of its youth and private sector clientele, particularly the corporate sector. The Bank will also improve its service standards to maintain customer satisfaction and will expand its global network of business partners and capitalize on established partnerships to enhance value for all stakeholders.



• Social and Relationship Capital - Investor Capital



With a legacy spanning over 60 years, the Bank has been a significant contributor to the financial resources of our primary shareholder, the Government of Sri Lanka.

OUR APPROACH

People's Bank has consistently upheld a standard of integrity and transparency across all its operations. By providing accurate and timely communication of the Bank's financial position and operating results to stakeholders, we have bolstered investor confidence. Our robust asset base and portfolio quality have ensured a strong capital adequacy position, enabling us to navigate through challenging times. We have maintained a sufficient liquidity position while investing in infrastructure,

technology, personnel development, and process reengineering. This strategic approach has fortified our operational resilience, allowing us to weather adversities effectively.



KEY HIGHLIGHTS



Return on equity

6.6%



Return on Assets

0.5%



LKR 40.7 Mn
to communities



Over

92%
Government ownership



Social and Relationship Capital - Investor Capital

MATERIAL THEMES

- Financial performance
- Operational efficiency
- Employee productivity
- Responsible lending
- Brand equity
- Customer access

CHALLENGES

- Turbulent economic conditions during the year
- Constraints on lending, which impacted profitability

OPPORTUNITIES

- Improved economic conditions in 2023 could result in increased profitability and dividend payments

VALUE CREATED



LKR 13.9 Bn
paid as taxes, special levy and dividends to shareholders



CONTRIBUTION TO UN SDGS



Decent work and economic growth

The Bank makes a significant direct economic contribution through its business activities and also through indirect economic contributions.



Peace, justice, and strong institutions

The Bank engages with a range of government and non government institutions to provide a range of products and services for the public

CAPITAL LINKAGES



FINANCIAL CAPITAL

Sustaining our revenue and increases in profits enhances investor capital



HUMAN CAPITAL

The skills and competencies of the employees lead to increased and profitable growth



INTELLECTUAL CAPITAL

Industry leadership in digitalisation and innovation contributes to increased investor capital



MANUFACTURED CAPITAL

Investment in plant and equipment leads to value creation and increased investor capital



NATURAL CAPITAL

Investments in digitalisation and automation mitigates our impact on the environment

INVESTOR CAPITAL

Established under the People's Bank Act No. 29 of 1961 (amended 2019), People's Bank is the second largest public Bank in the country with the Government of Sri Lanka holding 92.27% of the equity share capital while the balance 7.73% is held by Cooperative Societies. The Bank is directly accountable to the public of Sri Lanka through the Ministry of Finance and the Parliament of Sri Lanka. Therefore, People's Bank, in its ownership and mandate is a truly people's Bank.

The purpose of the Bank is stated in the Act as:

"The purposes of the Bank shall be to develop the co-operative movement of Ceylon, rural banking and agricultural credit, by furnishing financial and other assistance to co-operative societies, approved societies, Cultivation Committees and other persons."

As a public Bank, People's Bank's social welfare obligations are well beyond that of any private commercial bank, and although a commercial entity, People's Bank cannot operate on a purely profit objective. Through its social welfare contributions, the Bank generates an exceptionally widespread indirect economic impact, in addition to its large economic impact, compared to any private commercial bank in the country.

SIGNIFICANT NON-FINANCIAL CONTRIBUTIONS TO THE NATION

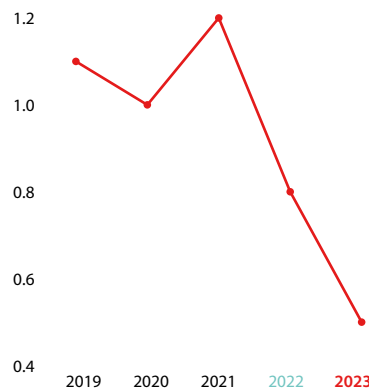
- People's Bank directly supports public welfare through dividend payments to the Government, (in addition to tax payments) which are redistributed to the public in the form of Government welfare services, and the Bank also facilitates the distribution of Government welfare such as pensions and Aswasuma payments through its island wide branch network which reaches deep into the rural hinterland.
- The Bank is one of only two public banks facilitating international transaction for essential, mass scale public goods and services through State Owned Enterprises(SOEs). As at end 2023, People's Bank accounted for the major share of petroleum, fertilizer and coal import transactions and many other essential goods, such as medicinal drugs and food.
- As part of its core banking operations, People's Bank facilitates access to formal, secure financial services to extreme rural, underserved populations that are traditionally not served by private commercial banks.

- Through its cooperative sector connections, the Bank channels financial services into rural economies, that are traditionally not served by private commercial banks.

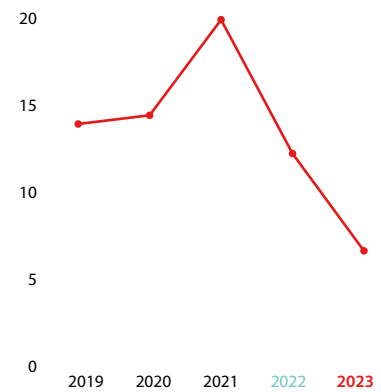
Key contributions to the nation in 2023

National contribution	2022	2023
To Government- Taxes, Special Levy & Dividend	LKR 13.94 Bn	LKR 13.93 Bn
Return on equity (%)	12.2	6.6
Return on assets (%)	0.8	0.5

Return on Assets



Return on Equity



ECONOMIC CONTRIBUTION

Direct Economic Value Generated and Distributed

The direct economic value generated and distributed is an indication of the wealth generated by the Bank for the country and the allocation of the amount retained by the Bank for its growth

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI 201-1

- Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below.



Social and Relationship Capital - Investor Capital

For the year ended December 31,	2019	2020	2021	2022	2023	2023 vs 2022 Growth %
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	
SOURCES OF INCOME						
Interest	186,714,218	179,717,526	197,330,011	321,935,983	394,794,898	22.6%
Exchange	800,416	3,311,844	(965,361)	2,740,436	10,355,650	277.9%
Commission and Fees	7,336,594	6,723,826	8,268,168	16,397,745	13,806,168	-15.8%
Capital Gain	329,071	336,495	143,459	184,223	347,203	88.5%
Other	4,548,686	892,017	2,473,543	15,970,222	2,938,224	-81.6%
Total	199,728,985	190,981,708	207,249,820	357,228,609	422,242,143	18.2%
UTILISATION OF INCOME						
To Depositors/borrowers as Interest	125,507,699	118,783,744	114,869,171	246,177,918	340,473,452	38.3%
To Employees as Emoluments	19,226,233	19,685,506	22,711,335	26,602,748	24,493,737	-7.9%
To Providers of Goods & services	12,153,293	11,128,830	12,276,709	15,882,049	21,352,264	34.4%
Net Impairment Loss on Financial Assets	8,488,026	11,567,174	14,472,820	33,346,451	7,437,572	-77.7%
To Government- Taxes, Special Levy & Dividend	19,817,027	14,444,917	16,328,960	13,944,390	13,926,049	-0.1%
To Community	35,683	28,703	12,665	38,213	40,721	6.6%
Retained for growth	14,501,024	15,342,833	26,578,159	21,236,840	14,518,348	-31.6%
Total	199,728,985	190,981,708	207,249,820	357,228,609	422,242,143	18.2%

TAX GRI 207-1 / 207-2 / 207-3

Bank demonstrates a comprehensive approach to tax management and compliance. The bank has established a dedicated team of specialists led by the Head of Finance to oversee tax matters effectively. Furthermore, they leverage the expertise of external consultants to handle the intricate aspects of income tax computation, filing, and related administrative tasks.

The bank maintains rigorous monitoring mechanisms through its Internal Audit and Compliance Unit, along with external auditors, to ensure strict adherence to tax laws and regulations. This proactive approach helps mitigate the risk of non-compliance and ensures that the bank operates within the legal framework. Moreover, the People's Bank of Sri Lanka upholds principles of social responsibility in its tax practices, demonstrating

a commitment to ethical conduct and contributing positively to society. The Head of the Tax Unit plays a pivotal role in fostering collaboration with the Inland Revenue Department, ensuring continuous alignment with evolving tax laws and regulations. Throughout the year, there were no instances of non-compliance with tax laws or regulations.

Social and Relationship Capital - Community Capital



For more than sixty years, People's Bank has maintained steadfast connections with the community, fulfilling its envisioned role of addressing the needs of the ordinary citizen, nurturing the growth of rural entrepreneurs, and actively contributing to societal advancement. This commitment is deeply embedded within the Bank's core values, compelling us to extend support and assistance to both our customers and the broader community, particularly in regions where our presence and services are most crucial.

OUR APPROACH

To enhance the standard of living and bolster community infrastructure and amenities, we have initiated several endeavors, including the introduction of our CSR program, "Mahajana Mehewara", to extend our community service initiatives. Our primary focus is on providing financial literacy and fostering business acumen among the public, particularly in rural areas, to stimulate entrepreneurship. Furthermore,

we are committed to preserving the cultural traditions, arts, and crafts of the community by encouraging activities that promote these skills. Additionally, our endeavors aim to promote sustainability and environmental conservation, ensuring that the achievements of today benefit future generations.



KEY HIGHLIGHTS



Significant investments amounting to

LKR. 40.7 Mn

in community development across the country.



'Youth Tech' skill development project will provide

100

scholarships to school students in Computer science



Solar-powered running water projects benefited

7

underprivileged rural schools in remote areas of the country

CAPITAL LINKAGES



FINANCIAL CAPITAL

The Bank's financial capital has been deployed towards community development activities, including the extension of community development. The investment in community development activities is seen as a necessary contribution towards the betterment of society



HUMAN CAPITAL

Training in supply chain management facilitates the growth of business partner capital.



INTELLECTUAL CAPITAL

Community outreach projects conducted under the newly created CSR brand Mahajana Mehewara, enhanced the image of the Bank among the people.



MANUFACTURED CAPITAL

The provision of self-banking units has also increased the convenience and accessibility of banking services for remote communities, thereby enhancing the manufactured capital of the Bank.



NATURAL CAPITAL

With the introduction of self-banking units, the Bank has taken steps to reduce paper consumption by promoting digital transactions, which has helped in conserving natural capital, and contributing towards building a sustainable future.

Social and Relationship Capital - Community Capital

MATERIAL THEMES

- Socio-economic impact
- Responsible lending

OPPORTUNITIES

- Further enhance the People's Bank corporate brand by conducting more community-based activities under the aegis of 'Mahajana Mehwara' CSR initiatives.

CHALLENGES

- Rising costs and budgetary constraints prevented the staff from participating in many community service projects

VALUE CREATED



LKR 8.9 Bn worth
21,307 number of community based development loans



CONTRIBUTION TO UN SDGS



No poverty

The Bank contributes to reducing poverty within communities by promoting savings and financial literacy, and through employment creation



Zero hunger

The Bank provides credit facilities to farmers and other producers of food that support the food chains in the country



Good health and wellbeing

As part of its CSR activities the Bank donates funds and materials to hospitals



Quality education

The Bank supports education by donating school books



Clean water and sanitation

The Bank has a CSR project to provide drinking water to remote rural schools.



Affordable and clean energy

The Bank provides solar power to remote rural schools



Partnerships for the goals

The Bank partners with various government and other organizations to conduct CSR projects.





The Bank's supports small scale enterprises through its development lending portfolio that includes credit provided by the Bank and also refinance schemes.

People's Bank has a long tradition of representing the ordinary population of the country and supporting the development of underserved communities through the provision of affordable and accessible formal banking services. In addition, the Bank supports community, cultural and religious

events as part of its CSR portfolio, while maintaining ongoing CSR projects. These efforts have added a significant indirect economic impact through the Bank, in addition to the Bank's economic value creation. No instances have been reported on violations involving the rights of indigenous people.

GRI 411-1

Investments in CSR Programs

	2022	2023
Investment in CSR (LKR Mn.)	38.2	40.7
Number of community based development loans	22,150	21,307
Value of community based development loans (LKR Mn.)	9,568.1	8,892.8

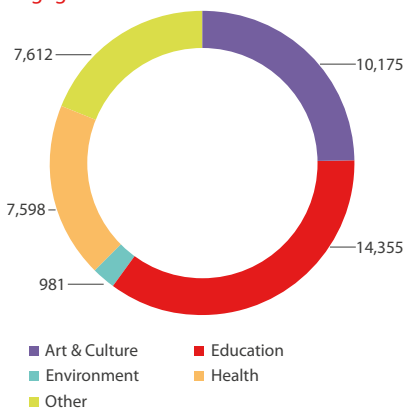
COMMUNITY-BASED DEVELOPMENT LENDING GRI 203-1

The Bank's supports small scale enterprises through its development lending portfolio that includes credit provided by the Bank and also refinance schemes. These loans have been utilized across various sectors.

Community-based loans in 2023

	Funded by the Bank		Funded through Refinance Schemes	
	Number of loans	Outstanding amount LKR Mn.	Number of loans	Outstanding amount LKR Mn.
Agricultural	8,838.0	2,376.0	3,873.0	4,389.4
Commercial	485.0	328.4	1,420.0	743.1
Consumption	-	-	24.0	12.3
Financial	9.0	1.3	62.0	23.1
Housing and property	11.0	3.5	35.0	6.4
Industrial	266.0	70.8	362.0	45.0
Other economic activities	947.0	139.5	4,626.0	541.3
Services	156.0	55.6	145.0	50.1
Tourism	43.0	105.9	5.0	1.2
Total	10,755.0	3,080.9	10,552.0	5,811.9

Operations with local community engagement



OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT

GRI 413-1

Category	Amount LKR'000
Art & Culture	10,175.0
Education	14,355.0
Environment	980.9
Health	7,597.7
Other	7,612.2
Sub Total	40,720.8

During the year, the Bank spent LKR 40.7 Mn on local community engagement activities, which included educational activities for which

the Bank spent LKR 14.4 Mn, environmental activities for which the Bank spent LKR 0.9 Mn and health events for which the Bank spent LKR 7.6 Mn and the balance was spent on other activities.

CORPORATE SOCIAL RESPONSIBILITY

As a leading financial services provider with the widest reach and the largest customer base, People's Bank plays a significant role in society. The Bank supports the socio-economic progress of communities by connecting with them and investing in communities in which it operates to support growth and build resilience. The Bank is guided by its sustainability policy, to touch the lives of local communities through its the Corporate

Social and Relationship Capital - Community Capital

Social Responsibility (CSR) programs. Through inclusive finance, People's Bank empowers society and enhances their quality of life. Building financial literacy and business acumen have enabled women and youth to emerge as community leaders and entrepreneurs. The Bank's financial inclusion programs are helping disadvantaged people to build fiscal management skills and savings capabilities. Whilst conducting the business in a socially responsible manner, the Bank strives to uplift the underprivileged communities by developing arts and culture, healthcare, and education.

The Marketing Department manages CSR programs of the People's Bank in a strategic manner crafting a socially responsible way for the Bank to make a positive impact on the community and industry while complementing its overall brand positioning strategy.

'Mahajana Mehewara'



People's Bank's 'Mahajana Mehewara', brings various CSR initiatives that originated at different levels, (Head Office, Branch, or Welfare Society) under a common umbrella. Under this program the Bank helps extremely disadvantaged segments of society including very remote and backward schools and the health sector.

Solar-powered running water for underserved schools

During 2023, the Bank leveraged technology to support seven underserved schools by providing solar panels and off-grid battery systems to generate solar powered running water systems to supply drinking water for school children.

The schools that benefited are Allewewa Muslim Vidyalaya, Bambare Primary School, Dumbara Tamil Vidyalaya, Galamudua Kanishta Vidyalaya, Gowri Ambal GTMS, Kalukele Kanishta Vidyalaya and Pitadeniya Maha Vidyalaya in the districts of Anuradhapura, Kurunegala, Rathnapura, Kandy, Mannar, Badulla and Galle. An estimated 2,000 children and teachers benefited through this initiative.



Empowering Tomorrow's Innovators: Youth Tech Skill Development Project

Further expanding on the strategic direction of leveraging cutting-edge technology for its CSR initiatives, People's Bank launched the 'Empowering Tomorrow's Innovators: Youth Tech Skill Development Project' in collaboration with Sarvodaya Fusion as the Implementation Partner. Other key industry partners engaged in the project are the Ministry of Finance, Ministry of Education, Sri Lanka Technological Campus (SLTC) and TRACE City Sri Lanka.

By funding this project, the Bank not only contributes to societal development but also positions itself as a catalyst for positive change and innovation in Sri Lanka. This project aims to provide scholarships for talented youth in the Diploma in Computer Science (DICS) program, thereby addressing youth unemployment, bridging the skills gap and fostering innovation and entrepreneurship.

The Project will provide 100 scholarships to school students aged 15-19 for the Diploma in Computer Science (DICS) program, which covers various aspects of computer science, including programming, web development, networking, graphics, and computer mathematics. It spans nine months and is equivalent to NVQ level 5, providing a solid foundation in computer science. This qualification enables the diploma holder to pursue degree level qualifications at NIBM and Sri Lanka Technological University (SLTC).

Moreover, Year 1 of the project includes activities such as launching the program, beneficiary selection through People's Bank branches and the commencement of the DICS program. The year concludes with a Hackathon and Graduation ceremony. Year 2 expands the project's impact by offering funded higher education opportunities to the top 10 performers from the Hackathon.



By investing this project, People's Bank is aligned with its vision of creating sustainable value model that has a lasting impact to benefit the nation and its youth.

UPLIFT HEALTH SERVICES

Sponsoring a SuwaSeriya Ambulance

People's Bank also implemented several CSR initiatives to uplift the health services of the country. One such project was to sponsor a 1990 SuwaSeriya Ambulance under "Adopt an

Ambulance" initiative by the 1990 Suwaseriya Foundation. SuwaSeriya was launched in 2016, to provide free emergency medical assistance by way of an ambulance service across the island. Under People's Bank's 'MahajanaMehevara' CSR program, this sponsorship was made as a part of the Bank's continued commitment to the betterment of the Sri Lankan community and its dedication to supporting the country's healthcare system.

Additionally, the Bank demonstrates its commitment to societal welfare by supporting initiatives like the "Buddhist Welfare Fund of the Temple of the Sacred Tooth Relic (Sri Dalada Maligawa)." Through the provision of collection tills in its branches, the Bank facilitates donations for charitable endeavors aimed at benefiting communities in need.

Moreover, People's Bank spearheads special programs to support economic revival aimed at enhancing exports, developing SMEs and rural livelihoods, strengthening support for the co-operative sector and supporting entrepreneurs. Furthermore, the Bank extends financial assistance to regional credit units, enabling them to engage closely with clients, offering expert advice on business strategies, asset restructuring, and facilitating their economic resurgence. Through these multifaceted endeavors, the Bank not only promotes economic growth but also fosters social cohesion and empowerment within the community it serves.



FUTURE OUTLOOK

The Bank's actions will continue to be guided in terms of generating greater benefits for the people, as a public Bank with a tradition of social welfare. The Bank's roots within the wider community will provide the channels to enable effective delivery of many social welfare activities that are aimed at supporting both customers and society. The 'Mahajana Mehevara' program will continue to spearhead such initiatives in the future.

Renovating De Soysa Maternity Hospital

Further, People's Bank's facilitated the completion of a number of essential renovations at the De Soysa Maternity Hospital, Borella at a cost of over LKR 3 Mn. The renovation work included the painting of over 120 beds in the wards, repairing the roof, color washing the corridors and wards and the installation of illuminated signages along the corridors. In addition, the Bank handed over essential equipment to the hospital.

INDIRECT ECONOMIC IMPACTS

GRI 203-2

The Bank plays a pivotal role in fostering positive indirect contributions to the economy within its operational sphere. As the nation's premier financial institution, People's Bank undertakes various selfless initiatives such as facilitating essential services like pension disbursements, university fee payments, and salaries for educators, all at no cost to the recipients.



Natural Capital



Natural Capital comprises the finite reservoir of natural resources like soil, water, and air essential for the sustenance and welfare of all living beings, including humans. It's imperative to ensure that what we extract from this reserve is replenished to avoid harming the delicate ecosystem upon which our survival hinges. While providing optimal services to our stakeholders, the Bank unavoidably utilizes some of these resources. However, we prioritize strategies aimed at minimizing, recycling, and reusing them in our business operations.

OUR APPROACH

Our commitment to environmental conservation is deeply ingrained in our organizational ethos, evident in our policy framework. From the outset, we have prioritized industries, businesses, and individuals closely connected to the earth, including agriculture, inland waterways, and the ocean. This mindset has facilitated the integration of sustainability into all aspects of our operations, from lending policies to administrative decisions, and from establishing green branches to offering digital banking solutions. We persistently endeavor to minimize our carbon

footprint, increase the adoption of renewable energy, and advocate for environmental conservation among our stakeholders. Through pioneering digitalization efforts in the banking industry, we have set a precedent, inspiring others to follow suit and laying the groundwork for a new era in banking for future generations. An innovative move was the introduction of the "Mahajana Mehewara" Brand, encompassing all our CSR endeavors, thereby making CSR activities an integral part of the People's Bank Brand.



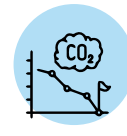
KEY HIGHLIGHTS



20
green branches powered by solar energy



Water consumption reduced by
3,318 cu.m.



Total GHG emission reduced by
571 tonCo₂e



MATERIAL THEMES

- Responsible lending
- Environmental impact of the business

CHALLENGES

- Transport crisis and fuel shortages resulted in the Bank having to provide transport to employees, increasing use of fossil fuels
- Delays in the construction of green branch buildings due to work stoppages and rising costs

OPPORTUNITIES

- Increased use of digital on boarding of customers
- Administration, interviews, meetings (internal and external) conducted online due to travel restrictions
- Further reduction of internal paper usage through digitalisation



CONTRIBUTION TO UN SDGS



Clean Water and Sanitation

The Bank conserves water as part of its environmental commitments



Affordable and Clean Energy

Greening of Bank branch buildings



Sustainable Cities and Communities

The Bank promotes sustainable communities through community projects to provide clean drinking water and solar energy to underprivileged schools in remote locations



Responsible Consumption and Production

The Bank conserve resources by minimizing use of paper by adopting digital solutions and conserving the use of electricity in all buildings



Climate Action

The Bank monitors its GHG emissions

VALUE CREATED

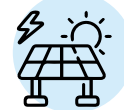


Paper recycling during the year

4,432 Kg



7.12 GJ energy intensity per employee



Future plans to introduce solar power to another 50 branches by 2024

CAPITAL LINKAGES



FINANCIAL CAPITAL

The conversion to renewable energy across the branches will reduce the use of grid electricity. Especially in view of the sharp increases in charges, the move to solar power should bring financial benefits in the future. Similar benefits can be expected from the reductions in water and paper usage



HUMAN CAPITAL

Environmentally relevant CSR projects are encouraged in all branches and regions, so that the staff members carry the sustainability flag into their own communities' island wide

Employees are called upon to manage the use of fans, air-conditioning and lighting to minimise electricity consumption



INTELLECTUAL CAPITAL

The launching of the "Mahajana Mehewara" Brand enhanced the Bank's overall Brand image



MANUFACTURED CAPITAL

We are continuing to convert bank branches to Green Buildings using solar power and LED lighting while maximising daylight. We are a Platinum Member of the Green Building Council of Sri Lanka (GBCSL), and all new branches are constructed to meet their Green SL Rating System



SOCIAL AND RELATIONSHIP CAPITAL

In a year when lending was restricted due to the liquidity problem and high inflation, funding was available for environmentally relevant and sustainable projects such as the e-ticketing solution jointly undertaken with the Central Cultural Fund to issue entry tickets online for tourist attractions island wide

Natural Capital

As a service provider, the Bank's impact on the environment is limited as the Bank does not directly engage in environmentally polluting, or environmentally damaging activities. In addition, the Bank also takes precautions to assess its lending to minimize indirect environmental impacts by encouraging environmentally beneficial and conservation-oriented activities by its customers. The Bank strives to reduce its carbon footprint, increase the use of renewable energy and promote environmental conservation among its stakeholder community through its interactions and CSR programs. One of the most effective approaches is the Bank's community service projects to provide clean drinking water and solar energy for underprivileged schools in remote locations. Please refer the Social Capital chapter for details on these activities.

Therefore, the Bank's overall environmental impact is for the most part limited towards consumption of natural resources, which is unavoidable due to the large, island wide workforce of the Bank. On the other hand, People's Bank leads the way in the digitalization, which has resulted in lower paper consumption and lower wastage.

RESPONSIBLE FINANCE AND GREEN FINANCE

As a financial services provider, lending to individuals and institutions is one of the Bank's principle activities. To support environmental conservation, the Bank conducts environmental due diligence as a part of the lending process. Additionally, compliance with the CEA licenses, and other pertinent environmental regulations are evaluated

prior to approval of credit. Environmentally friendly controls in the credit approval process supports responsible financing from the Bank's end, and also encourages greater environmental awareness among the Bank's customers.

The Bank also offers specific loan programs for ecologically friendly initiatives such as the purchase of solar power systems and the purchase of hybrid and electric vehicles.

The Bank's Environmental Policy aims to incorporate environmental responsibility into all its activities.

GREEN PROCESSES

Paperless operations:

- Use of ATMs, CDMs and KIOSK which reduces the carbon footprint
- Paperless account opening, e-statements, and loan processing
- Online and mobile banking systems
- Use of debit and credit cards

Customers: Green banking promotions for savings:

- Paperless, express Bank account opening and use of ATMs, CDMs etc..
- E-statements to replace paper
- Promotion through SMS and Internet
- Debit cards to promote cashless society
- Express Banking for new customers

Customers: Green banking promotion for loans

- Green Loans to assist purchase of electric/hybrid cars, solar power systems etc. at lower rates
- Promotion of environment friendly power sources
- Promote environment friendly practices/processes



Employees

- Educate staff on benefits of environmental sustainability
- Encourage staff to obtain concessionary loans to buy solar power systems, use environment friendly building methods and electric/hybrid vehicles
- Bank policy is only electric or hybrid vehicle purchases under staff loan scheme
- Encourage the use email and digital documentation

Society

- Minimize carbon emissions from the Bank's operations
- Invoke carbon management and carbon trading practices
- Educate society on environmental sustainability
- Obtain carbon credits by engaging in tree planting programs

Buildings

- Green Buildings Policy for all constructions by the Bank - New buildings to follow LEED/ GREENSL guidelines and building contractors to follow LEED/ GREENSL/ CIOB Green Mark Certification
- Selected buildings are certified as carbon neutral
- 20 bank buildings are solar powered

Progress towards green branches

Building Description	Location	Green status	Construction status	Expected Green Certification date
Regional Head Office and Bank Branch Building	Matale	Designed and planned according to Green Building concepts	In progress according to the Guidelines of GREENSL Rating System of Green Building Council	2024
Regional Head Office and Bank Branch Building	Jaffna	Designed and planned according to Green Building concepts	In progress; Structure completed following guidelines of GREENSL Rating System of Green Building Council. Remaining construction commenced in 2022, proceeding according to the GREENSL Rating System of Green Building Council	2024
Regional Head Office and Bank Branch Building	Kegalle	Designed and planned according to the guidelines of the Environment and Landscape Division of Urban Development Authority (UDA)	In progress to meet the Green Building Rating System of the UDA	2024
Office Development for People's Bank	No 374, Dr Colvin R. De Silva Mawatha Colombo 2	Designed and planned according to Green Building concepts	Proceeding according to the Guidelines of GREEN SL Rating System of the Green Building Council	2025
Staff Training and Accommodation Centre	Pasikuda	Constructed applying Green Concepts, using solar energy, energy efficient light fittings and fixtures, water efficient sanitary fittings, natural lighting, reuse of treated waste/sewer water for landscaping, and rain water recharging to ground	Completed	2024
Regional Head Office Building	Main Street, Galle	Designed and planned according to Green Building concepts	On Going	-
Proposed Branch Buildings	Thambuttegama, Trincomalee, Baduraliya, Mankulam, Kinniya, Kalmunai, Kadawatha, Medirigiriya	Designed and planned according to Green Building concepts	On Going	-

PEOPLE'S GREEN PULSE

The objective is to monitor the environmental impact of the Bank's operations and to minimize these effects by educating staff about the latest sustainable banking practices. It is also engaged in creating awareness among customers and the general public about these initiatives, thereby spreading the word about sustainable banking practices across the wider community.

Sustainability teams have been set up in all branches and regions to participate in the People's Green Pulse and drive the environmental initiatives forward.

REDUCING OUR CARBON FOOTPRINT

As the first state-owned Bank in Asia to be certified Carbon Conscious[®] by the Sustainable Future Group (SFG) in 2019, People's Bank has increased its energy efficiency, investing in renewable energy, reforestation and the purchase of carbon credits.

EMISSIONS MANAGEMENT

Fuel consumption and emissions of the Bank's transport fleet and business travel has been minimized, through effective route

planning, the use of green vehicles, and bulk transportation of materials.

Demonstrating the Bank's commitment towards managing its emissions, the Bank obtained ISO 14064-1:2018 certification from B – Advancy Certification Lanka Private Limited, for the year 2023.

Natural Capital

Certification for ISO 14064-1:2018

Reporting period:	1 January 2023 to 31 December 2023
Organisation:	People's Bank, Sri Lanka
Statement Number:	SL/PB/20240130
Date of Issue:	09.02.2024
Level of assurance:	Reasonable
Total Emissions:	3795.41 tonnes of CO ₂ e
Direct Emissions:	316.28 tonnes of CO ₂ e
Energy Indirect Emissions:	960.52 tonnes of CO ₂ e
Other Indirect Emissions:	2518.61 tonnes of CO ₂ e
Biogenic Emissions:	-



Monitoring GHG Emissions

People's Bank's Environment Sustainability Statement makes a commitment towards environmentally responsible operations which includes reducing the Bank's overall GHG (Green House Gas) emissions through increasing the efficiency of our products and services, leading to optimal energy, waste, and resource management.

Therefore, the Bank monitors its GHG emissions annually and in 2023 the GHG inventory report was compiled for the People's Bank – Head Office 2023 Greenhouse Gas (GHG) Emissions. In producing the GHG Inventory Report, People's Bank has adhered to the guidelines in ISO 14064 – 1:2018 and the report can be referred by its stakeholders. By precisely estimating the GHG emanations related with People's Bank's activities, the Bank can proceed to decrease GHG discharges.

GHG Reduction Strategies

- Implementing actions to replace Tungsten bulbs with LED lights and old air conditioners with inverters to increase the energy efficiency in the Bank.
- The Bank has monitored CO₂ fire extinguishers to avoid leakages.
- The Bank has established an efficient route planning system for Company owned vehicles to minimize the GHG emissions from Bank's transportation activities.
- To reduce Carbon footprint of the Bank by minimizing waste, the Bank has taken all the initiatives to reduce usage of paper during the banking operations.
- The Bank has initiated an innovative sustainable action by maintaining Eco parks.

Other initiatives towards Sustainability

- Education and awareness on energy conservation and reduction of electricity and water usage
- The Bank promotes the digital/online banking facilities for customers.
- The Bank has taken actions to reduce their food waste.

Principles to determine criteria for the identification of GHG emissions and removals categories associated with the its operation.

- Relevance: Consider which indirect emissions or removals need to be selected in order to meet the needs of the intended user(s) (e.g. customers, suppliers, investors, governments, NGOs) either on their own or in combination with other sources.
- Completeness: Consider which indirect emissions and removals need to be included in the inventory for the inventory to include all relevant sources.

- Consistency: Consider whether inclusion of the indirect emissions and removals is necessary for a user to make meaningful comparisons (e.g. GHG-related information within the inventory).
- Accuracy: Consider whether the inclusion of the indirect emissions and removals, on their own or in combination with other sources, is necessary for the inventory totals to be reasonably free from uncertainty.
- Transparency: Consider whether exclusion of the indirect emissions and removals, without disclosure and justification, impedes intended users from making decisions with reasonable confidence

Criteria used to evaluate significant emissions

- Magnitude: The emissions or removals that are assumed to be quantitatively substantial.





People's Bank's Environment Sustainability Statement makes a commitment towards environmentally responsible operations result in reducing overall GHG emission

- Level of influence: The extent to which the organization has the ability to monitor and reduce emission and removals (e.g. energy efficiency, eco-design, customer engagement, terms of reference).
 - Risk or opportunity: The emissions or removals that contribute to the organization's exposure to risk (e.g. climate-related risks such as financial, regulatory, supply chain, product and customer, litigation, reputational risks) or its opportunity for business (e.g. new market, new business model).
 - Sector-specific guidance: The GHG emissions deemed as significant by the business sector, as provided by sector-specific guidance.
 - Outsourcing: The emissions and removals resulting from outsourced activities that are typically core business activities.
 - Employee engagement: The emissions that could motivate employees to reduce energy use or that federate team spirit around climate change (e.g. energy conservation incentives, carpooling, internal carbon pricing).
- Category 1- Direct Emissions and removals**
 - Diesel for standby generator
 - LPG
 - Fugitive GHG emissions from air conditioners and refrigerators
 - Fugitive emissions from fire extinguishers
 - Company owned vehicles
 - Company controlled vehicles
 - Category 2- Indirect Emissions from Imported Energy**
 - Purchased electricity from grid
 - Category 3- Indirect Emissions from Transportation**
 - Purchased goods
 - Business travel- air
 - Employee commuting

Greenhouse Gas (GHG) Inventory Summary 2023 GRI 305-1, 305-2, 305-3

Scope	Emission Sources	GHG Emission (tonnes)			Total Emission tonCO ₂ e
		CO ₂	CH ₄	N ₂ O	
Scope 1 Direct emission	Stationary combustion	27,046.60	0.73	0.12	27.10
	Mobile combustion	27,2351.60	14.41	15.40	277
	Fugitive emissions	12,347.00	-		12.35
	Category 1: Total	311.75	0.02	0.02	316.28
Scope 2 Indirect emission	Purchased electricity	96,0519.06			960.52
	Scope 2: Total				
Scope 3 Other indirect emission	Purchased goods	136.67	0.01	0.01	0.14
	Business travel – Air	34,888.58	2.60	174.48	81.20
	Employee commuting	845,820.09	1,438.07	5,482.54	2,338.96
	Scope 3: Total	880.85	1.44	5.657	2,420.30
Other indirect emission	Transmission and distribution loss	95,667.70			95.67
	Water Supply by NWSDB	2,784.56			2.78
	Category 6: Total	98.45			98.45
TOTAL EMISSIONS		2,251.56	1.46	5.67	3,795.41

GHG emission intensity per employee was 5.39 tonCO₂e in 2023, compared to 5.9 tonCO₂e in 2022. GRI 305-4

There has been a reduction in total emission compared to 2022 from 4,366 tonCO₂e to 3,795.41 tonCO₂e in GHG emission for the reporting year. GRI 305-5

Natural Capital

Direct (Scope 1) GHG emissions GRI 305-1

<p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent</p>	<ul style="list-style-type: none"> Total Fuel Consumption (Head Office Diesel Generator -Up to December2023) 5800 Liters CO₂ Emission/Year= 16,053.7 kg (16.1 Tons)
<p>b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃ or all.</p>	<ul style="list-style-type: none"> Total Air Conditioner Refrigerant R22,R410 -33kG (Based on 2022 data) CO₂ Emission/ Year= 68,904 kg (68.9 Tons)

Energy indirect (Scope 2) GHG emissions GRI 305-2

<p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ Equivalent</p>	<ul style="list-style-type: none"> GHG Emissions Head Office Building (CEB Electricity Up to October2023): 944,016 kg (944 Metric Tons) <p style="text-align: right;">https://www.energy.gov.lk/index.php/en/knowledge/resources/your-life/carbon-footprint</p>
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GHG EMISSION COMPARISON

The comparison between the financial year 2022 and 2023 provides an opportunity to assess the Bank’s progress in meeting environmental goals and aligning with global sustainability targets.

Business partners 2022 vs 2023

Financial Year	Total Emissions (tonCO ₂ e)	Category 01 Emissions (tonCO ₂ e)	Category 01 Emissions (tonCO ₂ e)	Category 01 Emissions (tonCO ₂ e)	Category 01 Emissions (tonCO ₂ e)
2022	4235.69	373	945	2,821	97
2023	3,795.41	316.28	960.52	2,420.30	98.45

GHG Emissions from LPG and Bank owned/ controlled vehicles have gone up, when compared to the Financial Year of 2022. However, emissions from diesel for standby generators and Refrigerants have declined compared to the base year

In FY 2023 scope 02 emission has increased when compared to the FY 22. But that increase is not significant.

A major portion of indirect emissions are from employee commuting, which have decreased when compared to FY22. Business travel by air also has significant contribution for category 03 GHG emissions. But emissions from Business travel by air have increased from 2022 to 2023.

In the FY 2023, transmission & distribution losses have increased when compared to the FY 22. However, that increase is not significant. Emissions from water supply have declined compared to the base year.

REDUCING AND RECYCLING PAPER

The Bank’s rapid digitalization has dramatically reduced the use of paper. The island wide network of SBUs, Kiosks, ATMs and CDMs have shifted many customers from the branch counters to the digital channels,

reducing paper as well as freeing up the Bank employees to work on more analytical tasks. Wherever possible waste paper is recycled by

shredding it first when necessary to preserve confidentiality, and handing it to external parties.

Paper recycled 2022 and 2023

	2022	2023
Volume of recycled paper	5,968 kgs	4,432 Kgs

WASTE MANAGEMENT GRI 303-1

The Bank ensures safe disposal and recycling of its waste. The garbage produced by the Bank is categorized, and separated according to which waste can be recycled and which waste needs disposal. Our general waste management is supported by the respective municipal/urban councils and Central Environmental Authority approved third party recycling service providers, while our wastewater is discharged in accordance with the National Water Supply and Drainage Board’s regulations.

A transparent tendering process is also used to choose the e-waste recycling service providers. The practice of repairing and reusing electronic equipment was continued in 2023.

WATER CONSERVATION

GRI 303-1, 303-5

The Bank encourages water conservation within its head office and branches total water consumption. In 2023 16,482 cu.m of water was consumed at Head Office compared to 18,157 cu.m. of water in 2022.

Water conservation measures

The Bank has built a wastewater treatment facility to reuse wastewater for flushing toilets, and gardening. The installation of dual flush cisterns, auto flush toilets, and automatic faucets in Bank restrooms are some other measures taken. The staff members are constantly reminded to conserve, through strategically placed notices.



The Bank has also adopted renewable energy by installing solar PV systems in bank branches. In 2023, solar panels were installed in 20 branches and another 50 branches will complete within 2024

The Maintenance and Engineering Department continually monitors these procedures, and regularly handles water leaks and other associated matters.

Interactions with water as a shared resource

The Bank and its subsidiaries, being primarily involved in banking services and not manufacturing, have limited water consumption requirements, primarily for drinking, washing, and sanitary facilities. The water usage practices of the Bank are as follows:

Head Office Building:

- Drinking Water: Bottled water is used for drinking purposes.
- Washing: Water from the National Water Supply Board is utilized for washing purposes.
- Waste Water: Wastewater is discharged into the municipal line.

Pasikudha Staff Training Center:

- Drinking and Washing: A Reverse Osmosis (R/O) plant is employed to purify well water for both drinking and washing.
- Waste Water: Sewer treatment plant facilities are available to purify wastewater, which is then reused for gardening purposes.



Tangalle Regional Head Office (RHO):

- Waste Water: Similar to other locations, a sewer treatment plant is available to purify wastewater.

Ampara RHO:

- Waste Water: A waste water treatment plant is available for purifying wastewater at this location.

Vaunia RHO:

- Waste Water: Like other regional head offices, a sewer treatment plant is available for purifying waste water.

Hakmana Branch:

- Waste Water: Similar to other branches and offices, a wastewater treatment plant is available for purifying wastewater.

The Bank has also adopted renewable energy by installing solar PV systems in Bank branches. In 2023, solar panels were installed in 20 branches and another 50 branches will complete within 2024.

The following procedures are in place to achieve the Bank's energy conservation goals:

- Consider the "Energy Efficiency Ratio" of all new machinery and electronic equipment to reduce energy usage
- Deploy LED bulbs for lighting to save energy
- Purchase IT equipment with an energy-efficiency star rating
- Install inverter-technology energy-efficient air conditioners and perform preventative maintenance through on-time servicing and repairs
- Use environmentally friendly refrigerators
- Install soundproof, low-emission, and fuel-efficient generators with remote monitoring capabilities

ENERGY CONSERVATION AND EFFICIENCY IMPROVEMENT

(GRI 302-1, 302-3, 302-4)

Electricity and transportation account for the bulk of the Bank's energy use. Transportation energy consumption is from the Bank's fleet of vehicles and other business-related travel.

Energy Consumption of People's Bank- Head Office

Energy source	Energy type	Consumption level (Giga Joules)
Renewable	Electricity	5,727.47
Non-renewable-Fuel	Petrol	504.27
	Diesel	2,736.77
Total		8,968.51

Energy intensity (per employee)- 7.12 GJ

Natural Capital

ACTIONS FOR CLIMATE GRI 201-2

The Bank has implemented several initiatives to mitigate its impact on climate change while aligning with the UN Sustainable Development Goals during the review year. These efforts include:

- Implementing green practices in Bank branch buildings to reduce environmental footprint.
- Enforcing water conservation measures in branch offices to promote sustainable water usage.
- Undertaking community service projects aimed at providing clean drinking water and solar energy solutions to schools in remote areas with limited resources.
- Implementing strategies to reduce paper usage throughout Bank operations and promoting digital interactions with customers and staff to minimize environmental impact.
- Fostering energy conservation across all Bank buildings by promoting efficient electricity usage and actively monitoring and limiting the use of air conditioners to decrease carbon emissions.

FUTURE OUTLOOK

The Bank will continue to integrate environmental consciousness into its growth strategy, thereby minimizing its negative environmental impact, while expanding its positive environmental impacts through responsible lending.

The Bank is moving towards renewable energy sources such as solar power and is purchasing IT equipment with an energy efficient star rating. When purchasing new vehicles, the Bank is purchasing electric vehicles instead of diesel and petrol vehicles. Soundproof, low-emission and fuel-efficient generators with remote monitoring capabilities are being installed. The Bank is also currently in the process of building a new, energy-efficient headquarters equipped with state of the art technology to minimize greenhouse gas emissions.



PEOPLE'S LEGACY

People's Bank's legacy is a testament to strength, capacity, and a deep-rooted commitment to caring for generations to come, as it continues to play a pivotal role in the nation's progress

GOVERNANCE

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(BHRRC) | **198** Board Integrated Risk Management Committee Report (BIRMC) |
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Risk Management Report



The economic recovery in 2024 much needed for strengthen international sovereign ratings and meet low inflation and interest rate expectations of Central Bank of Sri Lanka.

Risk Management is treated as an important function as well as a value-added service of People’s Bank. Thus, the Bank highly facilitates and encourages risk management efforts in all the operational and business functions. As a large and systematically important Bank, it has consistently ensured the protection and the interest of all the stakeholders with the existence of a strong Integrated Risk Management Framework in every aspect.

Despite the economic contraction in 2023, the Bank continuously supported the state and the

state agencies considering the national interest while ensuring protection of the depositor’s funds, maintaining all the regulatory requirement, and achieving reasonable performance targets.

There is an expectation of positive economic growth in 2024, considering the progress in IMF programme, growing foreign currency inflows from worker remittances, re-stabilization of tourism industry, fiscal reforms, and positive re-structuring proposals of state-owned enterprises. But the macroeconomic

environment remained challenging for financial institutions much of the year, exerting continued pressure on maintain quality credit portfolios, slow re-pricing of assets and maintain anticipated low market interest rates and net interest margin.

The financial system risk will be heavily depending on the government ability to meet its debt-restructuring goals and commence re-payment of default loans in line with a sustainable re-payment plan. The economic recovery in 2024 much needed for strengthen international sovereign ratings and meet low inflation and interest rate expectations of Central Bank of Sri Lanka.

The stabilization of the rate of inflation and reduction in market interest rates followed by the favorable Domestic Debt Optimization provide a positive financial result for financial institutions at the end of 2023. However, businesses and consumers continued to face financial difficulties across the country and across all economic sectors as at end 2023, indicating the fragile state of the initial recovery phase.

Risk Landscape in 2023

Key Risks of 2023	Response
<p>Credit risk: Credit risk remained high due to the major portion of the Bank’s risk-weighted assets, with continued high rates of delinquency.</p> <p>While moratoriums for COVID-19 and economic crisis affected businesses ended, many businesses had not fully recovered by the end of 2023. The rising rates of taxation, high rates on energy and raw material, lack of skilled human resources prevented a faster recovery.</p>	<p>The Bank responded by reviewing and updating the credit policies and procedures in line with the market changes and working closely with stressed clients to support them in terms of re-structuring, financial advisory and rehabilitate / revive if necessary.</p> <p>Further additional financing facilities will be provided need basis at concessionary interest rates especially for working capital requirements.</p> <p>The Bank has established various credit limits to ensure maintain of quality portfolio within its risk appetite.</p>
<p>Liquidity risk: The Bank continuously supports government institutions to import of essential items during the foreign currency shortage situation of the country in 2022 and 2023 considering the national interest. Consequently, the Bank faced a liquidity risk at the start of 2023 mainly due to restriction of foreign funding lines as a result of sovereign rate downgrade of the country.</p>	<p>The Bank prudently manages the situation by conducting an island wide deposit mobilization drive, while simultaneously expanding export clients and strategically enhancing the market share of inward remittances. By end 2023, the Bank recorded excess liquidity in local currency and successfully managed foreign currency liquidity.</p>
<p>Concentration risk: State Owned Enterprises (SOEs) exposure remained the highest concentration risk of the Bank’s lending portfolio.</p> <p>In addition, the construction and tourism sectors remained stressed in 2023, putting pressure on the portfolio.</p>	<p>The Bank has established and revised key credit limits at portfolio level, industry level, risk rating level etc. to re-arrange the composition of Bank’s credit portfolio.</p> <p>In the case of deposits, the Bank has maintained a highly diversified deposit portfolio belonging to 14.5 Mn depositors, ensuring that the concentration risk of deposits is maintained at minimum level.</p>

Key Risks of 2023	Response
<p>IT and Cyber Security risk: Due to the proliferation of digital transactions, IT and cyber security remain a high-risk factor. In addition, the new Consumer Data Protection Act and the Central Bank's technology risk guidelines for banks required enhancements to the technology risk management system.</p>	<p>The Bank established a dedicated Information Security Department occupied with specialized IT personnel.</p> <p>The Bank is aligning its operations with the Data Protection Act and is also on track for full compliance with the Central Bank's technology risk guidelines within stipulated timelines.</p> <p>Further all the digital platforms are established with proper DR facilities and DR solutions are periodically tested and ensured the uninterrupted service to the customers.</p>
<p>Market risk: Interest rates commenced a downward trend towards the latter part of 2023. However, the Bank remains cautious of continued interest rate risk in 2024.</p> <p>The Bank concerned on market interest rates, exchange rates and equity prices in relation to market risk.</p>	<p>The Bank maintains its portfolios with a view to minimizing the market risk effects. Foreign Currency positions are always maintained within regulatory limits and take every effort to maintain close to square position.</p> <p>Equity portfolio maintains with comprehensive limit set-up to minimize any loss from adverse movements in Colombo stock exchange.</p> <p>Credit portfolios are maintained with proper diversification and business portfolios are maintained with applicable floating rates.</p>
<p>Operational risk: The Bank maintains the largest network, largest digital platform, and a significant number of customers and staff members. Thus, the vulnerability for triggering any operational risk event would be possible.</p> <p>Managing operational risk is more important to maintain customer trust as well as maintain service excellence.</p>	<p>The Bank ensured the existence of procedures, policies and sufficient controls to ensure smooth functioning of operational process.</p> <p>The Bank maintains maker – checker concept and verified by in-house audit as well as internal and external audit.</p> <p>Bank ensures the existence of three defense lines which are independent from each other. Further Risk Control Self-Assessment (RCSA) would be exercised periodically and verified independently by Regional Risk Officers.</p> <p>Any operational risk matter will be seriously discussed at the Operational Risk Management Committee and required actions are taken and reported to BIRMC if needed.</p> <p>Formulation and implementation of Recovery Plans (RCP)</p>
<p>Reputational risk: Social media platforms pose an emerging risk of reputational damage due to the potential for the rapid spread of misinformation that can be highly damaging.</p>	<p>People's Bank takes this potential risk seriously and takes measures to protect the Bank's reputation by monitoring social media platforms, training its personnel, and by strategically managing all external communications.</p> <p>Further the Bank always encourages and supports social development of the country by various means and a number of CSR projects are done by the Bank officially and by the staff of island wide largest network voluntarily.</p>
<p>Compliance risk: Noncompliance with applicable laws, regulations, Codes of Conduct, and standards of good practice resulting in financial loss and reputational loss. Compliance helps to maintain and enhance the reputation of the Bank</p>	<p>The Bank maintains a Compliance Department with required resources and decentralized with Regional Compliance Officers for close monitoring of branch network.</p> <p>Periodic training and awareness programs are conducted, and system-based monitoring and verification systems exist.</p>
<p>Fraud risk: Fraud and criminal activity have increased across the country during the year considering the stressed economic situation of the individuals.</p>	<p>The Bank has strengthened security in all its physical locations and continued to digitalize products and processes for enhanced verification, monitoring, and accuracy.</p>

Risk Management Report

Key Risks of 2023	Response
<p>Talent risk: The Bank experienced significant turnover of its staff due to economic situation of the country during the 12 months of 2023 like other institutions, which significantly impacted mid-management levels.</p>	<p>The Bank commenced a recruitment drive to replace lost skills in 2023 and recruited a substantial number of Management Trainees and Trainee Customer Service Assistants.</p> <p>However, the continued impact of losing skills will be felt into 2024 as well and the Bank will continue its digital initiatives and look forward a strategic branch rationalization process to minimize the impact.</p>
<p>Climate risk: Climate risk is the potential for climate change to create adverse consequences to the Bank customers and their inability to meet obligations agreed with the Bank.</p> <p>Further, adverse climate changes will be impacted on the Bank's physical resources as well. This includes impacts on lives, systems, and physical assets.</p> <p>Due to the nature of the climate risk, the size, frequency, or the time could not be easily predicted and the present change of weather patterns and el-nino phenomenon create many complexities.</p>	<p>The Bank has formally committed towards environmental sustainability. The Bank is fully committed to complying with the CBSL Direction No 05 of 2022, Sustainable Finance activities of Licensed Banks.</p> <p>The CBSL Road Map provides a broader direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects the Banks finance and promote assistance to businesses that are greener, climate-friendly, and socially inclusive.</p> <p>To uphold this commitment the Bank has allocated a fund with substantial amount as concessionary lending for sustainable financing. This portfolio supports environmentally friendly businesses and investments.</p> <p>Further the Bank closely monitors the portfolios which are vulnerable to climate risk and at the time of credit pre-evaluations precautionary measures will be taken to mitigate such.</p> <p>Climate change risk is managed through diversification and continuous monitoring of high-risk credit portfolios and consider weather patterns and weather predictions when considering facilities for relevant industries.</p> <p>Processes used to track effectiveness of action include the following.</p> <ol style="list-style-type: none"> 1. Setting the risk appetite 2. Setting credit limits for economic sectors at risk of climate change impacts 3. Regular stress testing of credit portfolios 4. Monitoring credit status of individual clients 5. Training credit officers and other Bank personnel on climate risk assessments

PLANS FOR 2024

The Bank has reviewed its risk management systems and initiated strategies in response to existing and anticipated risks in 2024. These include:

The key focus area of 2024 will be the potential of maintaining credit quality and ensured all the potential risk exposures are treated with best options and timely manner. The Bank will further strengthen the credit line and the rehabilitation and revival unit. Especially the implementation of export hubs associated with Regional Credit Units are expected to play a big role.

Further Bank's digitalization progress with regard to loan process by Retail Loan Originating System and the Corporate Loan Originating Systems would create a material reduction in loan processing time and ensure further improvement in customer service level.

Success of delinquency management would be the key component of managing credit risk and the Bank would continue its recovery process considering utmost care for the protection of depositors. The Bank ensures that all the borrowers are treated equally and will take all the possible recovery actions against any willful defaulter.

Further the Bank would adhere to the credit limits especially on industry/sector and government exposures to ensure protection from concentration risk and the adverse economic impacts from the SOE reforms. The Bank will continue close review of Geographical credit limits, Borrower Risk Rating credit limits and the regulatory Single Borrower Limit.

The Bank will be undertaking uninterrupted system availability of all the digital channels to ensure customer service and confidence. The Bank ensures the availability of Disaster Recovery System for all the digital platforms and periodically tests the performance of

same. Further the Bank ensures the existence of Recovery Plans (RCP) which ensure all the critical functions and critical shared services are continuously delivered even in an organization specific or external stress situation.

The Bank will strengthen the Risk and Control Self-Assessment (RCSA) monitoring, evaluation, and reporting process in relation to operational risk management with the establishment of RCSA which facilitates a digital work process.

To mitigate the heightened IT risk due to increased use of digital channels for banking, the Bank will expand cybersecurity capabilities to defend against potential threats and minimize system disruption and impact to the business. Further the Bank will continue to maintain the ISO 27001:2022 standards (Information Security Management System) from 2023 and will continue.

On an on-going basis the Bank will continue to identify, assess, and manage risk arising from internal and external factors. The Bank

continuously discusses and review risk management progress in management and board level committees for better management and further the Bank will take measurements to streamline overall risk management functions through strategic plan.

THE BANK'S RISK MANAGEMENT FRAMEWORK

The Bank has a robust and well-disciplined Risk Management framework based on the Three Lines of Defense Model, Defined Risk Universe, Risk Appetite Framework, Risk Governance Framework and Risk Evaluation models and techniques including stress testing to ensure a structured mechanism to manage all risk exposures of the Bank. The Integrated Risk Management Framework (IRMF) helps to identify, assess, measure, mitigate, monitor, and report risks.

The objectives of the Bank's Integrated Risk Management Framework are:

- Identification and understanding of risk sources, events, and factors.

- Assess and manage risk exposures of the Bank appropriately.
- Develop an effective system to monitor the Bank's risk exposures, linked to the Bank's capital and liquidity.
- Establish a compliance mechanism to monitor compliance with internal policies, particularly with regard to risk management.
- Establish an effective communication mechanism to communicate all relevant policies and procedures across the Bank.
- Adopt and support strong internal controls.
- Nurture a strong risk culture within the Bank.
- Maintain risk governance within the best practices of industry benchmarks.

THREE LINES OF DEFENSE

FIRST LINE OF DEFENSE



BUSINESS LINES/CORPORATE FUNCTION

- Risk identification and ownership for the management of risk, ensuring risks are within the Bank's accepted risk appetite and risk management policies.
- Retail, corporate, and enterprise banking
- Treasury
- Branch operations
- Information technology
- Information Security Department

SECOND LINE OF DEFENSE



RISK MANAGEMENT AND CONTROLS

- Provide direction for risk management and compliance, maintain an effective risk management policy framework and independent monitoring for effective implementation of risk management framework.
- Risk Management Department
- Compliance Department
- Finance Department
- Human Resources Department

THIRD LINE OF DEFENSE



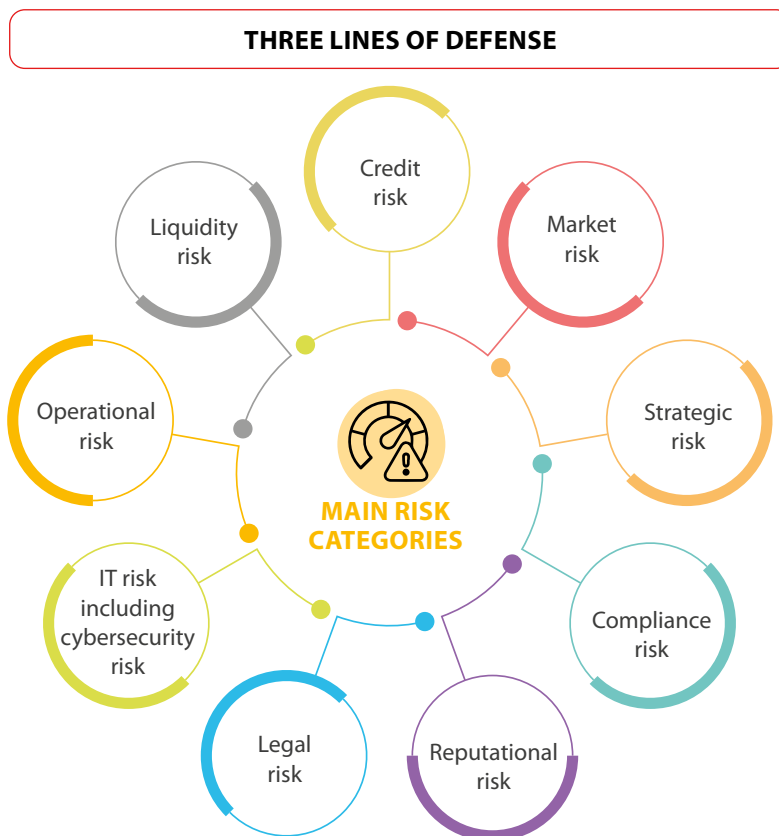
ASSURANCE

- Providing independent and objective assurance on the risk exposure, processes and practices in place and ensure highest level of governance and compliance.
- Internal audit
- External audit
- Regulatory compliance

Risk Management Report



The risk universe of People’s Bank comprises all risk categories across all its business lines, functions, geographical locations, and legal entities.



RISK UNIVERSE OF PEOPLE’S BANK

The risk universe of People’s Bank comprises all risk categories across all its business lines, functions, geographical locations, and legal entities.

MANAGED BY THE BANK

ACTIVITIES	LENDING	FUNDING	TRADE	OPERATE	COMPETE	REGULATED
<p>RISKS</p>	Credit risk	Liquidity risk	Market risk	Operational risk	Strategic risk	Compliance risk
	<ul style="list-style-type: none"> • Default risk • Concentration risk • Rating Migration risk 	<ul style="list-style-type: none"> • Equity risk • Interest rate risk 	<ul style="list-style-type: none"> • Commodity risk • Exchange rate risk 	<ul style="list-style-type: none"> • People risk • IT risk • Compliance risk • Business continuity risk • Cybersecurity risk 	<ul style="list-style-type: none"> • Reputational risk • Business risk 	<ul style="list-style-type: none"> • Legal risk



RISK APPETITE FRAMEWORK



GROUP RISK MANAGEMENT FRAMEWORK

Credit Risk Management Framework

Market Risk Management Framework

Operational Risk Management Framework

Liquidity Risk Management Framework

Compliance Risk Management Framework



STRESS AND SCENARIO TESTING FRAMEWORK



CAPITAL MANAGEMENT FRAMEWORK

REGULATORY CAPITAL

ECONOMIC CAPITAL

Strategic Plan

ICAAP under BASEL III

Performance Management

Process Quality Management

RISK APPETITE

Risk appetite expresses the aggregate level of risk that the Bank is willing to undertake to achieve its strategic objectives and is reviewed and approved by the Board annually, to ensure alignment with the Bank's overall business strategy, business environment, and stakeholder requirements

The risk appetite of People's Bank 31 December 2023 Vs 31 December 2022

Credit Risk Appetite	High risk	Medium risk	Low risk	Position as at	
				31 December 2022	31 December 2023
Impaired Loans (Stage 3) Ratio %	>7	3.5 - 7	< 3.5	12.78	8.83
Impairment (Stage 3) to Stage 3 Loans Ratio %	< 30	30 – 50	> 50	29.88	40.96
Overdue (%)	>12	6-12	<6	12.87	12.75
P & L charge (%)	>50	35-50	<35	162.10	48.47
Concentration (HHI Method)	>0.25	0.15 – 0.25	<0.15	0.20	0.21
Recovery (%)	<10	0 – 20	>20	13.44	15.76
TOD excess (%)	>20	10 – 20	<10	11.76	65.36
Overseas exposure (OBU) (%)	>5	3 - 5	<3	1.97	1.45

Risk Management Report

Operational Risk Appetite

Operational risk appetite	High risk	Medium risk	Low risk	Position as at	
				31 December 2022	31 December 2023
Operational losses - Internal frauds	>5	1-5	0	4	2
Operational losses - External frauds (Pawning)	>300	150-300	<150	194	237
Total operational losses to total operationa expenses (%)	>1.0	0.5-1.0	<0.5	0.3	0.17
Systematic availability (%)					
High critical (%)	<97.5	97.5 -99.9	>99.9	99.9	99.95
Medium critical (%)	<95	95 - 97.5	>97.5	99.2	99.89
Low critical (%)	<87	87 - 90	>90	100	100
Percentage of branch audits rated less than average	>10	5 - 10	<5	5.6	13.41

Market Risk Appetite

Market Risk Appetite	High risk	Medium risk	Low risk	Position as at	
				31 December 2022	31 December 2023
Forex Losses	>10%	5% -10%	<5%	Nil	Nil
FIS Trading Losses	>10%	5% - 10%	<5%	Nil	Nil
ADR	>85%	75% - 85%	<75%	79.97%	69.43%
SLAR	>21%	21% - 24%	>24%	21.37%	37.40%
Maturity Mismatch Ratio					
$\left[\frac{\text{Cumulative gap 1 year}}{\text{Total Deposits}} \right]$	>+ / 35%	+ / - (25% - 35%)	< + / - 25%	-71.22%	-38.77%

RISK GOVERNANCE

The Bank's risk management framework ensures the existence of a high-quality corporate governance structure for the Bank. That includes a robust committee structure and a comprehensive set of corporate policies and limits which are approved by respective management committees, board committees and the Board of Directors. The

Bank's risk governance structure ensures compliance with regulatory directives and the industry best practices. The Board of Directors holds the apex responsibility for risk oversight and priorities include determining risk appetite levels, formulating risk policies and ensuring effective management of risk exposures. The Board is aptly assisted by several subcommittees and executive management

committees in the discharge of duties related to risk management. This provides clear segregation of duties between risk origination and approval of risk exposures whilst ensuring Board level oversight. The Board and the Risk Committees operate under the direction of their respective charters.

THE RISK GOVERNANCE FRAMEWORK OF THE BANK



BOARD OF DIRECTORS

Sets risk appetite
Responsible for limiting and monitoring risk exposure



BOARD SUBCOMMITTEES

Board Investment Banking Committee (BIBC)

Approves all investment related decisions and relevant policies

Board Integrated Risk Management Committee (BIRMC)

Reviews and reports on overall risk profile
Reviews risk management practices and policies
Recommends overall risk appetite to the Board

Board Executive Credit Committee (BECC)

Approves credit policies and procedures
Approves large credit exposures
Monitors and reports on portfolio quality

Board Audit Committee (BAC)

Review financial reporting process and policies
Identify operational risks
Communicate and encourage best practices and positive quality assurance throughout the branch network

CEO/GM

DGM-Risk Management

Chief Information Security Officer

Compliance Officer

Chief Internal Auditor

Credit Risk Management

Market Risk Management

Operational Risk Management

Other Risk Management

Liquidity
Strategic
Reputational
Concentration etc.

MANAGEMENT COMMITTEES

Asset and Liability Committee (ALCO)

Monitors and reports on market and liquidity risks
Reviews and recommends related policies to the Board

Credit Risk Management Committee (CRMC)

Monitors and reviews credit risk issues
Formulate clear credit policies

Operational Risk Management Committee (ORMC)

Monitors and reviews operational risk issues

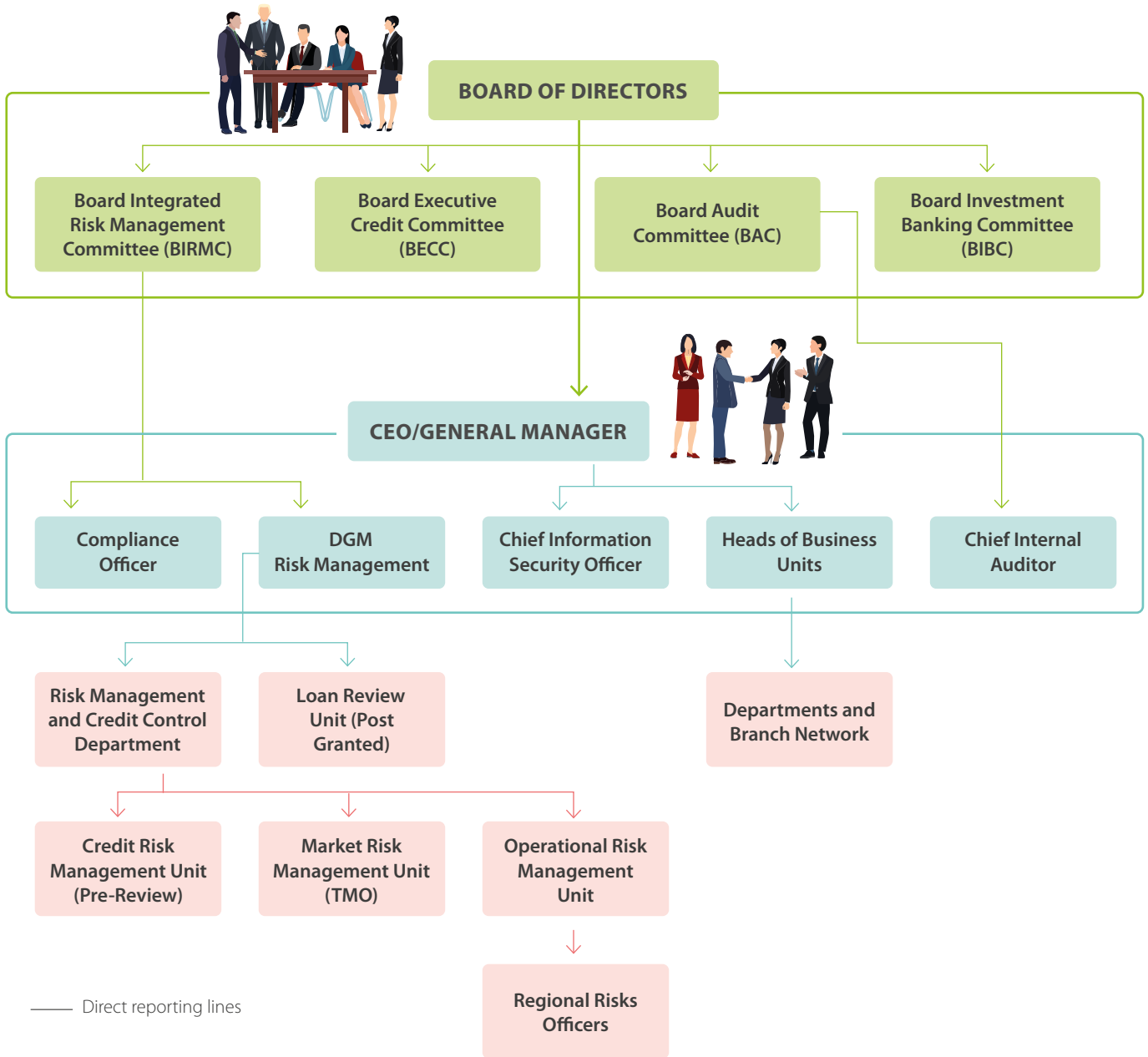
Information Security Steering Committee (ISSC)

Monitors and reviews information security issues



Risk Management Report

FUNCTIONAL STRUCTURE OF THE INTEGRATED RISK MANAGEMENT FRAMEWORK OF THE BANK



STRESS TESTING

Stress testing is a key element of Bank's integrated risk management framework. It integrates with risk appetite statement of the Bank and the Group. To evaluate inherent risks, the Risk Management Department regularly test a range of scenarios which vary in frequency, severity, and complexity in Bank's portfolios, businesses, and across the enterprise and the results are reported to ALCO and BIRMC.

Stress testing is a simulation technique adopted to determine how the asset and

liability portfolios react to different financial situations, which vary in frequency, severity, and complexity. This is conducted periodically, to ensure sufficient buffers of capital and liquidity are available to meet unexpected losses and contractual obligations.

Stress testing is an integral aspect of the Bank's Internal Capital Adequacy Assessment Process (ICAAP). The Bank assesses the potential impact on the Bank's risk profile and financial position including the potential impacts on earnings, capital, and liquidity due to macroeconomic

and market variables. All material risk types are included in the stress testing exercise.

Regular reviews are conducted by the BIRMC on the Bank's stress testing outcomes and the major assumptions that underpin them. The outcomes are vital inputs for capital planning for ICAAP, strategic planning, defining risk appetites, communicating with internal and external stakeholders for strategic decisions, and managing risk within defined parameters.



STRESS TESTING

CREDIT RISK	MARKET RISK	LIQUIDITY RISK	OPERATIONAL RISK
STRESS SCENARIOS <ul style="list-style-type: none"> Deterioration in asset quality Shifts in stage assets. Impact from ECL elements Increase in asset quality from top 10 borrowers. Increase in asset quality from top 3 industries. Increase in normalised HHI 	STRESS SCENARIOS <ul style="list-style-type: none"> Movements in market interest rates Movements in market exchange rates Movements in market equity prices Sensitivity analysis of pawning based on market gold price. Economic crisis impact 	STRESS SCENARIOS <ul style="list-style-type: none"> Effects from 'hot money'// retail fund withdrawals Effects from changes to asset and liability volumes Effect from market value of Government Securities Effects from volume changes to HQLA & net cash outflow 	STRESS SCENARIOS <ul style="list-style-type: none"> Based on the last 3 years (last 36 months) average amount of losses recorded Based on the preceding year's (last 12 months) amount of losses recorded



STRESS SCENARIO THRESHOLDS

MINOR	MODERATE	MAJOR
Stress Testing measures the Impact of respective stress testing thresholds on Core Capital, Total Capital and the Capital Adequacy Ratios and impact on Statutory Liquid Asset Ratio, Liquidity Coverage Ratio.		

CREDIT RISK

Credit risk is one of the Group's key risk exposures, stemming from the loans and advances portfolio, financial guarantees, letters of credit, and acceptances issued and made on behalf of the customers. The risk arises due to the potential loss arising from the failure of a customer or a counterparty to meet their contractual obligations to the Bank. Default risk, concentration risk, Rating migration risk, and the impairment are the forms of credit risk.

of stage assets and minimise Stage 3 classified loans.

- Pre-identification of potential credit risk with changing macroeconomic and industry factors
- Identification of lapses by proper post evaluation process

CREDIT RISK PERFORMANCE REVIEW

Net loans and advances was LKR 1.7 Bn. at the end of 2023, which is decline of 4.1% compared to the previous year. This represented 56.3% of total assets in the Statement of Financial Position. The asset quality improved from 12.78% (stage 3 ratio – net basis) in the previous year, to 8.83 % during the year.

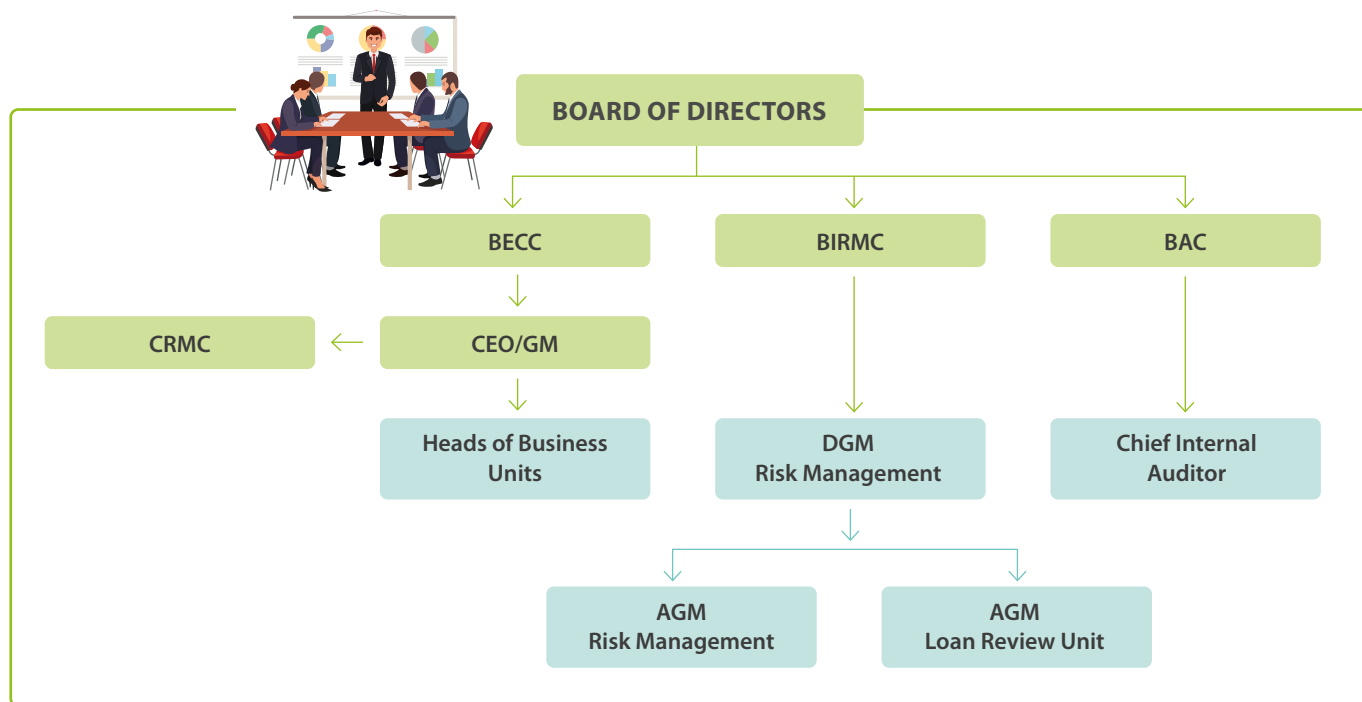
OBJECTIVES OF MANAGING CREDIT RISK

- Maintain quality of the portfolio ensuring the achievement of all Key Performing Indicators (KPI) relevant to credit.
- Maintain a well-diversified portfolio through prudent management of the credit portfolio.
- Achieve an optimal risk-reward payoff through maximised returns.
- Maintain a high portfolio quality in terms



Risk Management Report

GOVERNANCE STRUCTURE OF CREDIT RISK MANAGEMENT



The Board Executive Credit Committee (BECC) provides oversight to the Bank's credit risk management.

The responsibilities of the BECC include:

- Formulating and updating credit policies considering business requirements, macroeconomic conditions in consultation with the Board.
- Establish credit approval structures to handle larger and higher risk exposures with the concurrent of the Board.
- Conducting periodic reviews of individual credit exposures and the overall portfolio to eliminate undue risk concentrations.
- Effective management of higher risk exposures and ensuring adequacy of provisions
- Developing and maintaining the risk rating systems and risk-based pricing models
- Sanctioning or declining credit proposals above a predefined limit
- Prudently manage SOE exposures within Bank's risk appetite

MANAGING CREDIT RISK

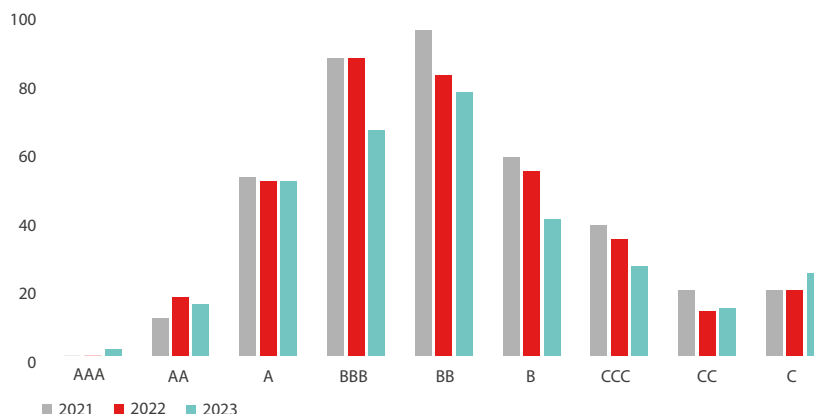
1. Robust risk policies and control framework	The credit risk framework is reviewed and updated regularly by the BECC with the concurrent of the Board. The credit policy and the Credit Procedure Manual (CPM) – which is approved by the Board – define the Bank's credit culture.
2. Culture of responsible lending	A culture of risk awareness and responsible lending is nurtured across the Bank through internal communications and staff training. A thorough customer credit evaluation is conducted prior to disbursing credit or increasing the credit limit. Internal credit rating models are used to assess diverse risk factors and predict the probability of default and loss.
3. Segregation of authority	<p>The final authority and responsibility for all credit risk exposure is vested with the Board of Directors.</p> <p>Approval for credit authority limits has been delegated to the BECC by the Board.</p> <p>The BECC has the authority to delegate approval limits to credit committees and business lines. Each business line has clearly articulated and approved multi-level risk acceptance criteria and credit approval authority.</p> <p>All post-disbursement material changes to a credit facility (such as revision in tenure, covenants, or collateral structure) need approval from the original approving authority. Segregation of responsibility for risk assessment and post-monitoring facilitate effective implementation of credit appraisal guidelines and specialization of skills. Credit approval authorities are assigned to individuals according to their respective grade and periodic reviews are carried out.</p>
4. Risk rating of obligors	The Bank evaluates the creditworthiness and assigns ratings to borrowers by adopting a range of measures including in-house assessment methodologies, scorecards, and a nine-points rating scale. Each category of borrower has different risk rating scorecards, which are periodically reviewed and validated by the BIRMC.
5. Credit risk mitigating and collateral management	Methods to mitigate potential credit losses from any given account, customer, or Portfolio include structuring, collateral, netting agreements through credit insurance, credit derivatives, and guarantees. Collaterals are obtained according to the Bank's collateral policy and the main types of collaterals are movable and immovable property mortgages, cash deposits, plant and machinery, mortgages on stocks, book debts, corporate, and personal guarantees.
6. Credit monitoring and review	Credit risk positions are monitored and managed continually. Credit monitoring is conducted by credit officers attached to business units. The Risk Management and Credit Control Department independently conducts pre-review and post-review of credit proposals. The credit officers have the relevant expertise and experience to manage the credit risks of their customers. Every credit officer/relationship manager is responsible for monitoring the credit of their respective borrowers. Periodic credit review reports are submitted to BECC, BIRMC and CRMC for further review and monitoring of credit risk.
7. Prudent credit limits in line with the defined risk appetite	Establish of sector/industry, credit rating based, state owned enterprises, geographical limits and strictly comply to regulatory limits such as single borrower and maximum amount of accommodation.
8. Continuous follow-ups and establish of a comprehensive recovery procedure.	The Bank has established a recovery procedure which treats all the borrowers equally and ensures all the loans are continuously followed up until fully settled.
9. Rehabilitation and revival process including early warning signals	The Bank has a fully pledged rehabilitation and revival procedure to address stressed business borrowers apart from the standard re-structure and re-schedule procedure.
10. Impairment	An impairment policy is in place to deal with stage assets. The provision for loan impairment is recorded as a reduction of the carrying amount of the loan in the balance sheet. Provisions for loan impairment are made in the income statement and impairment assessments are conducted for all exposures of the Bank. Loan impairments are calculated and accounted by the Finance Department and the verification are done by Risk Management and Credit Control Department.
11. Training and development	The Bank set up continuous training and development of credit line staff to ensure the timely updating of knowledge in line with the market changes and the borrower requirements. Training and development ensure the high quality of credit evaluation process and post disbursement activity management.

Risk Management Report



As a state-owned Bank, People's Bank has a significant exposure to State-Owned Enterprises (SOEs) and other main exposures...

Risk Profile of Corporate Customers



Maximum credit exposure of People's Bank

	Risk rating	AAA	AA	A	BBB	BB	B	CCC	CC	C
Number of Corporate Customers	31 December 22	17	51	87	82	82	54	34	13	19
	31 December 23	2	15	52	66	77	40	26	14	24

STAGE ASSET PROVISION COVERAGE RATIO

Stage	Provision Cover	
	2023	2022
STAGE 1	0.77%	0.48%
STAGE 2	2.90%	6.94%
STAGE 3	41.65%	32.22%
TOTAL	7.42%	6.93%

CREDIT MIGRATION RISK

Migration risk occurs due to the deterioration of the credit rating of a borrower over a period, which then triggers the decline of creditworthiness. The Bank closely observes the credit rating migration of corporate customers.

Number of corporate customers downgraded from 2018-2023

Year	Number of customers in transition	Percentage of downgraded customers
2018	322	19
2019	318	20
2020	320	21
2021	321	11
2022	329	14
2023	300	37

CREDIT CONCENTRATION RISK

Concentration risk is the potential for loss in value or return from the Bank's loans and advances portfolio when an individual counterparty, industry sectors, or geographic regions' exposure move together in an unfavorable direction.

As a state-owned Bank, People's Bank has a significant exposure to State-Owned Enterprises (SOEs) and other main exposures are retail/personal loans, enterprise loans, SME & Development loans, and pawning.

Concentration of large credit exposures (over LKR 100 Mn)

As at 31 December 2022	Number of industry sectors	Number of individual customers	Direct exposure LKR Mn.	Indirect exposure LKR Mn	Total LKR Mn.	Direct exposure as a percentage of balance sheet
With SOE	18	385	977,678	172,114	1,149,792	54.83
Without SOE	17	343	207,997	45,998	253,995	11.66

As at 31 December 2023	Number of industry sectors	Number of individual customers	Direct exposure LKR Mn.	Indirect exposure LKR Mn	Total LKR Mn.	Direct exposure as a percentage of balance sheet
With SOE	18	379	956,757	75,053	1,031,810	55.96
Without SOE	17	340	184,146	35,338	219,484	10.77

Position of Bank's Top 20% customers as at 31 December 2023

Year	Top 3%	Top 5%	Top 10%	Top 20%
Including SOE				
2022	52	62	71	78
2023	58	65	74	80
Excluding SOE				
2022	11	17	29	45
2023	16	21	29	42

Managing concentration risk

- Single borrower limit / Maximum accommodation limit
- The Herfindahl-Hirschman Index (HHI). HHI is calculated for all exposures (the greater of limit or outstanding) above LKR 100 Mn. (Direct and contingent) based on counterparty and sector.
- Individual limits have been set for industry/sectors as well as individual limits for SOEs.

The tolerance levels for each degree of concentration.

Metric	Low Concentration	Moderate Concentration	High Concentration
HHI	<0.15	0.15 - 0.25	>0.25

People's Bank's quarterly position for the financial year 2023

	31 March 2023	30 June 2023	30 September 2023	31 December 2023
Name concentration (with SOE)	0.15	0.16	0.16	0.19
Name concentration (without SOE)	0.01	0.01	0.01	0.01
Sector concentration (with SOE)	0.13	0.13	0.14	0.15
Sector concentration (without SOE)	0.09	0.08	0.08	0.07

Risk Management Report

Credit risk stress testing

Credit risk stress testing is conducted to determine how certain scenarios impact the Bank’s capital adequacy levels. The stress testing results report to ALCO and the BIRMC for review.

	Minor	Moderate	Major
Increase in Impairment Impact on CAR – In High-Risk Environment			
Transition from Stage 1 bucket to Stage 2 bucket			
Revised core capital ratio	12.30%	12.23%	12.16%
Revised total capital ratio	17.30%	17.23%	17.16%
Transition from Stage 2 bucket to Stage 3 bucket			
Revised core capital ratio	12.10%	11.84%	11.57%
Revised total capital ratio	17.10%	16.83%	16.57%
Simultaneous Transitions from Stage 1 bucket to Stage 2 bucket and Stage 2 bucket to Stage 3 bucket			
Revised core capital ratio	12.04%	11.70%	11.37%
Revised total capital ratio	17.03%	16.70%	16.36%
Shock in Probability of Default			
Revised core capital ratio	12.33%	12.29%	12.24%
Revised total capital ratio	17.32%	17.28%	17.24%
Shock in Loss Given Default			
Revised core capital ratio	12.30%	12.22%	12.10%
Revised total capital ratio	17.29%	17.22%	17.10%
Shock in Probability of Default and Loss Given Default			
Revised core capital ratio	11.80%	11.17%	10.49%
Revised total capital ratio	16.79%	16.16%	15.48%
Defaults by large borrowers			
Revised core capital ratio	12.23%	12.16%	12.09%
Revised total capital ratio	17.22%	17.15%	17.08%
Defaults by large three industries			
Revised core capital ratio	12.12%	11.88%	11.63%
Revised total capital ratio	17.12%	16.87%	16.63%

MARKET RISK

Market risk is the probable loss that could arise due to movement in market driven variables such as interest rates, exchange rates, equity prices, and commodity prices.

People’s Bank is exposed to market risk mainly from the interest rate risk arising from trading book and banking book exposures and exposure to gold prices through its pawning portfolio exposed to commodity price risk. The Bank’s exposure to foreign exchange risk is managed through strict compliance with CBSL net open position maintenance and compliance with internal limits in relation to FX transactions. Exposure to equity price risk is limited due to the low volume of trading portfolio.

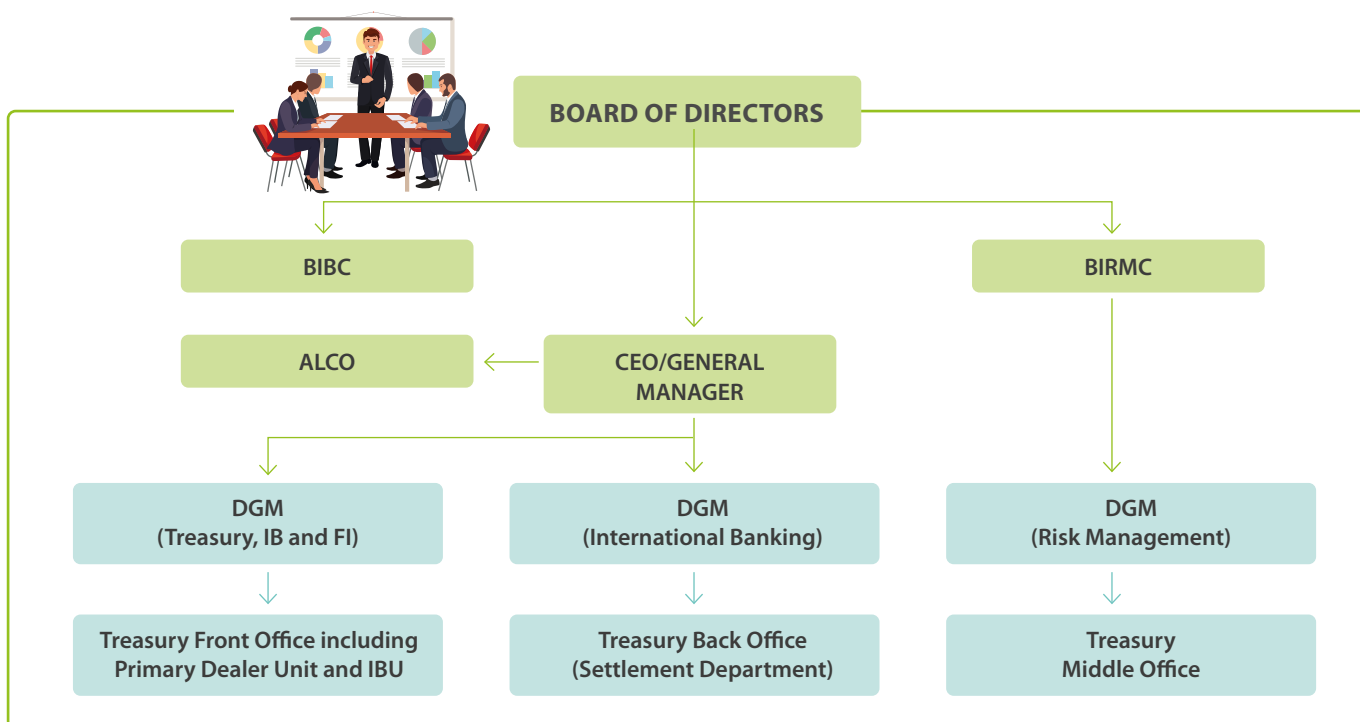
Objectives of market risk management

- Optimize the risk-reward relationship of business units within the predefined risk appetite.
- Avert exposure to unacceptable losses due to unexpected market volatilities.
- Ensure all operations of the Bank are within the defined risk appetite.

Market risk exposure of People's Bank 2022 Vs 2023

Year	2022		2023	
	Trading Book LKR Mn.	Banking Book LKR Mn.	Trading Book LKR Mn.	Banking Book LKR Mn.
Assets				
Treasury Bills	4,443	2,296	143,131	63,267
Treasury Bonds	872	898,577	814	760,081
SLDB			-	-
GOSL Bonds		7,689	-	-
Other investments	242	18,810	240	16,799
Liabilities				
Debentures		36,603	-	46,997

GOVERNANCE STRUCTURE OF MARKET RISK



- At the Board level, the BIRMC has the responsibility to monitor the Bank's market risk exposure, formulate policies and risk appetite limits and provide recommendations to the Board on management of market risk.
- At the executive level, the Asset and Liability Committee (ALCO) is responsible to implement the market risk management framework and maintain the market risk exposures within the defined risk appetite.
- The Risk Management Department is responsible for the daily risk management activities, including market risk assessment, monitoring, and reporting.
- The Treasury Middle Office (TMO) measures and monitors the Bank's treasury transactions independently from the Treasury Front Office and Back Office functions. The TMO ensures compliance with risk limits set by the Board.

Risk Management Report

MANAGING MARKET RISK

1. Existence of Policies	The Bank's market risk management policy framework includes: <ul style="list-style-type: none"> • Treasury Policy, • Investment Policy, • Risk Management Policy, • Stress Testing Policy.
2. Risk assessments	The tools adopted for market risk assessment include: <ul style="list-style-type: none"> • Value at risk (VaR), • Duration gap • Sensitivity analysis • Stress testing. <p>The valuation rates and methodologies are subject to independent verification.</p>
3. Market risk limits	Market risk limits are assessed and recommended by the Risk Management to ALCO and then referred for BIRMC & Board approval. Limits such as open position limits, counterparty limits, and dealer limits are defined based on approved market risk limits. The limits are monitored based on product, sector, credit rating, and geography. The TMO monitors performance against the limits and reports to ALCO & BIRMC on a monthly basis. These limits are periodically reviewed by the Risk Management Department and approved by BIRMC and BOD.
4. Action trigger points	The risk thresholds that trigger specific management action are specified in order to ensure market risk exposures are maintained within the levels defined by the risk appetite statement.

Market risk limits and positions as at 31 December 2023

Market risk	Market risk appetite	
	Approved limit	Year ending 31 December 2023
FX net open position	USD +10Mn / -25 Mn	Complied
Value at Risk (VaR) (Conf. Level 99%, 1 day)	- Currency USD 250k	Complied
Cumulative Losses	- FIS trading (realized) LKR 3 Mn (per day)	Complied
	(unrealized) LKR 500 Mn	Complied
Forward FX gap limit	USD 600 Months Millions	Complied
GOSL securities	- Trading LKR 250 Bn	Complied
	- Investment LKR 1,000 Bn	Complied
	- AFS LKR 20 Bn	Complied
International sovereign bond	- Trading USD 20 Mn	Complied
	- Investment USD 200 Mn	Complied
Sri Lanka Development Bonds (SLDB)	USD 750 Mn	Complied
Interbank borrowings	- Total limit USD 917 Mn	Complied
	- Short-term limit USD 229 Mn	Complied
Present Value Basis Point (PVBP) Limit	LKR 25 Mn	Complied
Gilt unit trust	LKR 2.5 Bn	Complied
Corporate debt limit (Debentures)	LKR 15 Bn	Complied
Reverse REPO limit for Non-Bank PDU	LKR 1.5 Bn	Complied
Hair cut limit	10%	Complied
Limit for swap funds	75% of O/S for a tenor of less than 3 months	Complied
Interest rate risk (D-Gap +VaR on Fwd. FX)	LKR 16.5 Bn	Complied
Investment value of share trading portfolio	Port 1: LKR 1 Bn Port 2: LKR 1 Bn	Complied
Stop loss limit (Share trading)	30%	Complied
Percentage of shares on the S&P SL20 Index	25%	Complied

MARKET RISK REVIEW

The Bank has strictly complied with the guidelines and directives issued by the Government and the Central Bank of Sri Lanka by reviewing market conditions regularly.

Market risk, refers to the uncertainty associated with any investment decision, and it is not specially associated only with the company or the industry, but on various macroeconomic variables associated with the financial market, such as inflation, interest rates, the balance of payments situation, fiscal deficits and policies and geopolitical factors, etc. Market risk of the Bank is derived from the supply and demand forces mainly relevant to interest rates, exchange rates and equity prices in the market and it is having a high sensitivity on the Bank's earnings or the economic value of its capital to adverse changes in aforementioned key sources.

The Bank manages and mitigates its market risk properly by ensuring stringent policies and procedures which are in place to manage various aspects that contribute to market risk through a well-defined governance structure. This has allowed for market risks to be identified, assessed, controlled, and reported to ensure that the Bank operates within the allocated risk appetite levels.

Interest rate risk (IRR)

The Bank's exposure to interest rate risk arises from the net interest income being impacted by extreme fluctuations in market interest

rates. This has a potential impact on the underlying interest-bearing assets, interest-bearing liabilities, and off-balance sheet items. Interest rate risk affected by adverse changes in policy interest rates, market lending rates and competitor deposit rates which are strongly correlated with macroeconomic factors such as inflation, fiscal policy and global markets.

Interest rate risk review

The Bank managed risks arising from movement of interest rates through timely reviews of impacts on the changes in underlying value of Bank's assets, liabilities and off-balance sheet items and its economic value and obtain necessary actions at the right time.

The Bank carries a significant portfolio of Government Securities and the amount of risk associated with the same depends on how sensitive its prices are to interest rate changes in the market.

Subcategories of interest rate risk:

- Repricing risk – due to the timing difference in repricing Bank assets and liabilities with varying maturities
- Basis risk – arises from differences in the actual interest margin and expected interest margin of the banking book and the implied cost of funds.
- Yield curve risk – arises from the negative impact on the Bank's earnings/asset values due to shifts in the yield curve.

Managing interest rate risk

1. The power to approve the risk appetite for interest rate risk and set the overall limits for VaR and earnings at risk (EAR), are vested with the BIRMC and the Board.
2. The guidelines for identifying, measuring, managing, and reporting compliance of all interest rate risk positions in the banking and trading books are provided by the Bank's risk management policy.
3. The Treasury Front Office is responsible for managing the interest rate risk within the defined risk appetite.
4. The Treasury Middle Office is responsible for monitoring the interest rate risk.
5. ALCO is responsible for making decisions on repricing the Bank's asset and liability portfolio and continuously monitoring the maturity mismatches and trends in market interest rates.

Techniques such as duration gap analysis, VaR, and Earnings at Risk (EAR) are adopted to measure the interest rate risk. The duration gap and overall exposure to interest rate risk is ascertained by grouping rate sensitive assets and liabilities based on their maturity period. Interest rate risk is measured and monitored monthly and discussed at ALCO meetings. The potential impact on Bank's earnings and capital due to changing economic indicators is gauged by regular stress testing on IRR exposures of the banking and trading books.

Earnings at risk over one-year horizon (net impact of 1%)

	Up to 1 month	1-3 months	3-6 months	6-12 Months
Net assets (LKR Mn.)	54,745	267,265	(332,902)	(409,623)
Loss for change in 1% (LKR Mn.)	22	445	(1,248)	(3,072)

ALM mismatches

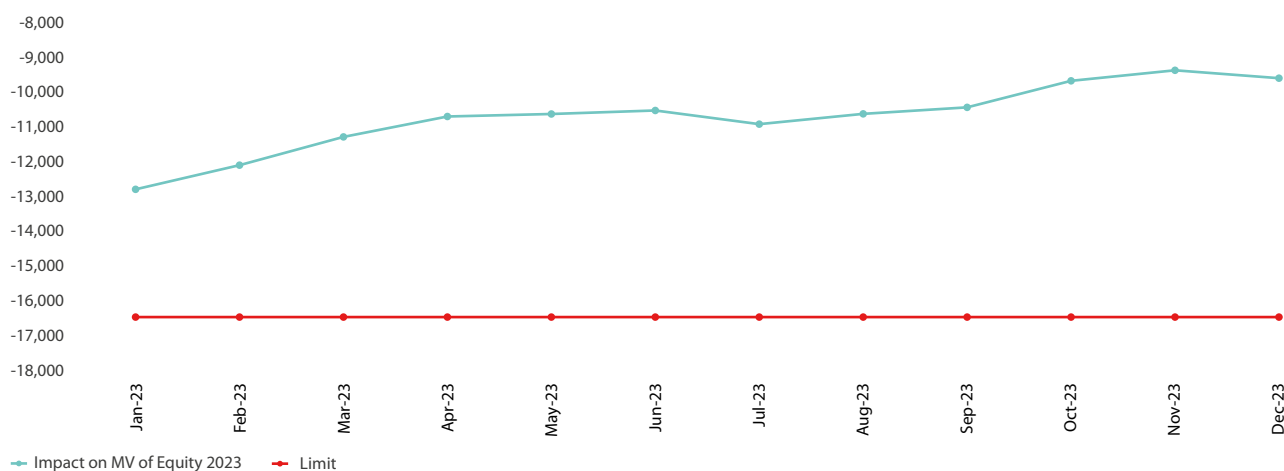
2023	Up to 1 month LKR Mn.	1-3 months LKR Mn.	3-6 months LKR Mn.	6-12 months LKR Mn.	1-3 years LKR Mn.	3-5 years LKR Mn.	Above 5 years LKR Mn.
Rate sensitive assets	282,058	612,881	230,331	702,889	266,472	221,262	455,512
Rate sensitive liabilities	227,313	345,616	563,234	1,112,512	122,960	294,188	3,234
Period gap	54,745	267,265	(332,902)	(409,623)	143,512	(72,926)	452,278
Cumulative gap	54,745	322,010	(10,893)	(420,515)	(277,004)	(349,930)	102,349

Risk Management Report

ALM mismatches Contd.

2022	Up to 1 month LKR Mn.	1-3 months LKR Mn.	3-6 months LKR Mn.	6-12 months LKR Mn.	1-3 years LKR Mn.	3-5 years LKR Mn.	Above 5 years LKR Mn.
Rate sensitive assets	386,829	269,247	434,129	216,713	189,525	293,750	917,701
Rate sensitive liabilities	270,278	523,799	1,167,395	23,453	27,971	128,856	296,031
Period gap	116,551	(254,552)	(733,265)	193,261	161,554	164,894	621,670
Cumulative gap	116,551	(138,001)	(871,266)	(678,005)	(516,451)	(351,557)	270,113

Impact on MV of Equity due to 1% Adverse Interest Rate Change Using Duration Gap Analysis (LKR Mn)



IRR stress testing

	Magnitude of shock – 0.25%	Magnitude of shock – 0.50%	Magnitude of shock – 1.00%
2023			
Impact on earnings (LKR Mn.)	2,321	4,643	4,265
Revised overall CAR (%)	17.14%	16.42%	16.46%
2022			
Impact on earnings (LKR Mn.)	4,327	8,654	13,054
Revised overall CAR (%)	15.86	15.41	14.97

FOREIGN EXCHANGE RISK

Foreign exchange risk arises as a result of the Bank's earnings and/or capital being impacted due to adverse fluctuations in exchange rates. The Bank's exposure to FOREX risk arises from foreign currency denominated transactions such as import/export transactions, remittances, and proprietary trading.

Foreign exchange risk review

The financial loss that exists when a transaction is denominated in a currency other than the domestic currency due to adverse movement

in exchange rate. Due to the lack of FCY inflows to the country FCY liquidity shortfall exists during first half of the year. The Bank managed to improve the market share of FCY remittances and prudently managed the FCY commitments and customer requirements.

Further, the Bank Treasury ensured that the strict adherence to the FX limits, always maintains FX net open position as well as individual currency positions within the permitted parameters and has enabled the Bank to manage the foreign exchange risk

prudently. Stringent risk tolerance limits are defined and are independently monitored daily. This allows the treasury dealers to operate within these boundaries and mitigate the risk emanating through these exposures by ensuring that potential losses arising out of fluctuations in FX rates are minimised and maintained within the Bank's risk appetite. Further, Treasury Middle Office independently verify and monitor the adherence to the FX position limits as an ongoing basis.

Managing foreign exchange risk

- Whilst the CBSL sets the Net Open Position (NOP) limits, the Board of Directors (BOD) with the recommendation of BIRMC set stringent volume limits within the regulatory confines on open positions for individual currency exposure and aggregate exposures and the approval mechanism of exceptions.
- Risks arising from FOREX maturity gaps within the Bank's risk appetite are managed through forward maturity gap limits.
- The Treasury Department is responsible for the overall management of FOREX risk. The clear segregation of duties between the Front, Middle, and Back Office functions of the Treasury Department ensure an effective internal control mechanism.
- Monitoring of open positions, assets and liability maturities, currency exposures, and aggregate exposures are independently conducted by the Middle Office.
- VaR calculations and stress testing are carried out on portfolios exposed to FOREX risk. Parallel VaR calculations are conducted by the Bank's Treasury Management System (based on Finacle) and the internationally accepted Bloomberg system.
- The potential impact on the Bank's profitability and capital adequacy levels are measured through stress testing.

Position as at 31 December 2023

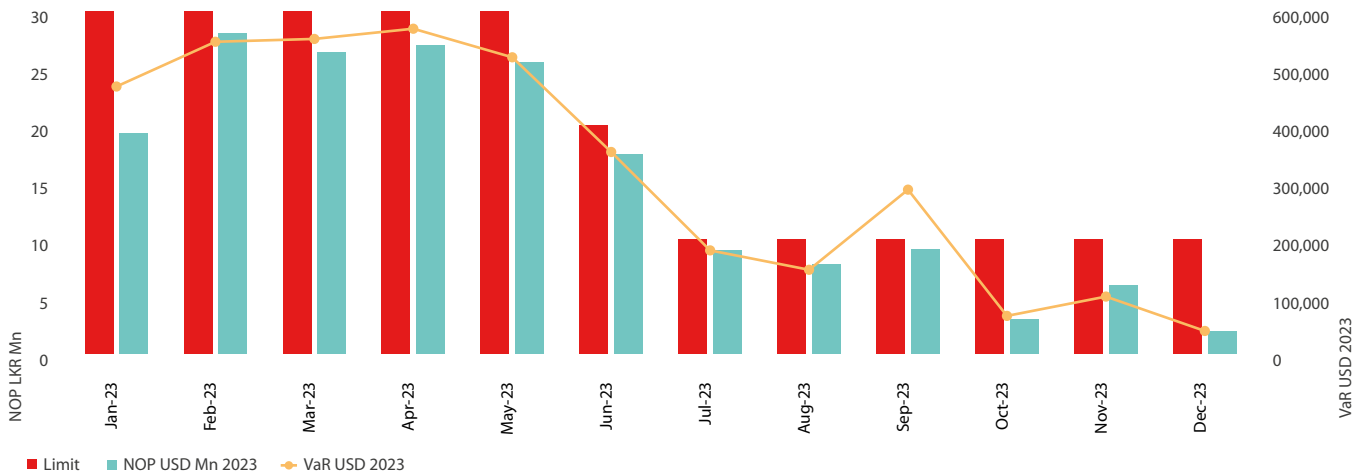
	Net exposure FC equivalent ('000)	Net exposure Rupee equivalent ('000)
US Dollar	(261)	(84,556)
Euro	39	14,099
Great Britain Pound	526	216,835
Japanese Yen	50,367	115,341
Singapore Dollar	36	8,882
Chinese Yuan renminbi	700	31,889
Australian Dollar	28	6,223
Other	-	379,532

Exchange Rate Risk Stress Testing

	Magnitude of Shock - 5%	Magnitude of Shock - 10%	Magnitude of Shock - 15%
2023			
Impact on Earnings (LKR Mn)	183	367	550
Revised Overall CAR (%)	17.35	17.33	17.31
2022			
Impact on Earnings (LKR Mn)	207	414	621
Revised Overall CAR (%)	16.28	16.26	16.24

Risk Management Report

Month End FX NOP and Daily Var During 2023 (USD Mn)



EQUITY PRICE RISK

The Bank's exposure to equity price risk stems from the portfolios classified under fair value through profit & loss and other comprehensive income, excluding the strategic investments in subsidiaries. The Bank's equity risk exposure is relatively limited due to the low volume of investments in equity shares.

Equity price risk review

Continuous market monitoring has helped the IBU to correctly read the equity market and take strategic equity investment decisions. This, together with strict adherence to the limits

set by the Board of Directors has enabled the Bank to mitigate and manage the equity risk efficiently.

Managing equity risk

- The Board Investment Banking Committee (BIBC) formulates policies on investments and managing of investments within the defined risk appetite.
- The procedures, tools, and techniques for managing equity risk – including volume and stop loss limits- are clearly articulated by the Board approved, Investment Banking Policy Manual.

- The movement in share market prices, performance of entities, and the macroeconomic conditions are regularly monitored by the BIBC.
- Independent evaluations on equity transactions, impairment assessments, and monitoring exposures against limits are carried out by the Bank's Risk Management Department. The Market Risk Unit of the Risk Management Department also maintains independent oversight over the risk of non-traded equity portfolios as well.

Stress Testing of Equity Risk

	Magnitude of shock – 5%	Magnitude of shock – 10%	Magnitude of shock – 15%
2023			
Impact to maximum market value of equity portfolio (LKR Mn.)	78	156	313
Impact to fair value of strategic equities (LKR Mn.)	19	38	75
Total Impact (LKR Mn)	97	194	388

COMMODITY RISK

The Bank is not engaged in commodity trading and its only exposure to commodity risk is associated with the Bank's pawning business. The Bank's high market share in the pawning portfolio is impacted by fluctuations in market gold prices.

Commodity risk review

The market value of gold continued to fluctuate in 2023. However, considering the

liquidity position of the market as well as the Bank and the exchange rate effect on the gold price, the Bank maintained a low pawning advance amount compared to the market, to manage the price risk.

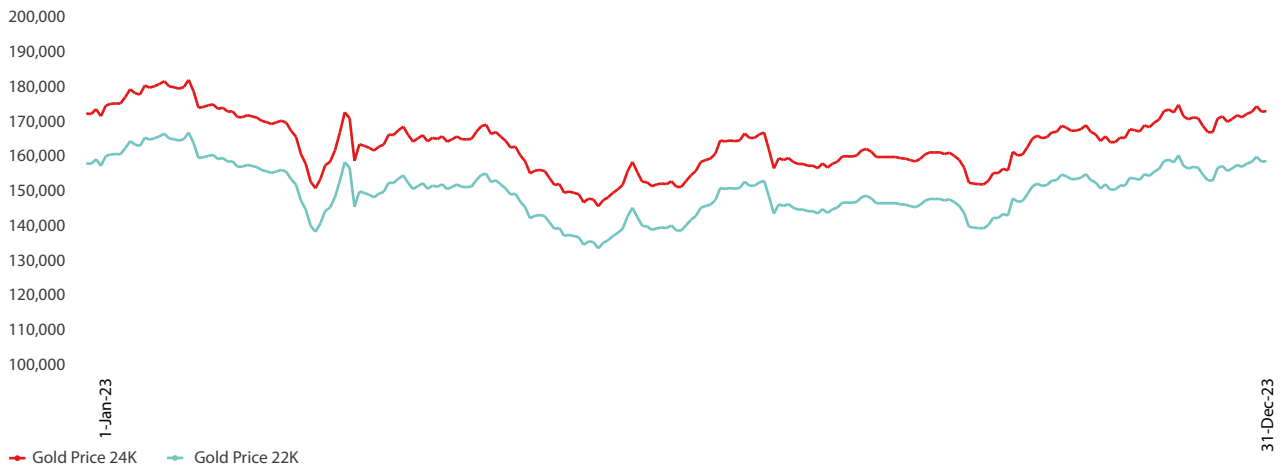
Managing commodity risk

- Pre-disbursement measures: Determining the gold content of the pawned articles, conducting due diligence of customers, maintaining prudent loan to value ratios,

continuous assessment of gold prices and competitor offerings, and through obtaining an insurance cover against losses arising from stolen/spurious articles.

- Post-disbursement measures: Conducting independent valuation of pawned items regularly, daily verification of a sample basis, and regular auctioning of unredeemed articles.

Gold Price Movement 2023 (LKR)



LIQUIDITY RISK

Liquidity management enables the Bank to meet its funding commitments when they are due, the Bank measures liquidity stresses and manages liquidity and funding risks within its risk appetite.

Liquidity risk review

The Bank reversed its negative liquidity position of 2022 by implementing prudent strategies and achieved an excess liquidity position in 2023. The Bank also maintained Capital Adequacy Ratios above the regulatory minimum levels and the Statutory Liquid Assets Ratios were also maintained above the regulatory required level. The Liquidity

Coverage Ratio for all currency and local currency was above the required regulatory ratios throughout the year 2023.

Managing liquidity risk

- A liquidity risk management governance framework is in place to ensure sufficient liquidity is maintained to meet contractual obligations on time.
- ALCO ensures compliance with internal liquidity targets and regulatory liquidity requirements by managing liquidity risks, and continuously monitoring the liquidity position.

- The DGM Treasury, Investment Banking and Financial Institutions is responsible for the daily management of the Bank's funding and liquidity positions within the stipulated risk limits.
- The Bank's liquidity levels are continually monitored independently by the TMO, and any breaches are reported.
- The performance of key liquidity indicators is regularly reviewed by the Board, BIRMC, and ALCO to ensure they are within the defined parameters.

KEY COMPONENTS OF LIQUIDITY MANAGEMENT

1. Measuring liquidity	The Bank adopts the dual flow approach and the stock approach to measure liquidity.
2. Diversified funding base	The Bank possesses multiple channels to raise liquidity. Deposits are the largest funding source at 89.3% of the Bank's total funding base, followed by other borrowings (7.4%) and shareholders' funds (5.3%). The Bank has a substantial proportion of savings, which is considered a quasi-stable source of funds.
3. Contingency funding plan	The Bank has a Contingency Funding Plan (CFP), in line with regulatory requirements, to manage liquidity requirements in stressed conditions. The CFP defines trigger points for activation and will be activated under specified scenarios.

Risk Management Report

Key liquidity indicators as at 31st December 2023

Key Indicator	Position as at 31 December 2023 (%)
Loans to deposit ratio	
LKR	64.84
Foreign currency	106.89
Commitments ratio	
Statutory liquid assets ratio	
DBU	37.41
FCBU	38.4

	DBU (LKR Mn.)				OBU (USD '000)			
	Balance as at 31.12.2023	Minor	Moderate	Major	Balance as at 31.12.2023	Minor	Moderate	Major
Magnitude of shock (%)		5	10	15		5	10	15
Liquid assets	1,030,521				77,678			
Total liabilities	2,754,516				202,261			
Scenario I – Increase in total liabilities								
Increase in liabilities		137,726	275,452	413,177		10,113	20,226	30,339
Revised total liabilities		2,892,242	3,029,968	3,167,694		212,374	222,487	232,600
Revised liquid assets		1,030,521	1,030,521	1,030,521		77,678	77,678	77,678
Liquid asset ratio after shock (%)	37.41%	35.63%	34.01%	32.53%	38.40%	36.58%	34.91%	33.40%
Scenario II – Fall in liquid assets and increase in other assets while Liabilities remain same								
Fall in liquid assets		51,526	103,052	154,578		3,884	7,768	11,652
Revised total liabilities		2,754,516	2,754,516	2,754,516		202,261	202,261	202,261
Revised liquid assets		978,995	927,469	875,943		73,794	69,910	66,026
Liquid asset ratio after shock (%)	37.41%	35.54%	33.67%	31.80%	38.40%	36.48%	34.56%	32.64%
Scenario III – Fall in total liabilities and liquid assets by the same amount								
Fall in the liabilities		137,726	275,452	413,177		10,113	20,226	30,339
Revised total liabilities		2,616,791	2,479,065	2,341,339		192,148	182,035	171,922
Revised liquid assets		892,795	755,069	617,344		67,565	57,452	47,339
Liquid asset ratio after shock (%)	37.41%	34.12%	30.46%	26.37%	38.40%	35.16%	31.56%	27.54%

OPERATIONAL RISK

Operational risk is the direct or indirect risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events such as natural disasters, social events, pandemics or political events. As per the Basel definition, operational risk includes legal risk but excludes strategic and reputation risk. Operational risks exist in the natural course of business activities, products, and processes. The Bank is exposed to operational risks such as technology risk, people risk, and legal risk etc.

Objectives of operational risk management

- Avoid potentially large risk losses by minimizing losses from operational failures.
- Manage risk cost-effectively across the Bank by developing a common understanding of operational risk across multiple functions and business units.
- Effectively respond to critical and catastrophic risks by building and improving internal capabilities

- Realize cost savings through better management of internal resources and effective control of Bank operations.
- Protect Bank's reputation and brand image.
- Ensure smooth functioning of Bank's business operations and support to achieve bottom-line targets.

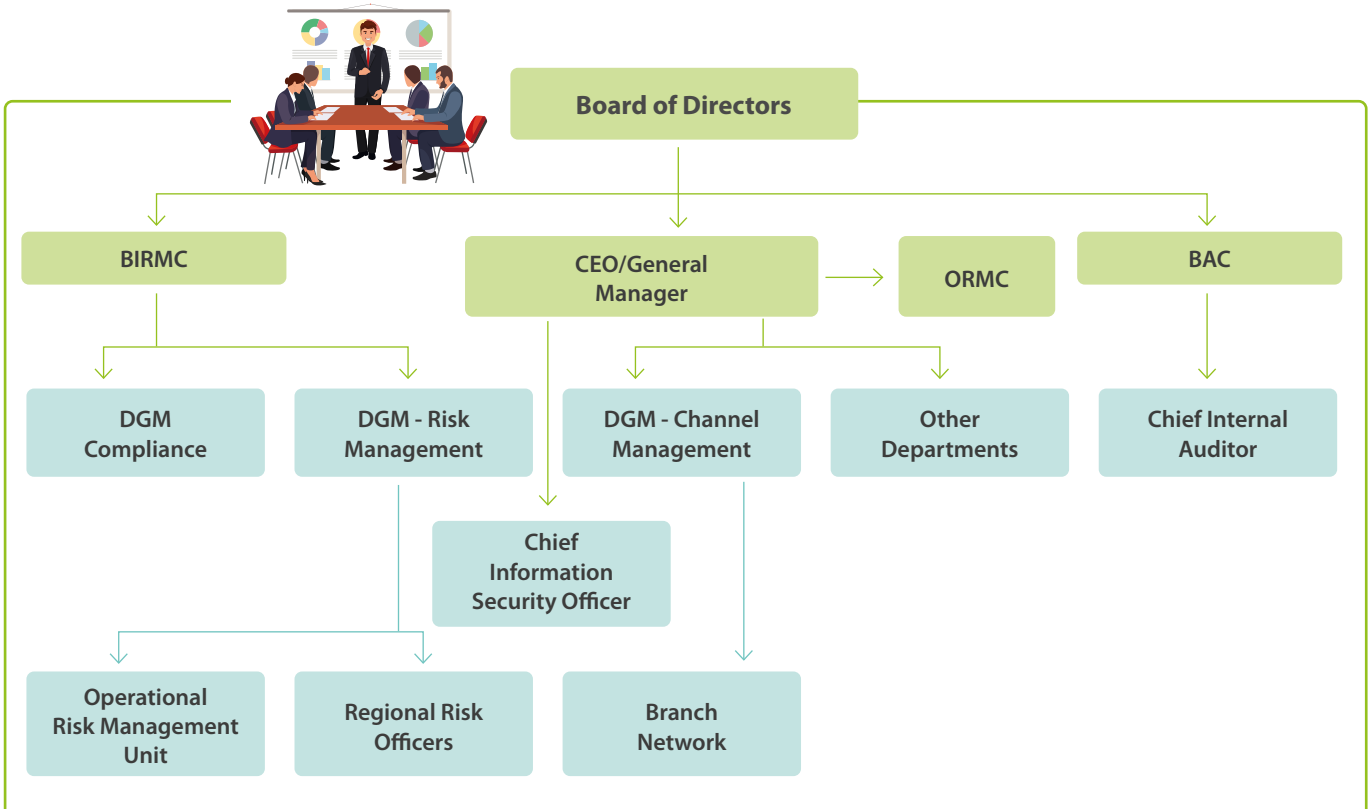
Operational risk governance and reporting

As projected by Basel regulations, operational risks have been categorised under seven broad areas.

- The Operational Risk Management Framework comprises policies, structures, and processes approved by the Board to manage operational risk exposure.
- The Board is supported by the BIRMC by closely monitoring and regulating operational risk aspects.
- The branches and business units form the First Line of Defense to identify operational risks at the point of origin and report to the Risk Management Department. All the staff are trained and made aware of identifying and assessing operational risk exposures.

- All the business units conduct Risk and Control Self-Assessments (RCSA) to evaluate exposures according to defined operational risk parameters.
- The internal audit conducts periodic reviews of the entire operational risk management process across the network to provide assurance to the Board and Senior Management.
- Operational risk is assessed on new products, processes, and activities on an ongoing basis.
- Information of significant loss events, emerging issues, risk oversight, monitoring, and reviewing of risks are reported through quarterly reports in the Risk Committee reports which are presented to the BIRMC and/or Operational Risk Management Committee (ORMC). Based on the potential impact and frequency of the risk, control failures are reported to the ORMC.
- Position of regional level risk officers, audit officers and compliance officers for close monitoring of operational risk concerns and report to the respective department heads.

GOVERNANCE STRUCTURE OF OPERATIONAL RISK



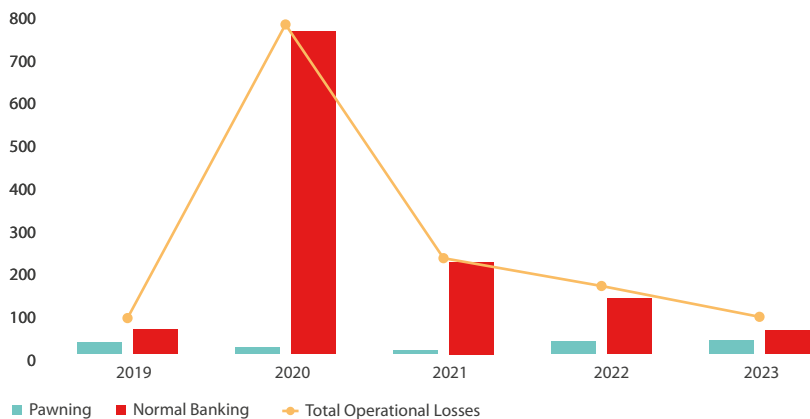
Risk Management Report

Operational risk review

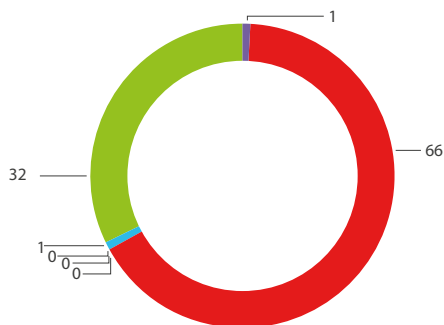
The total operational losses recorded for the year 2023 was LKR 87.25 Mn. The most significant sources of losses (by value) were external fraud and execution delivery and process management.

The chart below depicts the comparison of operational losses in the past two years under the Basel framework loss event type, both in terms of number of events and value.

Operational Losses (LKR Mn)

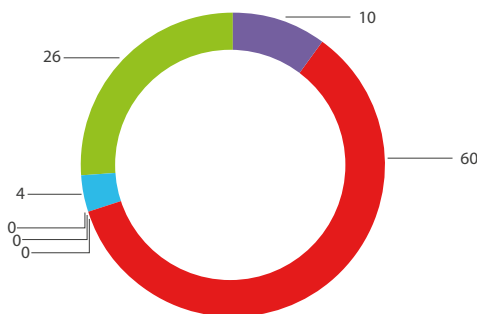


Number of Operational Losses by Event - 2023



- Internal frauds
- External frauds
- Employment practice and workplace safety
- Client, product, and business Practices
- Damage to physical assets
- Business disruptions and system Failures
- Execution, delivery, and process Management

Value of Operational Losses by Event - 2023



- Internal frauds
- External frauds
- Employment practice and workplace safety
- Client, product, and business Practices
- Damage to physical assets
- Business disruptions and system Failures
- Execution, delivery, and process Management

Loss event	2022				2023			
	Number	Percentage of total	Value LKR Mn.	Percentage of total value	Number	Percentage of total (%)	Value LKR Mn.	Percentage of total value (%)
Internal frauds	4	1.08	41.59	26.14	2	0.51	8.72	9.99
External frauds	212	57.14	33.07	20.79	258	66.15	52.45	60.12
Employment practice and workplace safety	-	-	-	-	-	-	-	-
Client, product, and business Practices	-	-	-	-	-	-	-	-
Damage to physical assets	6	1.62	1.13	0.71	1	0.26	0.15	0.17
Business disruptions and system failures	-	-	-	-	5	1.28	3.72	4.26
Execution, delivery and process management	149	40.16	83.31	52.36	124	31.80	22.21	25.46
Total	371	100.00	159.1	100.00	390	100.00	87.25	100.00

Identification and assessment of operational risk

The Risk Management Department together with business units identify potential areas of operational risks. All staff members are given training on operational risk exposures and are engaged proactively to identify and assess these risks. All the business units conduct Risk and Control Self-Assessments (RCSA) to evaluate exposures according to defined operational risk parameters. Along with loss events and near misses reported by business units, the key findings of RCSA help to identify and devise action plans for potential gaps in operational risk management. Operational risk is assessed on new products, processes, and activities on an ongoing basis.

Operational risk limits and tolerance levels

The Board has defined specific limits and tolerance levels for operational risk indicators in the Bank's Risk Appetite Statement. These include the total value of operational losses as a percentage of operational expenses, the number of internal and external loss events, and the percentage of branch audit grades rated less than average.

Regular reporting to the BIRMC and Board helps to ensure corrective actions are initiated when needed.

Strategies for operational risk mitigation

- Fully comply and ensure existence of three defense lines in relation to all the operational functions and ensure segregation of duties.
- Implementing a comprehensive framework of Board approved operational risk policies and procedures.
- Crisis management procedures and disaster recovery plans to ensure business continuity.
- Fully comply with Recovery Plans (RCP) and existence of department level RCP implementation teams.
- Transferring of operational losses to third party through insurance
- Adopting stringent measures to select and monitor outsourced partners.
- Creating a culture of risk awareness by providing continuous training to staff

- Prior to the launch of new products and services, conduct a thorough analysis of the potential impact of operational risk.

TECHNOLOGY RISK

As a leader in digitalization, the Bank is exposed to a range of technology related risks including cyber security risks, system outages, technological obsolescence, technical control towards physical security, and inadequate infrastructure to support business volumes.

TECHNOLOGY RISK REVIEW

- The Bank has maintained the globally accepted standard for information security management system (ISMS) - ISO/IEC 27001:2013 certification since 2017, demonstrating its ongoing commitment to information security and data protection.
- The Bank prioritizes information security with its comprehensive, Board-approved Information Security Policies and Procedures.
- Conducted routine and non-routine risk assessments for all IT related processes and follow up the same through the Information Security Operations Committee.

Risk Management Report

- Maintaining robust security postures for vital systems is our top priority. The Bank achieve this through continuous monitoring and review of user access rights and access logs across all critical environments, preventing unauthorized access and identifying suspicious activity.
- To safeguard our most vital systems, the Bank implemented rigorous code reviews for all critical systems, regardless of whether they were developed in-house or outsourced, ensuring robust security throughout our infrastructure.
- Proactively safeguarding our systems, the Bank conducting comprehensive internal and external vulnerability assessments, encompassing all systems including web-based & mobile applications. Identified issues were rectified promptly, minimizing potential risks.

It Risk Indicators of the Bank

Category	Systems Actual	Actual availability	Availability as a percentage of total working hours and thresholds	
High critical	• Central ATM Switch	99.9%	>99.9%	Green – Low risk
	• NOVUS Switch		97.5%-99.9%	Amber – Moderate risk
	• Core banking system/ SIBS interface		<97.5%	Red – High risk
	• SWIFT			
	• Credit/Debit card management system			
	• SLIPS			
Medium critical	Image capturing and presentment system	99.8%	>97.5%	Green – Low risk
			95%-97.5%	Amber – Moderate risk
	• Web remittance system		<95%	Red – High risk
	• Finacle treasury			
	• ATM (individual)			
	• PRIME 4			
	• CIB/CMB/ORR			
	• RIB/RMB			
	• Express Banking			
• RLOS				
Low critical	• IHRM System	100% >	90%	Green – Low risk
	• People's Bank website		87%-90%	Amber – Moderate risk
			<87%	Red – High risk

Technology risk governance framework

- The Board IT Committee, Information Security Committee (ISC), and Information Security Operations Committee (ISOC) provide oversight to the Bank's Technology Risk Management framework.
- Empowering informed decision-making, the apex information security body, the Information Security Committee (ISC), stays current on the Bank's technology risk landscape, risk appetite, and mitigation plans, optimizing cyber defences.
- The Information Security Operations Committee (ISOC) works as management review body for the information security activities within the Bank and

brings together expertise from various departments to ensure a comprehensive and coordinated approach to data protection and risk management.

- Corresponding risk thresholds have been defined to direct management attention for appropriate corrective measures.
- To strengthen its cyber defences, the Bank has established a dedicated Information Security function, led by a newly appointed Chief Information Security Officer (CISO) reporting directly to the CEO/GM.
- The Information Security Department and the IT Department regularly monitor key IT risk indicators.

MITIGATING TECHNOLOGY RISK

- All critical, live, and disaster recovery servers are in highly secured and certified data centers.
- Conducted disaster recovery tests for all critical systems at regular intervals.
- Maintaining a well-established IT governance structure to prevent risk of data loss.
- Installation of fire protection and smoke detectors at the server rooms and UPS rooms
- Disaster recovery plans are available.

PEOPLE RISK

People risk is the potential losses that could arise due to inappropriate employee activity, inadequate human resources, and Bank non-compliance with employee related regulations. The Bank is exposed to people risk through its large workforce scattered across the country due to potential losses from inappropriate employee activity, inadequate human resources, and Bank non-compliance with labor regulations.

Turnover of trained skilled staff impacts the competitiveness of the Bank, leading to deterioration in competency and productivity. Hiring qualified, competent individuals and retaining the high performing employees through a rewarding work environment is also challenging.

People risk review

During 2023, the Bank experienced an unprecedented brain drain, as result of the country situation which directly impacted daily operations of the Bank, quality of services and speed of service delivery. Future impacts include additional resources for recruitment and training and replenishing the leadership supply pipeline.

Mitigating people risk

People's Bank consider human resources as the most significant asset in any business as they are the central point in the overall performance of other assets. Especially in service industry the service excellence highly depends on the quality of the human resources. Thus, anticipating and efficiently managing people risk is highly important to the success of the Bank in a sustainable Business Model. The Bank has ongoing HR Development programmes that keep staff updated with the necessary knowledge and skills.

People's Bank always provide equal opportunities for its employees irrespective of their gender, race, religion etc. All the employees are subject to approved code of conduct and disciplinary procedure to maintain workplace good governance.

Further Bank encourage its employees to develop their knowledge and skills through a learning culture and always facilitated with internal and external trainings, workshops, and forums. Bank has implemented a more scientific performance base evaluation system replacing a previously used traditional qualitative measurement system in 2023. Bank

established a wellness centre in 2023 with the view of support needed staff members to maintain their mental strength at a stress situation. Further Bank is in process of implement a state-of-the-art Human Resource Information System (HRIS) to ensure efficiently managing human resource functions.

The Bank strengthens its work force in 2023 by recruiting 500 Service Assistants and 50 Management Trainees and strengthens its digital initiatives by recruiting 32 Trainee Information Technology Graduates.

Human resource policies and processes are available to manage HR related risks, ensure uniformity in employee practices across the Bank, and adopt effective recruitment practices, reducing disruptions to work, protecting employees and their families from financial difficulties, minimising staff turnover, and maintaining a healthy and safe working environment.

LEGAL RISK

According to Basel regulations, Legal risk is classified as a sub-set of operational risk. Legal risk is the risk arising from failure to comply with statutory or/and regulatory obligations. Legal risk is managed by the Bank's Legal Department and proper internal procedures are established to follow when entering into contracts with clients or any third party. Further the compliance department ensures the Bank's status of compliance to the regulatory and statutory requirements.

Mitigating legal risk

The business units are responsible for ensuring all legally binding agreements are duly consented to by the compliance and legal divisions of the Bank. The powers of signing of third-party agreements are vested with the Board and prior approval should be obtained to enter into any agreement with outside parties.

REPUTATIONAL RISK

People's Bank, as a prominent State Bank in Sri Lanka with an extensive number of customer base and given its diverse stakeholder base, highly focus on reputational risk considering the changing expectations of stakeholders and the developing digital media reactions especially the social media. Reputational risk is the risk of failure to meet stakeholder / general public expectations as a result of any event, behaviour, action or inaction, either by People's Bank itself, its employees or those with whom

Bank is associated or any third party that may cause stakeholders / general public to form a negative view of the Bank.

Reputational risk arises from negative public perception, loss of trust, lack of compliance with industry standards, failure on commitments, inferior service quality or a decline in confidence in the Bank's integrity, reliability, or ability to conduct its business. Reputational risk can have significant financial and non-financial consequences, and it is often considered one of the most challenging risks for financial institutions to manage.

Mitigating reputation risk

The negative impact on the Bank's reputation has been minimal, as People's Bank has maintained an impeccable track record for nearly six decades as a premier State Bank in Sri Lanka. Customer confidence is rooted in a robust reputation that mirrors the Bank's integrity, the competence of its staff, and the high quality of its products. With the increasing presence of social media usage in daily life has elevated reputational risk to a prominent position among the types of risks that require effective management.

COMPLIANCE RISK

The Bank has established a compliance function and implemented comprehensive internal policies, procedures, and a sound governance framework to ensure employees comply with the applicable laws, regulations, and best practices.

Compliance risk review

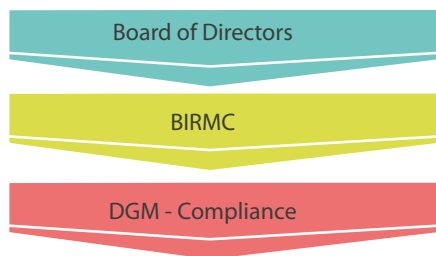
- Branch assessments were conducted by the Regional Compliance Officers on a risk-based approach and reviews were conducted on selected branches by the Compliance Department.
- Head office departments and other related units were assessed by the Compliance Department selecting the Departments/ Units on a risk-based approach.
- Subsidiaries which carry out financial transactions were reviewed quarterly through a questionnaire - in addition to the visits conducted by the Compliance Department every two years.

Risk Management Report

Objectives of managing compliance risk

- Increase Bank's reputation and brand value.
- Enhance customer confidence and trust.
- Facilitate smooth and efficient operations.
- Strengthen employee integrity.
- Offer products and services of the highest quality.
- Augment the strength and stability of the Bank.
- Strengthen the sustainability of the Bank.

Compliance risk governance and reporting



- The Board holds the highest responsibility to ensure compliance with relevant external regulations and internal guidelines, and is supported by the BIRMC and BAC.
- The dedicated Compliance Unit with a dedicated Chief Compliance Officer oversees the compliance status of the Bank through regular assessments and reports directly to the BIRMC.
- The Compliance Department submits monthly compliance reports to the Board with signoffs from the Heads of Departments and branches on statutory and mandatory requirements, events of non-compliance, and employee training and branch assessments. Reports are also submitted to the BIRMC and BAC on any special compliance-related matters within that quarter.
- In addition to the Risk Management Department and the internal audit function, the Compliance Unit provides assurance to the Board on the Bank's overall level of compliance.
- The Bank's compliance risk is assessed through a five-point rating scale scorecard in relation to internal best practices and external regulations. This scorecard is submitted to the BIRMC.

Duties of the Compliance Department

Mandatory Compliance Functions
Safeguard the Bank from reputational risk by developing compliance policies and procedures to eliminate or minimize the risk of non-compliance with regulatory requirements
Develop a Code of Conduct/Ethics for all employees and monitor to ensure compliance at all levels.
Implement an Anti-Money Laundering/Terrorist Financing Policy aligned to Know Your Customer (KYC) regulations, to be adhered by all departments
Maintain regular contact and cordial relationships with regulators based on clear and timely communication and mutual understanding
Nurture a culture of compliance within the Bank.
Keep abreast with relevant legal and regulatory developments and facilitate effective implementation
Report to the Board on all relevant regulatory developments and changes in laws that could give rise to compliance issues.
Highlight any breaches related to compliance and work with the Management to address and rectify them within an acceptable timeframe.
Submit weekly, monthly, quarterly, and annual compliance reports to the Central Bank of Sri Lanka on Central Bank directives and guidelines, and as stipulated by the law
Prepare and submit compliance reports to the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC) as and when necessary
Submit monthly compliance reports to the Board
Establish a Customer Charter based on directions issued by the Central Bank of Sri Lanka
Prepare, implement, and monitor the Code of Best Practice on Corporate Governance based on the Central Bank Directive on Corporate Governance for Licensed Commercial Banks
Establish systems and controls to monitor transactions and report suspicious transactions to the Financial Intelligence Unit to prevent Money Laundering/Terrorist Financing
Train staff members on compliance including Anti-Money Laundering and develop an e-learning module to facilitate training across the branch network.
Prepare policies and implement procedures to minimize compliance risk and reputation risk, including developing a Code of Conduct
Maintain updated credit details of customers by liaising with the Credit Information Bureau

Ancillary Compliance Functions

Provide advisory services to Management and staff on regulatory, reputational, and ethical matters.
Promote compliance as a success enabler.
Provide input in structuring new products and systems compliance with local regulatory requirements, internal compliance, and ethical standards.
Ascertain compliance with internal and external regulations by conducting assessments and reviews at regular intervals
Represent the compliance function in relevant internal and external committees
Clearly communicate policies on compliance to Management and staff
Liaise with the 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 has stringent policies, procedures, and control standards relating to client identification. This is coupled with due diligence, transaction monitoring, payment and name screening, investigating and reporting of suspicious activity, and an evaluation of all new products and services to prevent and/or detect activities that may pose risk to the Bank.

All employees are trained through structured programs and e-learning modules on areas such as Anti-Money Laundering, Know Your Customer, and customer due diligence. Unusually large and suspicious transactions reanalyzed, evaluated, and reported to the Financial Intelligence Unit.

STRATEGIC RISK

Strategic risk is the potential loss to earnings and viability arising due to adverse business decisions, improper implementation of decisions, a challenging business environment, and inadequate response to changes in the operating environment.

Strategic risks are managed through the Bank's strategic plan approved by the Board and Executive Management.

The strategic plan is formulated with an extensive stakeholder engagement at multiple levels and discussions with business units. In the event a risk materializes, a series of management actions are developed to prevent or mitigate the impact on Bank earnings.

Managing strategic risk

- Business performance is tracked on a weekly basis by ALCO and monthly basis by the Board. The actual performance is assessed against the budgeted targets for each business unit. If needed, the strategies are revised to suit any changes in the business environment.
- Strategic risk is assessed using a scorecard, by taking into consideration a range of factors including the Bank's size, complexity, sophistication of operations, environmental analysis as well as customer profiling. The scorecard helps to identify areas that need improvements to mitigate strategic risk.

GROUP RISK MANAGEMENT

The Bank's main subsidiaries, People's Leasing & Finance PLC, and People's Insurance PLC have structured risk management frameworks to identify, assess, and monitor their risk exposures. People's Bank provides oversight

to the risk management aspects of the Group entities through the following structures and mechanisms:

- The Group's risk appetite and strategy is formulated at Bank level.
- Reporting structures, processes, and thresholds are determined by the Bank's Board of Directors
- Defined key risk indicators, trigger levels, and thresholds have been established for each group entity in which the exposure exceeds LKR 500 Mn.
- Through periodic reviews, the People's Bank's Audit Committee and Internal Audit Department ensure the adequacy of internal control mechanisms of the subsidiaries.
- In certain instances, Directors are nominated to the respective Boards of the subsidiaries by People's Bank
- Periodically, the risk profiles of the regulated subsidiaries are reviewed by People's Bank's BIRMC
- The Bank's Board of Directors have access to the Board Minutes of Group companies.

The Group's risk ratings for key categories of risk in 2023

	Credit risk	Market risk	Operational risk	Compliance risk	Strategic risk	Reputation risk
People's Bank	Moderate	Moderate	Moderate	Low	Low	Low
People's Leasing & Finance	Moderate	Moderate	Moderate	Low	Moderate	Low
People's Insurance	Low	Low	Moderate	Low	Moderate	Low

Corporate Governance

Chairman's Message on Corporate Governance

With the largest geographic footprint and customer base among financial service providers in the country, People's Bank plays a pivotal role in providing essential banking services, to a wide range of customers across urban and rural areas. Its reach and influence extend deep into communities, making it a vital institution for fostering economic development and financial well-being throughout Sri Lanka. The Board of People's Bank and I are fully cognizant of this great responsibility we bear to our nation, and we are fully committed to maintaining the highest standards of good governance in discharging our legal and fiduciary duties to our country and people.

During the year under review, there were 24 Board meetings, in addition to the numerous other Sub-Committee deliberations. The Board also regularly assessed the implications of prevailing macroeconomic conditions and reviewed the Bank's policies, governance and risk management framework, and internal controls. Overall risk management and governance were strengthened by establishing a governance framework for Related Party Transactions and proper identification of Related Parties, and by ensuring compliance with Basel Regulations, IFRS Requirements, and CBSL Guidelines. The Board's dedicated considerable effort to analyzing macroeconomic impacts, refining policy structures, and bolstering risk management protocols, reflecting a proactive stance toward navigating economic challenges and ensuring operational resilience. This comprehensive approach underscores the Board's commitment to prudent governance and long-term sustainability within People's Bank.

COMPLIANCE

This report outlines the factual findings presented by the Auditor General, as required by the Banking Act Direction No. 11 of 2007 for Licensed Commercial Banks. It validates our governance practices, the Board's operational activities in 2023, and its fulfilment of duties throughout the year, while also assessing compliance levels. People's Bank has gone beyond regulatory compliance and has voluntarily adopted ESG reporting to improve transparency and good governance.

As the country makes headway in its economic recovery journey, People's Bank is dedicated to assisting this process through full compliance with all applicable laws and regulations, in addition to creating value for all our stakeholders. The Bank has even exceeded regulatory requirements by voluntarily embracing pertinent ESG frameworks and standards to promote sustainability.

WAY FORWARD

People's Bank remains at the forefront in championing national interests, committed to aiding the restoration of livelihoods in our nation, leveraging our esteemed market position as a source of national pride.

Sincerely,



Sujeewa Rajapakse
Chairman

26 March 2024

As a government owned bank, established by statute, People's Bank has a far more complex governance framework than private sector banks. In addition to the stringent regulations that govern the banking industry, People's Bank's governance system is guided by stipulations of the People's Bank Act No 29 of 1961 and later amendments to the Act. Although People's Bank is not a listed entity, the Bank voluntarily complies with the Code of Best Practice on Corporate Governance by the Institute of Chartered Corporate Accountants of Sri Lanka.

The highest governance body of the Bank is the Board of Directors, who are guided by the Board Charter and a Code of Ethics for Directors. The Bank also has an Employee Code of Ethics.

In order to enhance transparency and accountability for the sake of public interest, the Bank has also adopted international ESG reporting standards, including the Integrated Reporting Framework of 2021 and the Global Reporting Initiative (GRI) Standards 2021, in its annual reports.

COMPLIANCE

The Auditor General provides assurance on the Financial Statements of the Bank and on the Directors' Statement on Internal Controls over Financial Reporting which are published on pages 209 - 210 and 204 - 205, respectively. He also certifies the level of compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

KEY FOCUS FOR 2023

- Review the Bank's status of compliance and quality of governance and make relevant changes where necessary in line with the Bank's strategic plan.
- Adjusting to the changing the macroeconomic conditions.
- Effective management of risks.
- Embedding sustainability.



GOVERNANCE FRAMEWORK

CREDIT RISK	MARKET RISK
Banking Act No. 30 of 1988 (as amended)	People's Bank Act No. 29 of 1961 (as amended)
CBSL Directives	Board Charter
Exchange Control Act No. 24 of 1953	Sub- committees and management committees terms of references
Financial Transactions Reporting Act No. 6 of 2006	Code of Business Conduct and Ethics for Directors
Prevention of Money Laundering Act No. 5 of 2006	Comprehensive policies and procedures
Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks	Code of Ethics for employees
Code of Best Practice on Corporate Governance issued by the Chartered Accountants of Sri Lanka in December 2017	Customer Charter
Global Reporting Standards of the Global Reporting Initiative	Inter Audit
UN Sustainability Development Goals (SDGs)	Internal Controls
The International <IR> Framework issued by IFRS Foundation	

Corporate Governance



KEY GOVERNANCE PRINCIPLES

Accountability

Transparency

Tairness

Responsibility



OUR CORPORATE VALUES

Being the Pride of the Nation

Customer focus and agility

Integrity and accountability

Continuous learning culture and team spirit

Empowerment and diversity



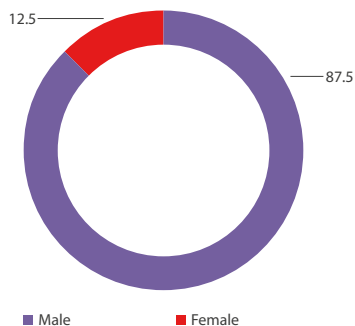
VALUE CREATION

Stakeholder value creation

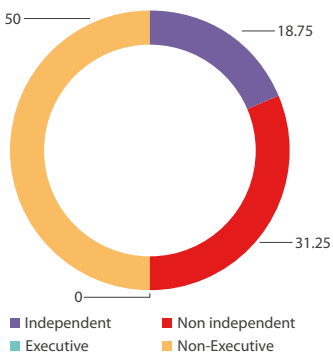
Strategic outcomes

The Board Composition GRI 405-1

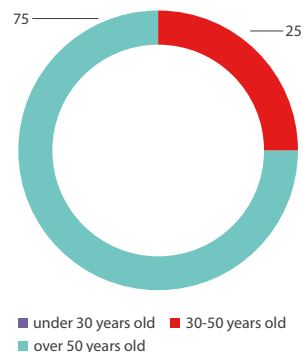
Gender Diversity



Board Balance



Age Diversity



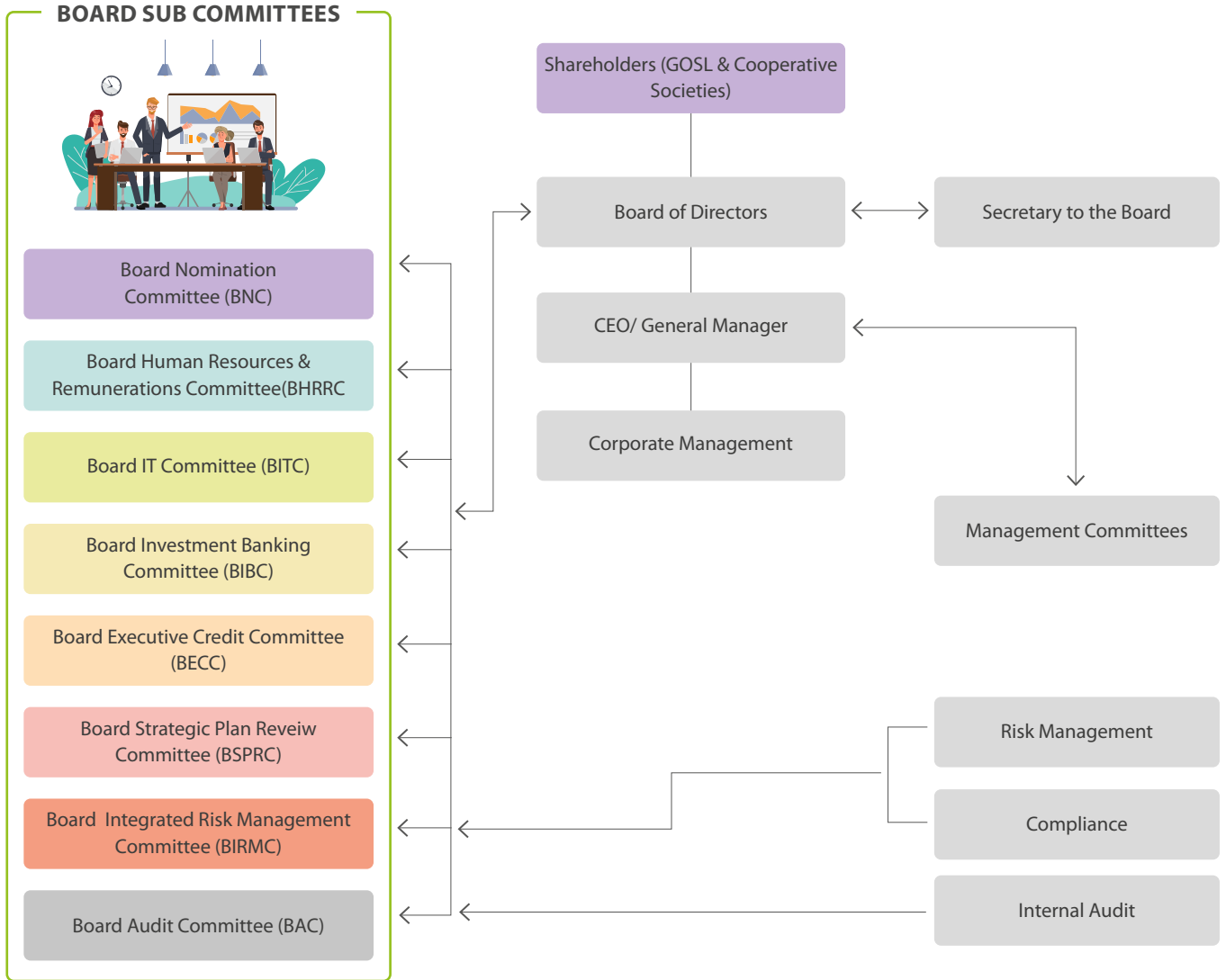
Collective Skills GRI 2-17

	Number of Directors Specialized	%
Finance and accounting	6	75%
Business Administration	7	88%
Audit	2	25%
HR and Management	5	63%
Law	3	38%
Economics	2	25%
Commerce	3	38%
International Development	3	38%
Budgeting	1	13%
IT / BPO	1	13%

GOVERNANCE STRUCTURE AND COMPOSITION GRI 2-9

The corporate governance framework of the Bank comprises two main layers: the Board, which offers supervision and collaborates with Corporate Management on strategic direction, financial objectives, resource distribution, and risk tolerance; while Management is tasked with implementing Board policies to generate mutual benefits for all stakeholders of the Bank.

PEOPLE'S BANK CORPORATE GOVERNANCE FRAMEWORK



Corporate Governance

COMPOSITION OF THE BOARD AND ITS COMMITTEES GRI 2-9

Please refer the profiles of the Board of Directors on pages 30-31 for additional information such as other significant positions held by Directors, tenures and competencies of Directors.

	Executive/ non-executive Directors	Independent Directors	Gender	under-represented social groups	Stakeholder representation
Board of Directors	8	3	7 men 1 Woman	Professionals of the State and Private Sector.	08 members from/appointed by the government
Board Nomination Committee(BNC)	3	1	3 men	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Human Resources and Remunerations Committee (BHRRC)	3	1	3 men	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board IT Committee (BITC)	3	1	3 men	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Investment Banking Committee (BIBC)	3	0	2 men 1 Woman	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Executive Credit Committee (BECC)	3	0	3 men	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Integrated Risk Management Committee (BIRMC)	3	2	2 men 1 woman	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Audit Committee (BAC)	3	1	2 men 1 woman	Professionals of the State and Private Sector.	03 members from/appointed by the government
Board Strategic Plan Review Committee (BSPRC)	3	2	2 men 1 woman	Professionals of the State and Private Sector.	03 members from/appointed by the government

COMPLIANCE WITH THE CODE OF BEST PRACTICE FOR CORPORATE GOVERNANCE

The Board (Principle A.1)

The Board of Directors of People's Bank is appointed by the Minister of Finance. The current Board comprises the Chairman (who is also a Non-Executive Director) and Non-Executive Directors. All Directors are eminent professionals of the State and private sector. The Chairman is a well experienced professional with over 31 years experience especially in the finance field. The diverse range of skills and experience of the Non-Executive Directors enrich the Bank's risk management and control process.

Holding of regular Board meetings (Principle A. 1.1)

The Board meets at least once a month and additional meetings are convened based on necessity. The Board met 24 times during the year 2023, and all Board meetings were characterized by high attendance, active participation and constructive and open discussions.

Directors are required to attend all Board meetings and Committee meetings of which they are members. Instances of non-attendance at Board meetings were generally due to prior engagements, personal commitments or illness.

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

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

Name of the Director	Status	Board meeting	BAC	BHRC	BIRMC	BECC	BNC	BIBC	BITC	BSPRC
Mr.Sujeewa Rajapakse	Independent	24/24	-	8/8	-	-	15/15	-	-	4/4
Mr.Isuru Balapatabendi	Non-Independent	23/24	-	8/8	5/5	15/16	-	4/4	5/5	1/1
Mr.Manjula Wellalage	Non-Independent	24/24	-	8/8	-	18/18	15/15	-	-	-
Ms. Visakha Amarasekera	Non-Independent	23/24	9/10	-	5/5	-	-	4/4	-	4/4
Mr.D Thotawatte	Independent	23/24	10/10	-	5/5	-	-	-	-	-
Mr. A M P M B Atapattu	Non-Independent	20/22	8/10	-	-	-	14/15	4/4	-	-
Mr. H M U K Samararatne	Non-Independent	18/18	-	-	-	18/18	-	-	5/5	-
Mr. D T C Soza	Non-Independent	17/17	-	-	-	2/2	-	-	5/5	3/3

ROLE OF THE BOARD GRI 2-12

(Principle A. 1.2)

The Board is responsible to provide leadership, oversight, control, development, and ensure long-term success of the Bank. They also

facilitate value creation to shareholders in accordance with applicable laws and regulations. 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. Matters reserved for the Board include the items summarized in the table below:

Governance	Strategy and directions	Risk management accountability and control
Review of governance arrangements	Approval of strategy and annual budgets	Approval of financial statements, other updates to market and recommendations on dividends
Terms of reference for and membership of Board committees	Authorization of acquisition and disposal activity	Approval of financial statements, other updates to market and recommendations on dividends
	Affirmation of risk management strategies and risk appetite	Approval of authority levels, financial, and treasury policies
		Review of internal control and risk Management
		Approval of health and safety policies

The Board determines the purpose and value of the Bank and the strategy to achieve that purpose and implements its values in order to ensure that the Bank survives & thrives and that procedures & values that protects the assets & reputation of the Bank are put in place.

The Board further ensures communication of strategic objectives and corporate values to everyone in the Bank. The Board thus becomes responsible for the strategic direction of the Bank and the guidance and oversight of management.

The Board ensures mapping out the mechanisms for internal and external liaison and communications. Also ensures compilation and communication of Bank policies and strategies covering style of operation, external and internal relationships, market and business, required rates of return and performance standards, growth and change policies and planning budgetary procedures. In this process, it is recognized that the Bank should speak

to employee and outside constituencies with a single voice and that the Chief Executive Officer/ General Manager or his authorized person serve as the primary spokesperson

The Bank's primary purpose is to create wealth in accordance with its stated purpose within its strategic framework. In this connection, it would;

- Approve the strategies, policies, business plans of the Bank, risk policy, risk management procedure and mechanism and management performance criteria and arrange that meaningful plans are produced at all levels with measurable/ identifiable goals on an on-going basis for the next three years.
- Act in a manner, which is not reckless or grossly negligent and act in accordance with sound business principles and prudent banking practices.
- Preserve the capital and assets of the Bank; AND

- Maintain a positive image of the Bank in the industry and within the economy as a whole.

The Board has delegated some of its responsibilities to committees of the Board. The scope of work assigned to each committee along with the progress made during the year is given on pages 196 - 203 of this Report.

Monitoring the effectiveness of the Bank's risk management and internal control systems has been delegated to the Board Integrated Risk Management Committee and the Board 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. In addition, the Board reviews reports referred by the Chairman of the Risk Management Committee and the Audit Committee pertaining to risk management.

Corporate Governance

Compliance with laws of the country as applicable to the business and procedure to obtain independent professional advice

(Principle A. 1.3)

The Board of Directors collectively and severally, is 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.

The Board acknowledges the need to obtain independent judgement 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.

Company Secretary

(Principle A. 1.4)

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 Board subcommittees 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 People's Bank Act and 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
- Obtaining legal advice in consultation with the Board on the People's Bank Act and other relevant legislations in ensuring Bank's compliance with all applicable laws and regulations

Independent judgement of Directors

(Principle A. 1.5)

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

Dedication of adequate time and effort by the Directors

(Principle A. 1.6)

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.

Training for Directors

(Principle A. 1.7)

All Directors are entitled to receive relevant training for continuous development. To ensure Directors' contribution to the Board/committees remains relevant, ongoing trainings and updates are provided for Directors to regularly refresh their knowledge, skills and understanding of the business, and markets in which the Bank operates.

This includes written reports and presentations by senior executives or consultants, on Bank's operations, corporate governance, legal and regulatory developments.

CHAIRMAN AND CEO

(Principle A. 2)

Whilst the Chairman and Chief Executive Officer (CEO)/General Manager (GM) are collectively responsible for the leadership of People's 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 the CEO/GM is to manage the day to day operations of the Bank.

A decision to combine the posts of Chairman and Chief Executive Officer in one person should be justified and highlighted

(Principle A. 2.1)

The position of the Chairman and the CEO/GM are clearly separated, preventing unfettered powers for decision-making by one person. The Chairman and the CEO/GM have been identified on pages 30 and 34 of the Annual Report.

CHAIRMAN'S ROLE

GRI 2-12

(Principle A. 3)

The Chairman is responsible for ensuring the CEO/GM and the Management effectively implement the strategies and policies agreed by the Board. The Chairman also provides stewardship for the adoption of good governance practices and provides oversight to ensure effective communication with shareholders and other stakeholders. The Chairman is not a senior executive and a non-executive role at People's Bank.

Conducting Board proceedings in a proper manner

(Principle A. 3.1)

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 and its shareholders. Accordingly, the Chairman is responsible for:

- Ensuring Board meetings are planned and conducted effectively
- Setting the agenda for each Board meeting, taking cognisance of the matters proposed by other Directors, members of various subcommittees 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 Directors 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 that the Board plays a full and constructive role in developing and assessing Group's strategies and policies, and ensuring Board decisions are taken in the best interest of the Bank and fairly reflect Board's consensus
- Proving leadership for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board

On first appointment and at regular intervals (at least once in every year) or any time when circumstances change, all Director in good faith, disclose to Board for recording any business or other interests that are likely to create a potential conflict of interest with the Bank, including;

- All business interests (direct or indirect) in any other company, partnership or other business venture
- Membership in trade, business or other economic banks, and
- Any interest (direct or indirect) in any transaction.

Directors avoid any conflicts of interests or the appearances of any conflicts in their activities with and commitments to, other Banks or related parties. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee (except by an appropriate Board Committee set up for the purpose pursuant to a resolution passed at a Board meeting). But a Board meeting holds. Directors abstain from voting on any Board resolution in which that or any of their associates have a material interest and they would not be counted in the quorum present at the Board meeting.

No Director would be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the Bank.

FINANCIAL ACUMEN

(Principle A. 4)

The People's Bank Board comprises members with sufficient financial acumen and knowledge. In addition to the Senior Chartered Accountants and Chartered Management Accountants who provide guidance on the financial matters, the rest of the Directors have sufficient financial acumen acquired through their extensive professional experience.

BOARD BALANCE

(Principle A. 5)

The People's Bank Board is well balanced with eight Non-Executive Directors, of whom six function in an independent capacity. This is above the minimum stipulated by Code of Best Practice for Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

All Independent Non-Executive Directors are independent of management and free from any business or other affiliations that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

Every Non-Executive Director submits a signed declaration of independence/ non-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 need to appoint a Senior Independent Director did not arise either since the Chairman is an independent Director.

SUPPLY OF INFORMATION

(Principle A. 6)

Board meetings are scheduled well in advance, giving adequate notice to Directors. Prior to every Board or committee meeting, the Board Secretary ensures all relevant papers including the agenda, content and a summary of management presentations are made available to all the Directors seven 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 of each division/ subsidiary. 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.

Appointments to the Board GRI 2-10

(Principles A. 7 and A. 8)

In accordance with the People's Bank Act, a maximum of 10 Directors are appointed by the Minister in charge of the portfolio of which two Directors are nominees of the respective Minister handling the subject of cooperatives.

Appointments are made for a period of three years subject to a maximum term of nine years and an age limit of up to 70 years, whichever comes first in line with the provisions of the Banking Act Direction No. 11 of 2007.

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

There are no specific stipulations pertaining to diversity representation.

APPRAISAL OF BOARD PERFORMANCE

GRI 2-18

(Principle A. 9)

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 of the Code. The responses are collated by the Board Secretary and submitted to the Board as a summary report.

DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

(Principle A. 10)

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 30 - 31.
- Number of Board and Committee meetings held in year 2022 and attendance on page 179.
- Names of committees in which the Director serves as the Chairman or a member on pages 196 - 203.
- Related party transactions on pages 292 - 296.

APPRAISAL OF THE CEO

(Principle A. 11)

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 Planning and Performance

Corporate Governance

Management is reviewed quarterly by the panel who submits the review to the Board monthly for their review.

These goals are 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.

Directors' and executive remuneration procedure [\(GRI 2-19, 2-20\)](#)

(Principles B. 1. B. 1.1, B. 1.2, B. 1.3)

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 BHRRC seeks professional advice externally, when deemed necessary, in discharging their responsibilities. 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 197. The aggregate remuneration paid to the Directors is given on page 194.

Relations with shareholders

(Principles C. 1, C. 2)

As a State Bank, with the Government of Sri Lanka being the main shareholder, People's Bank comes directly under the purview of the Ministry of Finance. The Board liaises with the Ministry to ensure alignment with the socio-economic development goals of the country.

The Annual Report is printed in English, Sinhala, and Tamil and is circulated through the Ministry of Finance to the Parliament. The Bank liaises with the Ministry of Finance for matters concerning the Ministry.

Major and material transactions

(Principle C. 3)

There were no transactions which would materially alter the Bank's or Group's net asset base, other than those disclosed in the Note 43 to the Financial Statements, Related Party Disclosures on pages 292 - 296.

The Board delegates responsibility for managing the organization's impacts on the economy, environment, and people. The Board appoints the Chief Executive Officer/ General Manager. The Board participate in the appointment of all senior management, ensures motivation and protection of intellectual capital crucial to the Bank, ensures that there is appropriate and adequate training for management and other employees and put in place a succession plan for senior management.

Financial reporting

(Principle D. 1)

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. We have provided a balanced view on our performance in this report and other communications presented to relevant authorities including the Ministry of Finance and regulators. The Bank takes every effort to ensure compliance with statutory requirements in the Annual Report and in the issue of interim communications on financial performance.

The following disclosures as required by the Code are included in this Report:

- Statement of Directors' Responsibility for Financial Reporting. Page 208 includes a statement of their responsibilities
- Directors' Statement on Internal Control over Financial Reporting on pages 204 - 205.
- Management Commentary on pages 48 - 142
- Statement of going concern of the Company is set out in the Statement of Directors' Responsibility on page 208.
- Related Party Transactions are disclosed on pages 292 - 296 of the Directors' Report and in Note 43 in the Financial Statements

Internal control and Audit Committee

(Principle D. 2 and D. 3)

The Board is cognisant of its responsibility for formulating and implementing appropriate and adequate processes for risk management and sound internal control systems to safeguard shareholder interests and assets of the Bank. BAC assists the Board in relation to risk management while BIRMC assists the Board in discharge of its duties with regard to risk management. Their roles and responsibilities are provided in the Committee Reports given on pages 196 - 203.

BIRMC is supported by the Risk Management Department of the Bank. A comprehensive report on the Bank's risk management process is included on pages 144 - 173. BAC is supported by the internal audit function of the Bank. The Internal Audit Department reviews the adequacy and effectiveness of the internal control systems and reports to the BAC on a regular basis. Duties of the BAC include keeping the scope and results of such audits and its effectiveness under review. BAC also plays a primary role in liaising with the Auditor General, who conducts the external audit of the Bank.

Code of Business Conduct and Ethics and Corporate Governance Report

(Principles D. 4 and D. 5)

The Bank has two Codes of Business Conduct and Ethics, one applicable to the Directors and the other to the 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.

The Codes of Business Conduct and Ethics are in compliance with the requirements of the Schedule I of the Code of Best Practice on Corporate Governance.

This Corporate Governance Report from pages 174 - 195 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D 5.

Shareholder relations

(Principles E and F)

The relevant provisions of the Code are not applicable, because the main shareholder of People's Bank is the Government of Sri Lanka.

Sustainability report

GRI 2-9, 2-12, 2-13, 2-14

(Principle G)

The Board approved a Sustainability Policy for the Bank and has set in place a governance structure to ensure its philosophy, objectives, and strategic goals for social and environmental development are implemented.

Accordingly, triple bottom line values have been embedded throughout the Bank's operations in all geographic areas. The sustainable business initiatives of the Bank are described in line with the Principles of the Code, as follows:

- **Principle 1** – Economic Sustainability – Head of Finance's Review on pages 68 - 73.
- **Principle 2** – Environment – Natural Capital on pages 134 - 142.
- **Principle 3** – Labour Practices – Human Capital on pages 103 - 113.
- **Principle 4** – Society – Social and Relationship Capital on pages 114 - 133.
- **Principle 5** – Product Responsibility – Social and Relationship Capital: Customer on pages 114 - 119.
- **Principle 6** – Stakeholder identification, engagement and effective communication, Stakeholder Engagement on pages 53 - 55.
- **Principle 7** – Sustainable reporting to be formalised as part of the reporting process and to take place regularly – About Our Integrated Report on pages 4 - 6.

The Board through Board Audit Committee & the Board Integrated Risk management Committee regularly reviews systems, processes and procedures to ensure the effectiveness of internal systems of control so that its decision-making capability and the accuracy of its reporting and financial results are maintained at the highest level at all times.

Corporate Governance

The Banking Act Direction No. 11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank

Section	Principle	Compliance and implementation	Complied
3. (1)	Responsibilities of the Board		
		The Board has strengthened the safety and the soundness of the Bank in the following manner:	
a.	Setting strategic objectives and corporate values	<p>The Board approved a Strategic Plan for the period 2022-2024 is in place. Strategic Planning Department has already developed the Strategic Plan for 2024-2026 rollover for the years 2024,2025 and 2026. The Board Strategic Planning and Review committee (BSPRC) has recommended the same on 21.03.2024 and approved by the Board.</p> <p>Budget 2023 has been approved by the Board.Budget 2024- CAPEX limits (amended) has been submitted to the Board. After detailed deliberation, the Board granted approval for the CAPEX budgets for Both Banking Support Services Dept and Information Technology Dept for the year ending 31.12.2024 (amended).</p> <p>Budget 2024 has been submitted to the Board for approval (Amended) and most of the KMP in the DGM category have been participated in the discussion. After detailed deliberation, the Board granted approval for the following subject to the assumptions therein given.</p> <p>a). Budget for the FY ending 31. 12. 2024</p> <p>b). To review the reasonableness of the said budget on conclusion of Q1-2024.</p>	Complied with
b.	Approval of overall Business Strategy including Risk Policy and Management	<p>The Strategic Plan includes strategic objectives and the overall business strategy of the Bank.</p> <p>Risk Management procedures and mechanisms are in place. BIRMC has reviewed the Risk Management Policy of the Bank.</p> <p>The Strategic Plan 2024-2026 includes the overall business strategy, measurable goals, for at least the next three years including 2024.</p>	Complied with
c.	Risk management	<p>The Board Integrated Risk Management Committee (BIRMC) takes the initiative in assessing all risks of the Bank with the assistance of the DGM, Risk Management and the relevant KMP.</p> <p>Also, BIRMC discusses new strategies of the Bank, the risks arising out of new strategies and further the ways and means to mitigate such risks.</p>	Complied with
d.	Communication with all stakeholders	The Board has approved and implemented an effective Corporate Communication Policy with all stakeholders. The Board has reviewed the existing Communication Policy.	Complied with
e.	Internal Control System and Management Information Systems	<p>Internal Control Systems</p> <p>There is an annual Board mechanism at the Bank to assess effectiveness of internal control systems by the Board of Directors through the process over design and effectiveness of internal control over financial reporting. Further Internal Audit Division of the Bank adds value to the process verifying the effectiveness of the above process.</p> <p>Internal Control Systems and Management Information System have been reviewed by IAD and has been submitted to the Board Audit Committee. Further, audit of Finance and Management Accounting Department including Management Information Department 2022 had been submitted to the BAC.</p> <p>Management Information Systems</p> <p>The Bank has established a MIS Unit of which key role is to ensure the accuracy of the reports generated and timely distribution of reports to required parties. Internal Audit Dept has carried out an audit of MIS Unit of Head Office as part of Audit of Information Technology Dept. during the year 2023 and observations and responses thereto have been submitted to the BAC at their meeting.</p>	Complied with
f.	Key Management Personnel (KMPs)	The Board has defined and designated the following categories as KMPs CEO, SDGMs, DGMs, AGMs, CRO/DGM (RM), HOF, CIA, Compliance Officer, Head of Treasury, Head of Legal, Head of IT and Board Secretary as defined in Banking Act Determination No. 1 of 2019 and any other officer falling under the definition of section 3(1) (i) (f) of the banking act direction No 11 Of 2007.	Complied with

Section	Principle	Compliance and implementation	Complied
g.	Define areas of authority and key responsibilities for Directors and KMP	<p>There is a clear segregation of authority and responsibilities between Directors and 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. Code of Best Practice -Annex III – Board Charter includes ‘Powers Reserved for the Board’.</p> <p>Key responsibilities of the KMP are entirely operational based on and specified in their respective job descriptions. The authority of key management personnel are defined under delegation authority limits.</p>	Complied with
h.	Oversight of affairs of the Bank by KMP	Board has exercised appropriate oversight of the affairs of the Bank through Key Management Personnel.	Complied with
i.	<p>Assess effectiveness of own governance practices</p> <p>(i) The selection, nomination, and election of Directors and Key Management Personnel.</p> <p>(ii) The management of conflicts of interests; and</p> <p>(iii) The determination of weaknesses and implementation of changes where necessary.</p>	<p>In terms of the section 8 of the People’s Bank Act the appointment of Directors are being made by the Minister, two of whom shall be nominated by the Minister of the subject of Co-operatives. Selection, nomination and recommendations of all KMPs are being processed by the BNC and approval has been obtained from the Board.</p> <p>The Conflicts of Interests have been duly recorded.</p> <p>Self- evaluation forms of Board of Directors submitted to the Board.</p>	Complied with
j.	Succession plan for KMP	The Board approved Succession Plan for CEO and KMPs are in place.	Complied with
k.	Regular meetings with KMP	Key Management Personnel are invited by the Board when a need arises to explain matters relating to their area of functions.	Complied with
l.	Regulatory environment and maintaining an effective relationship with regulator	<p>Board has taken measures and processes are in place to understand the regulatory environment and also the Bank maintains a relationship with regulators. On appointment as Directors, the Board Secretary furnishes them with the Code of Best Practice on Corporate Governance 1.3, details of existing Directors etc.</p> <p>Draft supervisory concerns raised at the statutory examination conducted and, has been submitted to the Board Meeting.</p> <p>The Compliance Officer submits a report on a monthly basis to the Board of Directors.</p> <p>Attendance of the CEO at CBSL meetings further evidence the relationship maintained with the regulator.</p>	Complied with
m.	Hiring External Auditors	As per Section 34 of People’s Bank Act, the Auditor General is the auditor of the Bank.	Complied with
3.1 (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities	<p>As per Section 10 of People’s Bank Act, Minister appoints the Chairman of the Board from among the members of the Board.</p> <p>Mr Sujeewa Rajapakse, has been appointed as Chairman and Independent, Non-Executive Director by Minister of Finance, Economy and Policy Development w.e.f. 21.12.2022.</p> <p>The Board has appointed Mr. Clive Fonseka as the Acting CEO/GM of the Bank for a period of one-month w.e.f.01.01.2023 and his appointment has been re-confirmed as the CEO/MD w.e.f 01.08.2023 at Board upon receipt of CBSL approval.</p> <p>Section 2.22 and 2.23 of Code of Best Practice in Corporate Governance of the Bank defines the Powers and Roles of the Chairman.</p> <p>Code of Best Practice in Corporate Governance (CBPCG) Section 3.9 Annex III of the Bank defines the Roles, Duties and Responsibilities of the CEO/GM.</p>	Complied with
3.1 (iii)	Regular Board meetings	The Bank has held 24 meetings during the year 2023. There were 50 circular resolutions passed during the year 2023 and duly ratified at the next board meeting.	Complied with

Corporate Governance

Section	Principle	Compliance and implementation	Complied
3.1 (iv)	Arrangements for Directors to include proposals in the agenda	As a practice, Directors include matters and proposals in the agenda for regular meetings. As per the Section 2.16(b) of Code of Best Practice, provision is 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
3.1 (v)	Notice of meetings	Duties of the Secretary to the Board (Annex iv) given in the Code of Best Practice in Corporate Governance 1.3 includes a provision that preparing the calendar of regular Board meetings for each year is the duty of the Board Secretary with the approval from the Board. Board meeting Calendar for 2024 has been approved at Board. Further as a practice, notice of at least 7 days is given to the board to provide all Directors with an opportunity to attend regular meetings. Further due notice has been given for the special and emergency Board meetings.	Complied with
3.1 (vi)	Directors' attendance	As per the Board Attendance schedule submitted by the Board Secretary, all Directors have attended two-thirds of the meetings held during the year 2023. Some Directors have attended online and none of the directors have not attended three consecutive meetings.	Complied with
3.1 (vii)	Appointment and setting responsibilities of the Board Secretary	The Board Secretary is an Attorney at Law who satisfies the provisions of Section 43 of the Banking Act No.30 of 1988. The Board has appointed Ms. Shyama Wijekoon, Assistant Board Secretary as Acting Secretary to the Board of Directors w.e.f 01.04.2019.	Complied with
3.1 (viii)	Directors access to advice and services of Board Secretary	Section 2.25 of the Code of Best Practice in Corporate Governance has a provision in this regard.	Complied with
3.1 (ix)	Maintenance of Board minutes	The duties of the Secretary to the Board given in the Code of Best Practice approved by the Board include a provision in this regard. Further all Board members have access to the Board minutes and Board Sub Committee minutes through Board Pac.	Complied with
3.1 (x)	Minutes to be of sufficient detail and serve as a reference for regulators and supervisory authorities	Detailed minutes are kept covering the given criteria and the board minutes evidence that they contain the required details such as individual views of the members, ultimate decision of the Board, whether complies with strategies and policies of the Bank etc. Further reports and information used by the Board members in arriving at the decisions are mentioned.	Complied with
3.1 (xi)	Directors' ability to seek independent professional advice	Board approved policy is in place to seek independent professional advice in appropriate circumstances, at the Bank's expense.	Complied with
3.1 (xii)	Dealing with conflicts of interest	People's Bank Act No.29 of 1961 Section 11 speaks on the conflicts of interest of the Board of Directors. This procedure further evidence that a Director is to abstain from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a Director has substantial interest and he/she has not been counted in the quorum. Section 2.13 of the Code of Best Practice of the Bank approved by the Board also has a provision in this regard.	Complied with
3.1 (xiii)	Formal schedule of matters reserved for Board decision	Code of Best Practice Annex III-Board Charter includes 'Powers Reserved for the Board'.	Complied with
3.1 (xiv)	Inform Central Bank if there are solvency issues	Board is aware the necessity of informing 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. As per Board minutes, no such situation has arisen during the year 2023.	Complied with
3.1 (xv)	Capital adequacy	The Board has capitalized the Bank at levels required by the Monetary Board. This has been addressed through the Monthly Compliance Certificate submitted by the Compliance Officer.	Complied with
3.1 (xvi)	Publish Corporate Governance Report in Annual Report	The Board has published its Corporate Governance Report on compliance with section 3 of this direction has been published on pages 184 to 195 of the Annual Report 2023.	Complied with

Section	Principle	Compliance and implementation	Complied
3.1 (xvii)	Self-assessment of Directors	The Board Secretary annually obtains the evaluation forms from all the Directors. The evaluation forms of all directors are available for the year 2023 and the summary of the same has been submitted the Board.	Complied with
3.(2)	The Boards composition		
3.(2) (i)	Number of Directors	The Board has comprised of not less than seven (7) directors during the year 2023 which is in line with the requirement of the Direction. The names of directors who have held directorships up to 31.12.2023 are as follows. We have seen Board minutes and Directors details submitted by the Board Secretary as evidence. Mr. Sujeewa Rajapakse (IND/NED) Mr. Isuru Balapatabendi (NI/NED) Mr. Manjula Wellalage (NI/NED) Ms. Visakha Amarasekere (NI/NED- A.w.e.f 17.01.2023) Mr. Dushmantha Thotawatte (IND/NED) Mr. A M P M B Atapattu (NI/NED) Mr. Udeni Samararatne (NI/NED-A.w.e.f 17.01.2023) Mr. Dushan Soza (IND/NED-A.w.e.f 07.03.2023)	Complied with
3.(2) (ii) (a) and (b)	Period of service of a Director	None of the Directors of the Board has exceeded the service period of nine years.	Complied with
3.(2) (iii)	Board balance	There are no Executive Directors in the Board of the Bank.	Complied with
3.(2) (iv)	Independent Non-Executive Directors	The Board comprised of adequate number of Independent, Non-Executive Directors to comply with the direction during the 2023. Independent non- executive directors during the year 2023 were, Mr. Sujeewa Rajapakse Mr. Dushmantha Thotawatte Mr. Dushan Soza (A.w.e.f 07.03.2023) Mr. Manjula Wellalage (NI w.e.f 03.10.2023) Mr. Udeni Samararatne (NI w.e.f 26.06.2023)	Complied with
3.(2) (v)	Alternate Independent Directors	There are no provisions in the People's Bank Act to appoint alternate Directors and such a situation has not arisen during the year 2023.	Complied with
3.(2) (vi)	Criteria for Non-Executive Directors	The appointments to the Board are made by the Minister in Charge of the Finance Economy and Policy Development, under Section 8 of the People's Bank Act No. 29 of 1961 and representative from the Minister of Finance and the Ministry of Trade are the Non- Independent Directors where as other Directors are independent.	Complied with
3.(2) (vii)	More than half the quorum to comprise Non-Executive Directors	As per Section 2.3 of the Code of Best Practice of the Bank, the stipulated quorum of the Board is five and all Directors of the Bank are Non-Executive. As per the attendance of Board members submitted by the Board Secretary for the financial year 2023, the required quorum has been complied with at all Board meetings.	Complied with
3.(2) (viii)	Identify Independent Non-Executive Directors in communications and disclose categories of Directors in Annual Report	Composition of the Board, including the names of the Chairman, Executive Directors, Non-Executive Directors and independent Non-Executive Directors have been disclosed in the Annual Report 2023 on page 179.	Complied with
3.(2) (ix)	Formal and transparent procedure for appointments to the Board	The appointments to the Board are made by the Minister of Finance, Economy and Policy Development, under Section 8 of the People's Bank Act No. 29 of 1961 subject to fit and propriety approval obtained from CBSL In terms of CBSL Direction No 1 of 2019.	Complied with

Corporate Governance

Section	Principle	Compliance and implementation	Complied
3.(2) (x)	Re-election of Directors filling casual vacancies	Such a situation does not arise since the Minister in Charge of the subject appoints them.	Complied with
3.(2) (xi)	Communication of reasons for removal or resignation of Director	Section 8 (4) of the People's Bank Act, provides provisions for a Director to resign by writing a letter to the Minister of the subject. Further the Minister can also remove a Director by publishing a Gazette notification. Directors' resignation and the reason for such resignation are duly informed to Central Bank of Sri Lanka (CBSL). No such situation has arisen during the year 2023.	Complied with
3.(2) (xii)	Prohibition of Directors or employees of a Bank becoming a Director at another bank	This requirement is covered in the Annual declaration obtained from the Board of Directors. Further, updates on the related party transactions of the directors have been circulated on quarterly basis.	Complied with
3.(3)	Criteria to assess fitness and propriety of Directors		
3.(3) (i)	Age of Director should not exceed 70 years. The transitional provisions	Section 2.1 of the Code of Best Practice has a provision in this regard. None of the persons who serve as Directors have exceeded 70 years of age during the year 2023.	Complied with
3.(3) (ii)	Directors should not be Directors of more than 20 companies and not more than 10 companies classified as specified business entities	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 2023.	Complied with
3.(3) (iii)	Director or CEO shall not be appointed as a Director or a CEO of another Licensed Bank operating in Sri Lanka prior to expiry of 6 months cooling-off period from the date of cessation of his/her office at a Licensed Bank	As confirmed by the Board Secretary, none of the Directors have been appointed as Director or CEO of another Licensed Bank operating in Sri Lanka during the year 2023.	Complied with
3.(4)	Management functions delegated by the Board		
3.(4) (i)	Understand and study delegation arrangements	The Board is empowered by Section 32 of the People's Bank Act to delegate its powers to any officer of the Bank and may revoke either wholly or in part as the case may be.	Complied with
3.(4) (ii)	Extent of delegation should not hinder Board ability to discharge its functions		Complied with
3.(4) (iii)	Review delegation arrangements periodically to ensure relevance to operations of the Bank	The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Bank. In addition, Delegated Credit Authority (DCA) limits have been revised in line with the present economic context in order to improve efficiency of credit approval process.	Complied with
3.(5)	The Chairman and Chief Executive Officer		
3.(5) (i)	Separation of roles	Roles of Chairman and CEO are held by two individuals appointed by the Board.	Complied with
3.(5) (ii)	Non-Executive Chairman and appointment of a Senior Independent Directors	Since Mr. Sujeewa Rajapakse, who has been re-appointed as the Chairman of the Bank with effect from 21.12.2022 is an Independent, Non- Executive Director, no such requirement has arisen to appoint a Senior Independent Director.	Complied with
3.(5) (iii)	Disclosure of identity of Chairman and CEO and any relationships with the Board members	As confirmed by the Board Secretary, there were no such relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the CEO and among members of the Board, other than common directorships hold at Boards of subsidiaries of the Bank. A process has to be in place to obtain a declaration from Board members in this regard.	Complied with
3.(5) (iv)	Self-Evaluation Process of the Board	The Board has a scheme of self – evaluation for the Board of directors which complies with the requirement.	Complied with
3.(5) (v)	Responsibility for agenda lies with Chairman but may be delegated to Board Secretary	Agenda for Board meetings is drawn up by the Board Secretary in consultation with the Chairman.	Complied with
3.(5) (vi)	Ensure that Directors are properly briefed and provided adequate information	The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings. Agenda and Board Papers are circulated to the Directors giving adequate time for them to go through the papers. Minutes of previous month's Board Meeting are distributed to the Board members and tabled at the subsequent Board Meeting for ratification/ approval.	Complied with

Section	Principle	Compliance and implementation	Complied
3.(5) (vii)	Encourage active participation by all Directors and lead in acting in the interests of the Bank	The Board has a self- evaluation process in place which covers the requirement of the Direction. The Board Secretary annually obtains the evaluation forms from all the Directors. The evaluation forms of all Directors have been obtained by the Board Secretary and submitted to the Board.	Complied with
3.(5) (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors	Board Secretary annually obtains the self-evaluation forms from all the Directors and since all Directors are Non-Executive separate sections had not been included in the self-evaluation form.	Complied with
3.(5) (ix)	Refrain from direct supervision of KMP and executive duties	Chairman does not directly get involved in the supervision of key management personnel or any other executive duties.	Complied with
3.(5) (x)	Ensure effective communication with shareholders	Board maintains effective communication with the Government of Sri Lanka who is the main shareholder of the Bank.	Complied with
3.(5) (xi)	CEO functions as the apex executive in charge of the day to day operations	As per Section 3.1(Authority) of Code of Best Practice in Corporate Governance, he is the apex executive-in charge of the day-to-day management of the Bank's operations and business.	Complied with
3.(6)	Board Appointed Committees		
3.(6) (i)	Establishing Board Committees, their functions, and reporting	The Bank has established four Board Committees namely, Audit Committee, Human Resources and Remuneration Committee, Nomination Committee and Integrated Risk Management Committee. Other than the above minimum requirement as per the CBSL direction the bank has established 4 additional Board sub committees. Reports /Minutes of such committees are submitted and tabled at the main board for the information and review by the Board. Individual reports of each Board sub committees which includes a summary of its duties, roles and performance have been disclosed in the Annual Report 2023 on pages 196 to 203.	Complied with
3.(6) (ii)	Audit Committee		
a.	Chairman to be an Independent Non-Executive Director with qualifications and experience in accountancy and/or audit	The Board has appointed Mr. Dushmantha Thotawatte an Independent, Non-Executive Director as the Chairman, who is a Fellow Member of the Institute of Chartered Accountant of Sri Lanka.	Complied with
b.	Committee to comprise solely of Non-Executive Directors	All members of the committee are Non- Executive Directors named, Ms. Visakha Amarasekera and Mr. A M P M B Atapattu.	Complied with
c.	Audit Committee functions		
	(i) The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;	The Auditor General is the External Auditor of the Bank as provided in the Constitution of the country. Therefore, the Committee has no role to play in the engagement of the External Auditor.	Complied with
	(ii) The implementation of the CBSL guidelines issued to Auditors from time to time;	Committee has made recommendations on matters in connection with the implementation of the Central Bank guidelines issued to auditors from time to time.	Complied with
	(iii) The application of the relevant accounting standards; and	Committee has reviewed and discussed the relevant accounting standards as and when required.	Complied with
	(iv) The service period, audit fee and any resignation or dismissal of the Auditor	The Auditor General is the External Auditor of the Bank as provided in the Constitution of the country.	Complied with
d.	Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes	This is not relevant since the auditor of the Bank is Auditor General.	Complied with
e.	Provision of non-audit services by an External Auditor	This is not relevant since the auditor of the Bank is Auditor General.	Complied with
f.	Determines scope of audit	Committee has discussed and finalized the nature and scope of the audit with the external auditors in accordance with SLAS before the audit commenced at the BAC Meeting.	Complied with

Corporate Governance

Section	Principle	Compliance and implementation	Complied
g.	Review financial information of the Bank	Committee has a process to review financial information of the Bank when the quarterly and annual audited financial statements and the reports prepared for disclosure are presented to the committee by the Head of Finance. Head of Finance has presented the quarterly financial statements and key financial ratios and dashboard for the year 2022. The committee has recommended the same for submission to the Board.	Complied with
h.	Discussions with External Auditor on interim and final audits	Committee has held a confidential discussion with the representative of Auditor General.	Complied with
i.	Review of Management Letter and Bank's response	BAC has reviewed the management letter and the responses thereto and for the year 2022.	Complied with
j.	Review of internal audit function		
	(i) The adequacy of the scope, functions and resources of the IAD and satisfy itself on necessary authority to carry out its work;	Committee has discussed the Scope and functions of the Internal Audit Department along with the audit plan. Internal Audit Charter reviewed and recommended by the BAC. The committee has recommended the Board the proposed cadre requirement assessed for the year 2023/24 excluding the staff rested for the establishment of newly proposed review and investigation team for approval at the BAC.	Complied with
	(ii) Internal audit programme and results of the internal audit process	AGM-Audit has presented the Audit Plan 2023 to the BAC and BAC has discussed the scope of the Internal Audit and observed main recommendations made on the branches which has issues highlighted by the Management Letter, CBSL statutory examination etc. The committee recommended to the Board of Directors the proposed Audit plan for the year 2024, for approval at the BAC. Progress of achieving the IA Plan has been monitored by the committee regularly. Committee has reviewed results of internal audit process at its meetings held during the year. Audit reports of Departments such as Information Technology, supplies, Compliance, Credit control, Risk management, Treasury Back Office etc. Information systems audit of Image Capturing and Presentment, People's Card Centre, Finacle Treasury System- 2022, etc.	Complied with
	(iii) Any appraisal or assessment of the performance of the head and senior staff members of IAD	The committee has reviewed appraisal or assessment of the performance of the head and senior staff members of the internal audit department.	Complied with
	(iv) Recommend any appointment or termination of the head, senior staff members, and outsourced service providers	No appointment or termination of the head, senior staff members during the year 2023.	Complied with
	(v) The Committee is appraised of resignations of senior staff members of IAD 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;	No resignations of head / senior staff of IAD during the year 2023.	Complied with
	(vi) The internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency, and due professional care.	The Internal Audit Dept. has confirmed the independence of the Internal Audit activity with reference to the provisions of the Internal Audit Charter of the Bank. The Internal Audit Dept. performs with impartiality, proficiency, and due professional care.	Complied with
k.	Internal investigations	The committee considers major findings of internal investigations and management's responses thereto.	Complied with
l.	Attendees at Audit Committee meetings	This is not relevant since there are no Executive Directors in the Board of People's Bank.	Complied with

Section	Principle	Compliance and implementation	Complied
m.	Explicit authority, resources, and access to information	The Board approved Code of Best Practice in Corporate Governance 1.3 Section 6.1.7 speaks of the rights of the Board Audit Committee and ensures that the committee has such authority. TOR of the BAC has been further reviewed by the committee and approved by the Board.	Complied with
n.	Regular meetings	BAC has held ten (10) meetings during the year 2023 and minutes of such meetings are maintained by the Board secretary.	Complied with
o.	Disclosure in Annual Report	Details of the activities of the Audit Committee has been disclosed in the BAC report published on page 196 of the Annual Report 2023. Number of meetings and attendance of each individual Director have been disclosed on page 179 of the Annual Report 2023.	Complied with
p.	Maintain minutes of meetings	The Board Secretary has been appointed as the Secretary of Board Audit Committee and keeps detailed minutes of the meetings.	Complied with
q.	Whistle-blowing policy and relationship with External Auditor	The Board approved Whistle Blowing Policy is in place and had been communicated to the staff and has been reviewed by the BAC and approved by the Board.	Complied with
3.(6) (iii) Human Resources and Remuneration Committee GRI 2-19, 2-20			
(a)	Remuneration policy relating to Directors, CEO/GM and Key Management Personnel of the Bank.	Remuneration of the Board of Directors is decided by the guidelines set up by the Ministry of Finance. The Board has reviewed the Terms of reference of Board Subcommittees and implemented a Compensation / Remuneration Policy to determine the remuneration (salaries, allowances and other financial payments) relating to CEO and KMPs. This policy has been approved by the Board. The Collective Agreement of the Bank has been submitted to the Board.	Complied with
(b)	Set goals and targets for the Directors, CEO/GM, and the Key Management Personnel	Committee will have to develop goals and targets for Board of Directors in terms of responsibilities assigned under Board sub committees. Goals and targets of CEO and KMPs are documented. BHRRC reviews performance of KMP against these set KPIs on a quarterly basis.	Complied with
(c)	Evaluating the performance of the CEO and Key Management Personnel	A new performance evaluation template for the corporate and executive management of the Bank has been developed. The Committee has considered evaluations of the performance of the CEO and key management personnel against the set targets for the year 2023.	Complied with
(d)	The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Reviewed Terms of Reference of Board Sub Committees' and CEO/GM was presented at all meetings of the committee, except when matters relating to the CEO/GM are being discussed.	Complied with
3.(6) (iv) Nomination Committee			
a.	Appointment of Directors, CEO and KMP	Directors are appointed by the Minister in charge of the subject as per the provision of the People's Bank Act. HR Policy (Recruitment, Promotion and compensation, Training and Development & Termination Policies) is in place which has been approved by the Board.	Complied with
b.	Re-election of Directors	This requirement does not arise since Directors are appointed by the Minister in charge of the subject as per the provision of the People's Bank Act.	Complied with
c.	Eligibility criteria for appointments to key managerial positions including CEO	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, DGMs and AGMs who are considered as the key management personnel and has included in their job descriptions. Further, the Committee has granted approval for the evaluation criteria for the selection and appointment of KMPs in the Bank. Nomination and recommendations of all KMPs are been processed by the BNC and the approval has been obtained from the Board.	Complied with

Corporate Governance

Section	Principle	Compliance and implementation	Complied
d.	Fit and proper persons	The Annual declarations of the Directors for the year 2023 have been obtained from the directors and sent to the CBSL.	Complied with
e.	Succession Plan and new expertise	Board of Directors are appointed by the Ministry of Finance. Board approved Succession Plan for CEO and Key Management Personnel is in place. In addition, the Bank has developed a new succession plan since most of the officials who held positions in grades of DGMM and AGMM of the Bank have been retired or due to retire from the service soon or promoted to the higher grades before the expected time frames. The BNC has reviewed the proposed Succession Plan of the Bank for the period Oct 2023 to December 2024 and observed that same has been prepared addressing the concerns of CBSL as well. BNC has reviewed and recommended. This proposed plan has been approved by the Board.	Complied with
f.	Committee Chairman and preferably majority of Directors be Independent. The CEO may be present at meetings by invitation.	Committee is Chaired by Mr. Sujeewa Rajapakse who is an independent director re- appointed on 21.12.2022. Other members were Mr. Manjula Wellalage and Mr. A M P M B Atapattu. As required by the direction, the Committee shall preferably be constituted with a majority of Independent Directors. CEO participates at the BNC meetings by invitation.	Complied with
3.(6) (v) Integrated Risk Management Committee/Board Risk Management Committee			
a.	Composition of BIRMC	As per TOR of BIRMC, Committee consists of three Non-Executive Directors, CEO/ GM, DGM –Risk Management and any others on invitation (including the officer in charge of Compliance).	Complied with
b.	Risk assessment	BIRMC has implemented a procedure to assess risks such as credit, market, strategic, operational and liquidity risks of the Bank through relevant risk indicators and management information and such risks are reported to BIRMC through Quarterly Risk Report and Risk Matrix table by the DGM Risk Management. Risk Review of Subsidiaries Bank uses separate Risk Dashboards for each subsidiary and these risk Dashboards include risk appetite limits. The Risk Review of Subsidiaries for each quarter has been submitted to the committee and the committee has reviewed and noted the risk levels of each subsidiary named People's Leasing and Finance PLC and People's Insurance Ltd.	Complied with
c.	Review of management level committees on risk	The committee has evaluated the adequacy and effectiveness of all managerial level committees against their current Terms of References (TOR) for the year 2022 in January 2023. Evaluation for the year 2023 has been completed and will be submitted to the BIRMC. Credit Risk Management Committee, Operational Risk Management Committee, Assets and Liability Committee and Executive Operations Committee are management level committees which function currently at the Bank.	Complied with
d.	Corrective action to mitigate risks exceeding prudential levels	The committee has reviewed and considered risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	Complied with
e.	Frequency of meetings	BIRMC has held four (05) meetings during the financial year 2023.	Complied with
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action	This is handled by a separate Board subcommittee named BHRRC.	Complied with
g.	Risk assessment report to Board	Committee submits Risk Minutes to the Board for their review.	Complied with
h.	Compliance function	The committee has established a compliance function to assess the Bank's compliance with laws, regulations, and regulatory guidelines. Compliance Officer who has been designated as a KMP submits monthly reports on statutory and mandatory requirements/ regulations and the status of compliance to the Board and Quarterly Report on Compliance Risk to the BIRMC. The Board has granted approval for the Compliance Programme 2024 at the Board meeting, in order to act in compliance with the recommendations made at the statutory examination conducted by the CBSL.	Complied with

Section	Principle	Compliance and implementation	Complied
3.(7)	Related Party Transactions		
3.(7) (i)	Avoid conflict of interest GRI 2-15	The Board approved Related Party Transactions Policy which speaks on categories of related parties, and for the Bank to avoid any conflicts of interest that may arise from any transaction of the Bank with them. This policy has been subsequently reviewed by the Board in 2024.	Complied with
3.(7) (ii)	Related party transactions covered by direction	The Board approved Related Party Transaction Policy which identifies types of related party transactions is in place.	Complied with
3.(7) (iii)	Prohibited transactions	<p>The Board approved Related Party Transaction Policy includes a provision in this regard. The Bank has a process in place to ensure that the bank does not engage in such transactions in a manner that would grant such parties "favorable treatment" than that accorded to other constituents of the bank carrying on the same transaction with the Bank.</p> <p>Based on the declarations and information received from Directors and KMP, Bank identifies related party transactions via NIC and CIF from the system and submit a report to BIRMC on quarterly basis.</p> <p>This ensures that the Bank would not offer any "favorable treatment" to related parties than that accorded to other constituents of the Bank carrying on the same business.</p>	Complied with
3.(7) (iv)	Granting accommodation to a Director or close relation to a Director	<p>The Board approved Related Party Transaction Policy includes a provision in this regard.</p> <p>As confirmed, no accommodation has been granted to any Director or their close family member during the year under review.</p>	Complied with
3.(7) (v)	Accommodations granted to persons, or concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank	<p>The Board approved Related Party Transaction Policy includes a provision in this regard. Bank also has a process in place to comply with the direction.</p> <p>There was one instance, and the Bank has taken necessary actions to comply with the direction.</p>	Complied with
3.(7) (vi)	Favourable treatment or accommodation to Bank employees or their close relations	<p>The Board approved Related Party Transaction Policy includes a provision in this regard. Bank also has a process in place to comply with the direction.</p> <p>As confirmed by the Head of Compliance, 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 during the year 2023.</p> <p>The Bank has a process in place to identify and report transactions with KMP and CFM and to any concern in which the employee or close relation has a substantial interest are submitted to the BIRMC on a quarterly basis.</p>	Complied with
3.(7) (vii)	Remittance of accommodations subject to Monetary Board approval	<p>As per Related Party transaction Policy, a process is in place.</p> <p>However, as confirmed by the Head of Compliance no such instances occurred during the year 2023.</p>	Complied with
3.(8)	Disclosures		
3.(8) (i)	Publish annual and quarterly financial statements	The Bank prepares and publishes financial statements accordingly. Quarterly financial statements have been published in the newspapers in abridged form, in Sinhala, Tamil and English.	Complied with
3.(8) (ii)	Disclosures in Annual Report		
a.	A 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.	The statement to this effect is included in the Directors' Responsibility for Financial Reporting on page 208 of the Annual Report 2023.	Complied with
b.	The report by the Board on the Bank's internal control mechanism	Report by the Board on the Bank's internal control mechanism has been disclosed in the "Directors' Statement on Internal Control" on pages 204 to 205 in the Annual Report 2023.	Complied with

Corporate Governance

Section	Principle	Compliance and implementation	Complied																											
c	External Auditor's certification on the effectiveness of the internal control mechanism	'Auditor General's Assurance Report' on Internal Controls disclosed on page 206 in their Annual Report 2023.	Complied with																											
d	Details of Directors, including names, fitness and propriety, transactions with the Bank, and the total of fees/remuneration paid by the Bank	<p>Details of directors, including names, qualifications and experience disclosed under Profiles of Directors are given on page 30 to 31.</p> <p>Directors' Emoluments have been disclosed under Note 13 to the Financial Statements on page 238.</p> <p>Aggregate value of Remuneration and transactions with Directors 2023</p> <table border="1"> <thead> <tr> <th></th> <th>LKR'000</th> </tr> </thead> <tbody> <tr> <td>Short term employee benefits</td> <td>7,935.0</td> </tr> <tr> <td>Post employment pension</td> <td>-</td> </tr> <tr> <td>Termination benefits</td> <td>-</td> </tr> <tr> <td>Share based payments</td> <td>-</td> </tr> <tr> <td>Other long term benefits</td> <td>-</td> </tr> <tr> <td>Loans & Advances including credit cards</td> <td>455.9</td> </tr> <tr> <td>Deposits</td> <td>225,920.0</td> </tr> <tr> <td>Investments</td> <td>-</td> </tr> </tbody> </table>		LKR'000	Short term employee benefits	7,935.0	Post employment pension	-	Termination benefits	-	Share based payments	-	Other long term benefits	-	Loans & Advances including credit cards	455.9	Deposits	225,920.0	Investments	-	Complied with									
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e	Total accommodations granted to each category of related parties and as a percentage of the Bank's regulatory capital	<p>Total Accommodation granted to related parties 2023</p> <table border="1"> <thead> <tr> <th></th> <th>LKR'000</th> <th>Percentage of Bank's Regulatory Capital</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>0.2</td> <td>0.0</td> </tr> <tr> <td>Closed Family Members of the Directors</td> <td>-</td> <td>-</td> </tr> <tr> <td>Key Management Personnel (KMP)</td> <td>85,119.8</td> <td>0.1</td> </tr> <tr> <td>Closed Family Members of the KMP</td> <td>8,614.4</td> <td>0.0</td> </tr> <tr> <td>Subsidiaries</td> <td>148,198.9</td> <td>0.1</td> </tr> <tr> <td>Sub Subsidiaries</td> <td>274,412.4</td> <td>0.2</td> </tr> <tr> <td>Government and Government Related Entities</td> <td>782,060,503.6</td> <td>614.1</td> </tr> <tr> <td>Concern in which any of the Bank's Director or close family member of any of the Bank's Director has substantial interest</td> <td>6,329,879.7</td> <td>5.0</td> </tr> </tbody> </table>		LKR'000	Percentage of Bank's Regulatory Capital	Directors	0.2	0.0	Closed Family Members of the Directors	-	-	Key Management Personnel (KMP)	85,119.8	0.1	Closed Family Members of the KMP	8,614.4	0.0	Subsidiaries	148,198.9	0.1	Sub Subsidiaries	274,412.4	0.2	Government and Government Related Entities	782,060,503.6	614.1	Concern in which any of the Bank's Director or close family member of any of the Bank's Director has substantial interest	6,329,879.7	5.0	Complied with
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Section	Principle	Compliance and implementation	Complied	
f.	Aggregate values of remuneration to, and transactions with KMP	Aggregate value of Remuneration and transactions with KPM 2023	Complied with	
				LKR'000
		Short term employee benefits		485,542.0
		Post employment pension		52,848.1
		Termination benefits		-
		Share based payments		-
		Other long term benefits		-
		Loans & Advances including credit cards		85,153.2
		Deposits		343,499.2
		Investments	-	
g.	External Auditors certification of compliance	The Board has obtained the Auditor General's Factual Findings Report on Corporate Governance. All findings of the Auditors have been incorporated in this Corporate Governance Report.	Complied with	
h.	Report confirming compliance with prudential requirements, regulations, laws, and internal controls	This has been disclosed in 'Directors' Responsibility for Financial Reporting' on page 208 of the Annual Report 2023.	Complied with	
i.	Non-Compliance Report	This recorded under Compliance with law and regulations in page 66.	Complied with	

Board Subcommittee Reports

BOARD AUDIT COMMITTEE (BAC)



Dushmantha Thotawatte
Chairman of the
Board Audit Committee

The Board Audit Committee (BAC) of the Bank was constituted in accordance with the provisions of Banking Act Direction No. 11 of 2007, Corporate Governance for Licensed Commercial Banks in Sri Lanka. Proceedings of BAC were based on the charter adopted by the Board of Directors for the functioning of the Committee.

The committee comprises with the following three Non- Executive, Independent Directors as at the end of the year.

Chairman

Mr. Dushmantha Thotawatte

Other members

Ms. Visakha Amarasekera

Mr. A M P M B Atapattu

The quorum for a BAC meeting is two (02) members.

The Secretary to the Board of Directors, functions as the Secretary to the Board Audit Committee. Chief Internal Auditor, Head of Finance and a representative of the External Auditor, i.e Superintendent of Audit of National Audit Office are normally attend meetings. Other Board member/s, Chief Executive Officer and any member of the management may also attend the meetings upon invitation of the committee.

The BAC in particular,

- Reviews the financial reporting process to ensure compliance with financial reporting requirements mandated by the statute.

- Examines the system of internal control and management of business risks.
- Reviews the audit processes, both external and internal.
- Reviews the procedures in place for monitoring compliance with laws and regulations, particularly the guidelines of the Central Bank of Sri Lanka.
- Reviews policies, procedures, and operational manuals, as applicable, to strengthen the internal control system over various areas of Bank operations, including those related to information system security and recommends them for approval by the Board of Directors.
- Reviews the internal audit reports submitted by the Internal Audit Department based on their annual audits as well as special audits conducted.

The Committee during the year under review attended to the following:

- Reviewed quarterly financial performance of the Bank for the year 2023 to ensure that they are prepared in accordance with the requirements prescribed by the regulatory authorities and applicable Accounting Standards and recommended to the Board for approval.
- Review of concerns raised by CBSL in their Statutory Examination report and draft report issued based on their statutory examinations held as at 28.02.2022 and 31.03.2023, respectively.
- The performance of the Internal Audit Department was periodically reviewed to ensure the timely achievement of the approved internal audit plan for the year.
- Reviewed Information System procedures and recommended appropriate changes and monitored the progress of their implementation.
- Reviewed the special audit reports such as Root Cause Analysis over the identified deficiencies in Branch Operations.

Ten (10) meetings were held during the financial year ended 31 December 2023. The BAC considered the internal audit reports and evaluated the adequacy and effectiveness of internal controls over the processes, while evaluating the actions taken by the respective officials to rectify the identified key issues,

concerns and monitored the corrective actions taken. The minutes of the BAC meetings are reported to the Board for information.

The BAC also followed up on corrective measures taken by the management during the year 2023 on matters raised by CBSL Statutory Examination Reports.

The BAC ensured the provision of all information and documents required by the Auditor General for the purpose of audit and compliance with Sri Lanka Accounting Standards in preparation and presentation of Financial Statements. The BAC is of the view that adequate controls and procedures are in place and Charter of the BAC was complied with all material aspects.

Mr. Dushmantha Thotawatte
Chairman - Board Audit Committee

22 March 2024

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT (BHRRC)



Mr Sujeewa Rajapakse

Chairman of the Board Human Resources and Remuneration Committee

COMPOSITION

The committee comprises of not fewer than 2 and not more than 3 Non-Executive Independent Directors as at the end of the year and the CEO/General Manager is required to be present at each meeting.

Chairman

Mr Sujeewa Rajapakse

Other members

Mr Isuru Balapatabendi – Director

Mr Manjula Wellalage – Director

Mr Clive Fonseka –CEO/General Manager

REGULAR ATTENDEES BY INVITATION

DGM (Human Resources) attends meetings on invitation and any other officer of the Bank may be present at meetings on invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BHRRC.

MEETINGS

Eight (08) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BHRRC meeting is two Directors of the Board and the CEO/General Manager.

ROLE OF THE COMMITTEE

- The BHRRC is responsible for formulating human resource and remuneration policies and initiating strategies in relation to human resource management.
- The Committee plays a key role in recruitment and determining salaries and other employee benefits.
- The Committee review employment contracts of the members of the Corporate and Executive Management as well setting goals and targets for the CEO/General Manager and Key Management Personnel.
- Evaluating the performance of the CEO/General Manager and KMPs against the set goals and targets periodically and determining the basis for revising remuneration and benefits, etc.

FUTURE FOCUS

The Board Human Resources and Remuneration Committee will ensure all the Human Resource and Remuneration arrangements support the strategic aims of the Bank.



Mr. Sujeewa Rajapakse

Chairman of the Board Human Resources and Remuneration Committee

22 March 2024

Board Subcommittee Reports

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT (BIRMC)



Ms Visakha Amarasekera
 Chairman of the Board Integrated Risk Management Committee

COMPOSITION

The committee comprises of three Non-Executive Independent Directors, CEO/General Manager, DGM (Risk Management) and any other officer of the Bank may be present on invitation.

Chairman

Ms Visakha Amarasekera

Other members

Mr Dushmantha Thotawatte – Director

Mr Isuru Balapatabendi – Director

Mr Clive Fonseka – CEO/ General Manager

Ms Roshini Wijerathna – DGM (Risk Management) – as at 15.11.2023

Mr. Anura Perera – DGM (Risk Management) – w e f. 16.11..2023

REGULAR ATTENDEES BY INVITATION

Any other officer of the Bank may be present at meetings on invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BIRMC

MEETINGS

Five (05) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BIRMC meeting is two Directors of the Board and the CEO/General Manager.

ROLE OF THE COMMITTEE

- The Committee is responsible for reviewing the risk profile of the Bank within the risk parameters determined by the Board.
- The Committee is responsible for the assessment of all risks pertaining to credit, market, liquidity, operational, information technology, and strategic risks, using appropriate risk indicators and management information.
- Among other responsibilities related to risk management, the Committee monitors risk oversight, implementation and risk management in relation to credit, finance, operations and legal/ compliance.
- Reviewing the adequate and effectiveness of all management level committees such as credit committee and Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.

FUTURE FOCUS

The Board Integrated Risk Management Committee will be focused to ensure the adequacy and effectiveness of the risk management framework of the Bank.

Ms. Visakha Amarasekera
 Chairman of the Board Integrated Risk Management Committee

22 March 2024

BOARD EXECUTIVE CREDIT COMMITTEE REPORT (BECC)



Mr Udeni Samararatne

Chairman of the Board Executive Credit Committee

COMPOSITION

The committee comprises of at least two Non-Executive Independent Directors of the Board and the CEO/ General Manager, as at the end of the year (i.e – 26 December 2022)

Chairman

Mr Udeni Samararatne

Other members

Mr Isuru Balapatabendi - Director

Mr Manjula Wellalage - Director

Mr Clive Fonseka – CEO/General Manager

REGULAR ATTENDEES BY INVITATION

Any other credit line officer of the Bank attends the BECC meetings on invitation.

SECRETARY TO THE COMMITTEE

Board Secretary functions as the Secretary to the BECC.

MEETINGS

Eighteen (18) meetings were held during the financial year ended 31 December 2023.

QUORUM

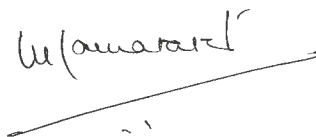
The quorum for a BECC meeting is three members including two Directors of the Board.

ROLE OF THE COMMITTEE

- Approving Bank's Credit Management Structure and establishing credit approval authorities including the level of delegation.
- Approving all credits in excess of the limits delegated to CEO/General Manager and imposing additional covenants, conditions when deemed appropriate.
- Approving rescheduling, lump sum settlement and interest concessions proposals, in excess of authority given to CEO/General Manager.
- Reviewing credit related systems, their implementation, monitoring and managing portfolio level risks to improve portfolio quality.
- Recommending prudential measures of control credit risk.

FUTURE FOCUS

The Board Executive Credit Committee will commit to ensure effective credit risk management of the Bank.



Mr. Udeni Samararatne

Chairman of the Board Executive Credit Committee

22 March 2024

Board Subcommittee Reports

BOARD NOMINATION COMMITTEE REPORT (BNC) GRI 2-10



Mr Sujeewa Rajapakse
Chairman of the Board Nomination Committee

COMPOSITION

The committee comprises of three Non-Executive Independent Directors as at the end of the year

Chairman

Mr Sujeewa Rajapakse

Other members

Mr A M P M B Atapattu - Director

Mr Manjula Wellalage - Director

REGULAR ATTENDEES BY INVITATION

CEO/General Manager attends the meetings on invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BNC

MEETINGS

Fifteen (15) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BNC meeting is three (3) members.

ROLE OF THE COMMITTEE

- The main responsibility is to implement a procedure to select/ appoint a CEO/ General Manager and Key Management Personnel. The Committee sets the eligibility criteria for appointment or promotion to the post of CEO/General Manager and the Key Management Positions.

- The Committee is also responsible for consideration of the requirement for additional/new expertise and the succession arrangements for retiring Key Management Personnel.
- To set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment of promotion to the post of CEO/GM and Senior Management Positions.

FUTURE FOCUS

The Board Nomination Committee will commit to ensure standard appointments in corporate and executive management in line with the stranded direction for the Bank.

Mr. Sujeewa Rajapakse
Chairman of the Board Nomination Committee

22 March 2024

BOARD INVESTMENT BANKING COMMITTEE REPORT (BIBC)



Mr A M P M B Atapattu
*Chairman of the Board Investment
Banking Committee*

COMPOSITION

The committee comprises of at least two Directors of the Board, CEO/ General Manager, Head of Treasury, DGM (Risk Management) and any other officer on invitation.

Chairman

Mr A M P M B Atapattu

Other members

Ms Visakha Amarasekera – Director

Mr Isuru Balapatabendi – Director

Mr Clive Fonseka – CEO/General Manager

Ms Roshini Wijerathna – DGM (Risk Management) – as at 15.11.2023

Mr. Anura Perera – DGM (Risk Management) – w e f 16.11.2023

Ms. Shameela Loku Kaluge – DGM (Treasury, Investment Banking & Financial Institutions)

REGULAR ATTENDEES BY INVITATION

Any other officer of the Bank may attend the meetings on invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BIBC.

MEETINGS

Four (04) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BIBC meeting is three members including two Directors of the Board.

ROLE OF THE COMMITTEE

- Regular review of Investment Banking model of the Bank.
- Review of the operations of IBU.
- Name clearance of the potential clients.
- To obtain approval in the case of jointly managing issues.
- Approval for management fee/ brokerage sharing basis.
- Review of new investment and banking product inclusions and introduction.

FUTURE FOCUS

The Board Investment Banking Committee will focus to ensure effective investments for the Bank.



Mr. A M P M B Atapattu
*Chairman of the Board Investment Banking
Committee*

22 March 2024

Board Subcommittee Reports

BOARD INFORMATION TECHNOLOGY COMMITTEE REPORT (BITC)



Mr Dushan Soza
*Chairman of the Board Information
 Technology Committee*

COMPOSITION

The committee comprises of at least two Directors of the Board, Chief Information Officer, DGM (Channel Management). Members of the Committee are appointed by Board on recommendation of the Board Nomination Committee.

Chairman

Mr Dushan Soza

Other members

Mr Isuru Balapatabendi – Director

Mr. Udeni Samararatne - Director

Mr Dhammika Dasa - Chief Information Officer

Mr. T M W Chandrakumara - DGM (Channel Management)

REGULAR ATTENDEES BY INVITATION

Any other officer shall attend the meeting on invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BITC

MEETINGS

Five (5) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BITC meeting is three members including Chief Information Officer.

ROLE OF THE COMMITTEE

The Committee will be empowered to:

- Review the overall progress of IT
- Recommend the adequacy and allocation of IT resources in terms of funding, personnel and equipment.
- Make recommendations to the Board for initiatives taken by IT for Bank wide IT strategies, investments and projects.
- Make recommendations to the Board for IT policies and funding priorities which are initiated by IT.

FUTURE FOCUS

The Board Information Technology Committee will ensure that the IT services and operations will be aligned with Bank's strategies.

Mr. Dushan Soza
*Chairman of the Board Information Technology
 Committee*

22 March 2024

BOARD STRATEGIC PLANNING REVIEW COMMITTEE REPORT (BSPRC)



Mr Sujeewa Rajapakse
*Chairman of the Board Strategic
Planning Review Committee*

COMPOSITION

The committee comprises of Chairman, two Non-Executive Independent Directors and CEO/General Manager as at the end of the year.

Chairman

Mr Sujeewa Rajapakse

Other members

Mr Dushan Soza – Director

Ms Visakha Amarasekera – Director

Mr Clive Fonseka – CEO/ General Manager

REGULAR ATTENDEES BY INVITATION

DGM (Strategic Planning, Performance Management & Research) and any other officer of the Bank may be present at meetings by invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the BSPRC.

MEETINGS

Four (04) meetings were held during the financial year ended 31 December 2023.

QUORUM

The quorum for a BSPRC meeting is three (03) members.

ROLE OF THE COMMITTEE

- To review the key points highlighted and discussed at Strategic Planning monthly progress review meetings and to recommend corrective measures.
- To develop policies based on recommendations.
- To provide guidance and direction for Strategic Plan implementation process.

FUTURE FOCUS

The Board Strategic Planning Review Committee will focus to assist the Board in fulfilling its fiduciary responsibility in order to accomplish the Bank's vision.



Mr. Sujeewa Rajapakse

Chairman of the Board Strategic Planning Review Committee

22 March 2024

Directors' Statement on Internal Control Over Financial Reporting

RESPONSIBILITY

In line with the Banking Act Direction No. 11 of 2007, Section 3(8) (ii) (b), the Board of Directors presents this Report on Internal Control over Financial Reporting of the People's Bank ("The Bank").

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Bank. In considering such adequacy and effectiveness, the Board recognises 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 the light of foregoing, the system of internal controls can only provide reasonable assurance 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 control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and in accordance with the "Guidance for Directors of Banks on the Directors Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control 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 over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

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

KEY FEATURES OF THE PROCESS ADOPTED IN 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:

- Establishment of Board subcommittees to assist the Board in ensuring the effectiveness of the 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 Department 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. Internal audit assignments are carried out on all units and branches, the frequency of which is determined by the level of risk assessed using approved risk rating methodologies to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Department are submitted to the Board Audit Committee (BAC) for review at their periodic meetings.
- The BAC of the Bank reviews internal control issues identified by the Internal Audit Department, external auditors, 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 same. The minutes of the BAC meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Details of the activities undertaken by the BAC of the Bank are set out in the Board Audit Committee Report (refer page 196).

- In assessing the internal control over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department of the Bank continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will take place pertaining to impairment of loans and advances, credit card operations, management information system and financial statement disclosures related to risk management and related parties. The assessment was not included the subsidiaries of the Bank.
- The Board took necessary steps to implement requirements of the Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments) in 2018. The required models have been implemented and processes and controls have been designed. The Board will continuously strengthen the processes and controls over management information system and reports required for validation and compliance in line with SLFRS 9.

- The Internal Audit Department carried out data analysis on certain selected processes of the Bank using computer aided audit techniques/tools covering the entire branch network. All significant findings identified by the Internal Audit Department were submitted to the Board Audit Committee for review at their periodic meetings.
- The comments made by the External Auditors in connection with the internal control system during the financial year 2023 were taken into consideration and steps have been taken to incorporate them where appropriate. Further appropriate measures have been initiated to develop procedures to improve the controls documentation on identification of related party transactions in the ensuing year.

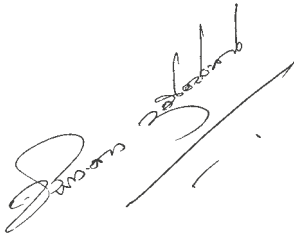
CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a 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 Central Bank of Sri Lanka.

For and on behalf of the Board,



Mr. Dushmantha Thotawatte
Chairman - Board Audit Committee



Ms. Visakha Amarasekera
Director

26 March 2024

Auditor General’s Assurance Report on Internal Controls



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08 April 2024

ASSURANCE REPORT OF THE AUDITOR GENERAL TO THE BOARD OF DIRECTORS ON THE DIRECTORS’ STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING OF PEOPLE’S BANK

Introduction

This report is to provide assurance on the Directors’ Statement on Internal Control over Financial Reporting included in the Director’s Statement on Internal Control (“Statement”) of People’s Bank (the “Bank”) 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. 11 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 Bank.

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 respects, the Statement on Internal Control. For 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 risk 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 judgement, 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.

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 over the financial reporting of the Bank.

W.P.C. Wickramaratne
Auditor General





PEOPLE'S FUTURES

People's Bank has always been a catalyst for positive transformation, holding true to its commitment of caring for people and spearheading a new era of prosperity for the nation.

FINANCIAL STATEMENTS

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| **218** Statement of Cash Flows | **219** Notes to the Financial Statements

Directors' Responsibilities For Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of the People's Bank is set out in the following statement to distinguish the responsibility of Directors and Auditors.

FINANCIAL STATEMENTS

The Board of Directors of the Bank has responsibility for ensuring that the Bank keeps proper books of accounts 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. Accordingly, the Board of Directors oversees the Managements' responsibilities for financial reporting through their regular meeting reviews and via the Board Audit Committee. The Board Audit Committee Report is given on page 196. Directors consider that they adopted appropriate accounting policies on a consistent basis and supported by reasonable and prudent judgement and estimates in preparing the Financial Statements for the year 2023 exhibited on pages 211 - 318.

GOING CONCERN

Directors have adopted the going concern basis in preparation of the Financial Statements with the view that the Bank has adequate resources to continue its business for a foreseeable future.

INTERNAL CONTROLS, RISK MANAGEMENT AND COMPLIANCE

The Board of Directors has instituted effective and comprehensive system of Internal Control. This comprises internal checks, internal audit and the whole system of financial and other controls required to carry on business of banking in an orderly manner, safeguard its assets and secure as far as practicable the accuracy and reliability of the records. Board of Directors has the responsibility for the oversight of risk, determining risk appetite levels, formulating risk policies and ensuring the effectiveness of the risk management processes and procedures in place. The BIRMC (Board Integrated Risk Management Committee) assists the Board in the discharge of its risk-related duties and provides independent oversight of all risk related aspects by ensuring the adequacy

and effectiveness of the implementation of risk governance structures, policy frameworks, standards and processes. BIRMC Report is given on page 198. The Board of Directors ensure the compliance with prudential requirements, regulations, laws and internal controls, and measures have been taken to rectify any material non-compliances.

AUDIT REPORT

Auditor General is the Auditor of the Bank in pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and issues the final opinion on the Financial Statements of the Bank, assurance on the Directors' Statement on Internal Controls over Financial Reporting which are published on pages 209 - 210 and 206 respectively. He also certifies the level of compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

COMPLIANCE

The Bank's Financial Statements for the year ended 31 December 2023 prepared and presented in this Report are in conformity with the requirements of Sri Lanka Accounting Standards and the Banking Act No. 30 of 1988, the amendments thereto. The Financial Statements reflect a true and fair view of the state of affairs of the Bank and as at that date as per the External Auditors' Report. Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this statement.



Shyama Wijekoon
Secretary to the Board

22 March 2024



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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Date }

27 March 2024

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS AND OTHER LEGAL AND REGULATORY REQUIREMENTS OF THE PEOPLE'S BANK AND ITS SUBSIDIARIES 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 People's Bank (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 report to Parliament in Pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course. 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 gives a true and fair view of the financial position of the Bank and the Group as at 31 December 2023 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 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 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 determines 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 Group's financial reporting process.

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



Auditor General’s Report on Financial Statements

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 internal control of the Bank and the Group.
- 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.

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 includes specific provisions for following requirements.

- 2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 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.

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

2.2 Based on the procedures performed and evidence obtained 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;
- 2.2.1 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

Income Statement

For the year ended 31 December	Notes	Bank			Group		
		2023 LKR '000	2022 LKR '000	Change %	2023 LKR '000	2022 LKR '000	Change %
Gross Income	6	422,242,143	357,228,609	18.2%	454,512,039	391,204,198	16.2%
Interest Income		394,794,898	321,935,983	22.6%	424,517,915	351,386,736	20.8%
Interest Expenses		(340,473,452)	(246,177,918)	38.3%	(356,735,043)	(260,351,661)	37.0%
Net Interest Income	7	54,321,446	75,758,065	-28.3%	67,782,872	91,035,075	-25.5%
Fee and Commission Income		13,806,168	16,397,745	-15.8%	14,822,549	17,213,747	-13.9%
Fee and Commission Expense		(964,366)	(828,675)	16.4%	(964,366)	(828,675)	16.4%
Net Fee and Commission Income	8	12,841,802	15,569,070	-17.5%	13,858,183	16,385,072	-15.4%
Net Gain/(Loss) from Trading	9	9,430,542	17,026,226	-44.6%	9,543,338	17,019,836	-43.9%
Other Operating Income (Net)	10	4,210,535	1,868,655	125.3%	5,628,237	5,583,879	0.8%
Total Operating Income		80,804,325	110,222,016	-26.7%	96,812,630	130,023,862	-25.5%
Impairment Charge	11	(7,437,572)	(33,346,451)	-77.7%	(6,075,564)	(34,352,837)	-82.3%
Net Operating Income		73,366,753	76,875,565	-4.6%	90,737,066	95,671,025	-5.2%
Personnel Expenses	12	(24,493,737)	(26,602,748)	-7.9%	(30,216,333)	(32,200,568)	-6.2%
Other Expenses	13	(26,209,488)	(20,738,787)	26.4%	(32,006,574)	(26,787,783)	19.5%
Operating Profit Before Taxes on Financial Services		22,663,528	29,534,030	-23.3%	28,514,159	36,682,674	-22.3%
Taxes on Financial Services		(7,318,088)	(8,195,633)	-10.7%	(9,243,859)	(9,992,022)	-7.5%
Profit Before Tax		15,345,440	21,338,397	-28.1%	19,270,300	26,690,652	-27.8%
Income Tax Expenses	14	(5,262,634)	(4,146,339)	26.9%	(7,884,639)	(6,165,213)	27.9%
Profit for the Year		10,082,806	17,192,058	-41.4%	11,385,661	20,525,439	-44.5%
Profit Attributable to :							
Equity Holders of the Bank		10,082,806	17,192,058	-41.4%	10,513,288	19,571,989	-46.3%
Non-Controlling Interests		-	-		872,373	953,450	-8.5%
		10,082,806	17,192,058	-41.4%	11,385,661	20,525,439	-44.5%
Earnings Per Share on Profit	15						
Basic Earnings per Ordinary Share LKR '000	15.1	10,083	17,192	-41.4%	10,513	19,572	-46.3%
Diluted Earnings per Ordinary Share LKR '000	15.2	41	70	-41.4%	43	80	-46.3%

The Notes appearing on pages 219 to 318 form an integral part of these Financial Statements.

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Profit for the Year	10,082,806	17,192,058	11,385,661	20,525,439
Other Comprehensive Income / (Expense)				
Other comprehensive income that will not be reclassified to the income statement				
Net Gains/(Losses) on equity instruments at fair value through OCI	23,236,7	52,869	278,570	(121,202)
Net Actuarial Gains / (Losses) on Defined Benefit Plans	1,447,423	(3,304,393)	1,441,157	(3,177,074)
Deferred Tax Effect on Gains / (Losses) on Defined Benefit Plans	(434,227)	991,318	(433,438)	953,496
Gains on Revaluation of Land and Buildings	4,817,014	3,507,183	5,472,322	4,379,820
Deferred tax effect on revaluation of Land and Buildings	(1,445,104)	(1,052,155)	(1,641,696)	(1,313,946)
Deferred Tax Effect on change in income tax rate on the opening balance	-	(2,056,688)	-	(2,056,688)
	4,617,473	(1,861,866)	5,116,915	(1,335,594)
Other comprehensive income that will be reclassified to the income statement				
Net Gains/(Losses) [including change in ECL] on debt instruments at fair value through OCI	82,477	(12,354)	425,862	(299,989)
Deferred tax effect on above	-	-	(129,211)	137,822
Net Gains/(Losses) on translating the financial statements of foreign operation	-	-	(695,964)	1,458,432
	82,477	(12,354)	(399,313)	1,296,265
Other Comprehensive Income for the year, Net of Taxes	4,699,950	(1,874,220)	4,717,602	(39,329)
Total Comprehensive Income for the year	14,782,756	15,317,838	16,103,263	20,486,110
Attributable to:				
Equity Holders of the Bank	14,782,756	15,317,838	15,476,470	18,561,941
Non-Controlling Interests	-	-	626,793	1,924,169
	14,782,756	15,317,838	16,103,263	20,486,110

The Notes appearing on pages 219 to 318 form an integral part of these Financial Statements.

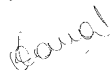
Statement of Financial Position

As at 31 December	Notes	Bank			Group		
		2023 LKR '000	2022 LKR '000	Change %	2023 LKR '000	2022 LKR '000	Change %
Assets							
Cash and Cash Equivalents	17	61,889,582	66,842,171	-7.4%	63,307,106	68,077,027	-7.0%
Balances with Central Bank of Sri Lanka	18	31,003,219	67,602,313	-54.1%	31,003,219	67,602,313	-54.1%
Placements with Banks	19	66,227,025	-	-	76,872,574	3,028,550	2438.3%
Derivative Financial Instruments	20	11,259,451	14,882,584	-24.3%	11,259,451	14,882,584	-24.3%
Financial Assets - At Fair Value through Profit or Loss	21	144,184,748	5,556,754	2494.8%	145,622,457	5,915,926	2361.5%
Financial Assets - At Amortised Cost							
Loans and advances to Banks	22	54,022,123	7,689,150	602.6%	54,422,338	7,689,150	607.8%
Loans and advances to Other Customers	23	1,709,457,735	1,783,106,693	-4.1%	1,823,770,212	1,915,771,684	-4.8%
Debt instruments measured at amortised cost	24	831,747,923	913,099,927	-8.9%	866,704,970	928,885,518	-6.7%
Financial Assets - At Fair Value through Other Comprehensive Income [OCI]							
Equity instruments at fair value through OCI	25	1,894,023	1,661,656	14.0%	2,123,143	1,844,574	15.1%
Debt instruments at fair value through OCI	26	8,286,626	10,378,370	-20.2%	9,686,213	11,428,832	-15.2%
Investments in Subsidiaries	27	4,280,522	4,280,522	-	-	-	-
Property, Plant & Equipment and Right of Use assets	28	56,174,042	49,330,080	13.9%	67,280,968	59,780,131	12.5%
Intangible Assets and Goodwill	29	1,763,287	1,719,177	2.6%	1,930,788	1,859,475	3.8%
Other Assets	30	56,004,712	45,879,055	22.1%	54,216,717	46,368,814	16.9%
Total Assets		3,038,195,018	2,972,028,452	2.2%	3,208,200,156	3,133,134,578	2.4%
Liabilities							
Due to Banks	31	77,224,139	111,452,491	-30.7%	85,646,267	122,696,978	-30.2%
Derivative Financial Instruments	20	36,049	1,888,478	-98.1%	36,049	1,888,478	-98.1%
Due to Other Customers	32	2,653,105,546	2,371,518,898	11.9%	2,745,161,610	2,450,079,037	12.0%
Other Borrowings	33	64,278,443	191,527,573	-66.4%	64,223,443	191,527,573	-66.5%
Current Tax Liabilities		1,184,853	6,372,157	-81.4%	2,382,870	8,297,080	-71.3%
Net Deferred Tax Liabilities	34	5,029,929	606,207	729.7%	6,081,598	570,529	966.0%
Other Liabilities	35	30,280,189	106,765,050	-71.6%	41,877,447	115,961,714	-63.9%
Subordinated Term Debts	36	46,997,291	36,603,467	28.4%	57,806,483	52,781,563	9.5%
Total Liabilities		2,878,136,439	2,826,734,321	1.8%	3,003,215,767	2,943,802,952	2.0%
Equity							
Stated Capital/Assigned Capital	37	12,201,998	12,201,998	0.0%	12,201,998	12,201,998	0.0%
Statutory Reserve Fund	38	10,574,271	10,070,131	5.0%	10,574,271	10,070,131	5.0%
Other Reserves	39	42,084,584	38,397,830	9.6%	45,407,554	41,452,506	9.5%
Retained Earnings	40	95,197,726	84,624,172	12.5%	122,276,138	111,194,555	10.0%
Total Shareholders' Equity		160,058,579	145,294,131	10.2%	190,459,961	174,919,190	8.9%
Non-Controlling Interests		-	-	-	14,524,428	14,412,436	0.8%
Total Equity		160,058,579	145,294,131	10.2%	204,984,389	189,331,626	8.3%
Total Equity and Liabilities		3,038,195,018	2,972,028,452	2.2%	3,208,200,156	3,133,134,578	2.4%
Contingent Liabilities and Commitments	41	221,405,708	370,648,773	-40.3%	228,813,708	375,288,336	-39.0%

The Notes to the Financial Statements forms an integral part to these Financial Statements.

Certification

These Financial Statements give a true and fair view of the state of affairs of the bank and its subsidiaries as at December 31, 2023 and the profit for the year then ended.


Azzam. A. Ahamat
 Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf:


Sujeewa Rajapakse
 Chairman


Dushmantha Thotawatte
 Director


Clive Fonseka
 Chief Executive Officer / General Manager

March 25, 2024
 Colombo

Statement of Changes in Equity - Bank

Bank	Stated Capital/Assigned Capital	
	Ordinary Shares	Assigned Capital
	LKR '000	LKR '000
Balance as at 1st January 2022	49,998	12,152,000
Total Comprehensive Income for the year		
Profit for the year	-	-
Other comprehensive income/(Expense) [Net of Taxes]		
Total Comprehensive Income/(Expense)	-	-
Transactions with equity holders, recognised directly in equity		
Transfer to Reserve during the Year	-	-
Special levy to Treasury/ Dividend	-	-
Total Transactions with Equity Holders	-	-
Balance as at 31st December 2022	49,998	12,152,000
Balance as at 1st January 2023	49,998	12,152,000
Total Comprehensive Income for the year		
Profit for the year	-	-
Other comprehensive income/(Expense) [Net of Taxes]		
Total Comprehensive Income/(Expense)	-	-
Transactions with Equity Holders, Recognised Directly in Equity		
Transfer to Reserve during the year	-	-
Special levy to Treasury/ Dividend	-	-
Total Transactions with Equity Holders	-	-
Balance as at 31 December 2023	49,998	12,152,000

Stated Capital/Assigned Capital					
Statutory Reserve Fund	Revaluation Reserve	Other Reserves	Financial assets at FVOC Reserve	Retained Earnings	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
9,210,528	21,540,300	14,141,373	220,614	73,322,570	130,637,383
-	-	-	-	17,192,058	17,192,058
-	2,455,028	-	40,515	(4,369,763)	(1,874,220)
-	2,455,028	-	40,515	12,822,295	15,317,838
859,603	-	-	-	(859,603)	-
-	-	-	-	(661,090)	(661,090)
859,603	-	-	-	(1,520,693)	(661,090)
10,070,131	23,995,328	14,141,373	261,129	84,624,172	145,294,131
10,070,131	23,995,328	14,141,373	261,129	84,624,172	145,294,131
-	-	-	-	10,082,806	10,082,806
-	3,371,910	-	314,844	1,013,196	4,699,950
-	3,371,910	-	314,844	11,096,002	14,782,756
504,140	-	-	-	(504,140)	-
-	-	-	-	(18,308)	(18,308)
504,140	-	-	-	(522,448)	(18,308)
10,574,271	27,367,238	14,141,373	575,973	95,197,726	160,058,579

Statement of Changes in Equity - Group

Group	Stated Capital/Assigned Capital	
	Ordinary Shares	Assigned Capital
	LKR '000	LKR '000
Balance as at 1st January 2022	49,998	12,152,000
Total Comprehensive Income for the year		
Profit for the year	-	-
Other comprehensive income/(Expense) [Net of Taxes]		
Total Comprehensive Income/(Expense)	-	-
Transactions with Equity Holders, Recognised Directly in Equity		
Transfer to Reserve during the period	-	-
Special levy to Treasury/ Dividend	-	-
Dividends Paid	-	-
Total Transactions with Equity Holders	-	-
Balance as at 31st December 2022	49,998	12,152,000
Adjustment for Surcharge Tax levied under Surcharge Tax Act No.14 of 2022		
Balance as at 1st January 2023	49,998	12,152,000
Total Comprehensive Income for the year		
Profit for the year	-	-
Other comprehensive income/(Expense) [Net of Taxes]		
Total Comprehensive Income/(Expense)	-	-
Transactions with Equity Holders, Recognised Directly in Equity		
Transfer to Reserve during the year	-	-
Special levy to Treasury/ Dividend	-	-
Dividends Paid	-	-
Total Transactions with Equity Holders	-	-
Balance as at 31 December 2023	49,998	12,152,000

Stated Capital/Assigned Capital					Retained Earnings	Total	Non Controlling Interest	Total Equity
Statutory Reserve Fund	Revaluation Reserve	Other Reserves	Financial assets at FVOCI Reserve					
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000				
9,210,528	23,464,860	14,540,498	154,723	97,445,732	157,018,339	12,687,071	169,705,410	
-	-	-	-	19,571,989	19,571,989	953,450	20,525,439	
	2,929,733	565,090	(202,398)	(4,302,473)	(1,010,048)	970,719	(39,329)	
-	2,929,733	565,090	(202,398)	15,269,516	18,561,941	1,924,169	20,486,110	
859,603	-	-	-	(859,603)	-	-	-	
-	-	-	-	(661,090)	(661,090)	-	(661,090)	
-	-	-	-	-	-	(198,804)	(198,804)	
859,603	-	-	-	(1,520,693)	(661,090)	(198,804)	(859,894)	
10,070,131	26,394,593	15,105,588	(47,675)	111,194,555	174,919,190	14,412,436	189,331,626	
				82,610	82,610	(82,610)	-	
10,070,131	26,394,593	15,105,588	(47,675)	111,277,165	175,001,800	14,329,826	189,331,626	
-	-	-	-	10,513,288	10,513,288	872,373	11,385,661	
	3,715,947	(271,026)	510,127	1,008,134	4,963,182	(245,580)	4,717,602	
-	3,715,947	(271,026)	510,127	11,521,422	15,476,470	626,793	16,103,263	
504,140	-	-	-	(504,140)	-	-	-	
-	-	-	-	(18,308)	(18,308)	-	(18,308)	
-	-	-	-	-	-	(432,191)	(432,191)	
504,140	-	-	-	(522,448)	(18,308)	(432,191)	(450,499)	
10,574,271	30,110,540	14,834,562	462,452	122,276,138	190,459,961	14,524,428	204,984,389	

Statement of Cash Flows

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cash flows from operating activities				
Profit before tax	15,345,440	21,338,397	19,270,300	26,690,652
Adjustment for				
Non-cash items included in profits before tax	15,633,544	26,915,055	16,105,045	29,402,338
Changes in operating assets	(154,797,956)	(5,472,100)	(142,957,207)	19,946,214
Changes in operating liabilities	42,791,955	324,168,512	55,060,162	300,749,937
Dividend income from subsidiaries and others	(2,344,049)	(908,626)	(208,744)	(207,360)
Interest expense on subordinated debt	4,520,329	5,503,630	5,602,097	7,060,585
Contributions to defined benefit plans/ gratuity	1,642,475	2,742,148	1,816,992	2,844,351
Tax paid	(7,905,547)	(13,865,366)	(10,492,125)	(19,216,590)
Net Cash Generated from Operating Activities	(85,113,809)	360,421,650	(55,803,480)	367,270,127
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(3,451,107)	(1,974,640)	(4,054,877)	(2,526,931)
Proceeds from the sale of property, plant and equipment	329,216	174,560	421,071	237,350
Purchase of financial investments	78,187,817	(329,002,099)	59,016,361	(332,028,247)
Net purchase of intangible assets	(681,025)	(293,921)	(725,467)	(305,693)
Dividends received from investment in subsidiaries and Others	2,344,049	908,626	208,744	207,360
Net Cash (used in) from Investing Activities	76,728,950	(330,187,474)	54,865,832	(334,416,161)
Cash Flows from Financing Activities				
Proceed received from subordinated debt	10,000,000	-	10,000,000	-
Repayment of subordinated debt	-	(12,500,000)	(5,295,400)	(12,500,000)
Interest paid on subordinated debt	(4,126,505)	(5,261,843)	(5,281,777)	(7,339,487)
Repayment of Lease Liabilities	(2,422,917)	(2,507,423)	(2,804,597)	(2,914,389)
Dividend paid to non-controlling interest	-	-	(432,191)	(198,804)
Dividend/Levy paid to holders of other equity instruments	(18,308)	(661,090)	(18,308)	(661,090)
Net Cash from Financial Activities	3,432,270	(20,930,356)	(3,832,272)	(23,613,770)
Net Increase/(Decrease) in Cash & Cash Equivalents	(4,952,589)	9,303,820	(4,769,921)	9,240,196
Cash and cash equivalents at the beginning of the Year	66,842,171	57,538,351	68,077,027	58,836,831
Cash and cash equivalents at the end of the Year	61,889,582	66,842,171	63,307,106	68,077,027

1. REPORTING ENTITY

1.1 Corporate Information

People's Bank ("The Bank") is a government-owned Bank, established under People's Bank Act No.29 of 1961 on 1 July 1961 and is domiciled in Sri Lanka. The registered office of the bank is at No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02. The Consolidated Financial Statements of the Bank for the year ended 31 December 2023, comprise the Bank and its Subsidiaries (together referred to as the "Group")

Peoples Bank is the ultimate parent of the group.

1.2 Principal Activities GRI 2-6

Bank

The Bank's business comprises accepting deposits, granting credit facilities, personal banking, development banking, pawn brokering, international trade, dealing in Government Securities, credit card operations, Investment Banking, and Off Shore Banking Unit for foreign currency banking, inter alia.

Subsidiaries

The principal activities of the Bank's Subsidiaries are as follows;

Name of Company	Principal Activities
People's Leasing and Finance PLC	The principal business activities are providing finance leases, hire-purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans, and mobilization of public deposits.
People's Travels (Private) Limited	Arrangement of tours and air ticketing (travel agent)

Sub Subsidiaries

The principal activities of the Bank's Sub Subsidiaries are as follows;

Name of Company	Principal Activities
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicle repairing
People's Leasing Property Development Limited	Carrying out mixed development projects and property development activities
People's Insurance PLC	Carrying out general insurance business
People's Micro-Commerce Limited	Providing non-bank financial services to low-income earners and micro enterprises.
People's Leasing Havelock Properties Limited	Construct and operate an office complex.
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and to provide loans

2. BASIS OF ACCOUNTING

2.1. Statement of compliance

The consolidated financial statements of the group and the separate financial statements of the bank have been prepared in accordance with Sri Lanka Accounting Standards (LKAS and SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these financial statements are in compliance with the requirements of the People's Bank Act No.29 of 1961. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988.

2.2 Director's Responsibility for Financial Statements

The Board of Directors is responsible for the Consolidated and Separate Financial Statements in compliance with the requirements of the People's Bank Act No.29 of 1961, Banking Act No. 30 of 1988 and its amendments and Sri Lanka Accounting Standards (LKAS and SLFRS). These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com.

These Financial Statements include the following components.

Income Statement and Statement of Profit or Loss and Other Comprehensive Income	Providing information on the financial performance of the Bank & WWW the group for the year under review
Statement of Financial Position	Providing the information on the financial position of the Bank & the group as at the year-end
Statement of Changes in Equity	Depicting all changes in shareholders' equity during the year under review.
Statement of Cash Flows	Providing the information to the users, on the ability of the Bank & group to generate cash and cash equivalents and the utilization of those cash flows
Notes to the Financial Statements	Comprising significant accounting policies and other explanatory information

2.3 Approval of Financial Statements

The Consolidated and separate Financial Statements for the year ended 31 December 2023, were authorized for issue on March 25, 2024, by the Board of Directors.

3. BASIS OF MEASUREMENT

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following items in the statement of financial position,

Notes to the Financial Statements

Item	Basis of measurement	Note
Derivative financial instruments	At Fair Value	20
Financial instruments measured at fair value through profit or loss	At Fair Value	21
Financial instruments measured at fair value through OCI	At Fair Value	25 & 26
Land & Buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	28
Defined benefit obligations	Actuarially valued and recognized as the present value of the defined benefit obligation less the net total fair value of the plan assets	35

3.1. Functional and Presentation Currency

The Consolidated and separate Financial Statements are presented in Sri Lanka Rupees, which is the Bank's functional currency. The financial information presented in Sri Lanka Rupees has been rounded to the nearest thousand unless indicated otherwise.

3.2. Materiality and Aggregation

As per Sri Lanka Accounting Standards – LKAS 01 - Presentation of Financial Statements, each material class of a similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

3.3. Cash Flow Statement

The Cash Flow Statement has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS 7) "Statement of Cash Flows". Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks, and money at call and short notice.

3.4. Comparative Information

The comparative information is reclassified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgment and estimates and assumptions in determining the amounts recognized in the Financial Statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about judgments, assumptions and estimates made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated and Separate Financial Statements are set out below.

4.1. Going concern

The Directors have made an assessment of the group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

4.2. Defined Benefit Obligations

The value of the defined benefit obligations are determined using the actuarial valuation technique. The actuarial valuation involves making assumptions on discount rates, expected rates of return on assets, future salary increases, and mortality rates. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Notes 35.1.5 & 35.2.5 for the assumptions used.

4.3. Fair value of property, plant, and equipment

The freehold land & buildings and the buildings on leasehold land of the Group are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The group engaged independent valuation specialists to determine the fair value of such properties. When current market prices of similar assets are available, such evidences are considered in estimating the fair value of these assets.

4.4. Useful lifetime of property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment 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.

The Group is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

4.5. Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 41.

4.6. Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Group has exercised its judgment consistently to recognize a property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative

purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Group assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties

4.7. Critical accounting assumptions and estimates

Assumptions made at each reporting date are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accounting policies which are most sensitive to the use of judgment, estimates, and assumptions are specified below.

(i) Fair value measurement

A significant portion of financial instruments are carried at fair value as of the financial reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Bank has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Bank uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognizes the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

(ii) Impairment charges on loans and advances

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Bank makes judgments mainly about the borrower's financial situation and the net realizable value of the collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality/levels of arrears, credit utilization, etc.), and concentrations of risk and economic data (including levels of unemployment, Inflation, GDP Growth Rate etc.).

5. SIGNIFICANT ACCOUNTING POLICIES

Group has consistently applied the accounting policies as set out from Note 5.1 to Note 5.23 to all periods presented in these consolidated and separate financial statements.

5.1. Basis of consolidation

The Financial Statements of the Bank and Group comprise the Financial Statements of the Bank and its Subsidiaries for the year ended 31 December 2023. The Financial Statements of the Bank's Subsidiaries for the purpose of consolidation are prepared for the same reporting year as that of People's Bank, using consistent accounting policies.

5.1.1. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in Income Statement immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in Income Statement

5.1.2. Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

5.1.3. Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

5.1.4. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in Income statement. Any interest retained in the former subsidiary, is measured at fair value when control is lost.

Notes to the Financial Statements

5.1.5. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

5.2. Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.3. Financial instruments – Initial recognition

5.3.1. Date of recognition

A financial asset or financial liability is recognised in the Statement of Financial position when the Bank becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and advances are recognised when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs

Non-regular purchases of financial assets and liabilities are recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.

A regular purchase is a purchase of a financial asset under a contract whose terms require delivery of the assets within the timeframe established generally by a regulation or convention in the market place concerned.

5.3.2. 'Day 1' difference for Staff Loans

All staff loans are granted at below market interest rates and were recognized at fair value. The difference between the fair value and the amount disbursed were treated as day one difference and amortized as staff cost in the income statement over the loan period by using the effective interest rate. This amount is shown as interest income as well. Hence the net effect on the income statement is zero.

5.4. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 5.4.1 and 5.4.2 below. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

5.4.1. Business model assessment

The Group's Business model is determined at a level that reflects how groups of Financial assets are managed together to achieve a particular business objective. The group's business model does not depend on

management's intention for an individual instruments. Accordingly the Group's Business model is not an instrument-by-instrument approach to classification, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of a business model and the financial assets held within that business model are evaluated and reported to the group's key management personnel;
- The risk that affect the performance of the business model and the financial assets held within the business model and, in particular, the way in which those risks are managed;
- How managers of the business are compensated whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows are realized in a way that is different from the group's original expectations, that neither give a rise to a prior period error nor change the classification of the remaining financial assets held in that business model. However when the group assesses the business model for newly originated or newly purchased financial assets, it considers information about how cash flows were realized in the past, along with all other relevant information.

5.4.2. Contractual Cash flow assessment – Solely payments of principal and interest [SPPI Test]

The Group assesses contractual cash flows of the basic lending arrangement to identify whether they meet SPPI test. That is whether they are solely payments of principal and interest on the principal amount outstanding.

For this purpose "Principal" is defined as the fair value of the financial asset at initial recognition. However that principal amount may change over the life of the financial asset.

For this purpose "Interest" consist of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin. Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

5.5. Measurement categories of financial assets and liabilities

All financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics measured at either,

- Amortised Cost [Note 5.5.1]
- Fair Value through Other comprehensive income [Note 5.5.2]
- Fair value through profit or loss [Note 5.5.3]

5.5.1. Financial Instruments measured at amortized cost Debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note 5.6 Impairment of financial assets.

Loans and advances to banks, Loans and advances to other customers

The group measures Loans and advances to banks & Loans and advances to other customers including leases and hire purchase contracts at amortised cost, since both of the following conditions are met:

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

5.5.2. Financial assets measured at fair value through other comprehensive income

Debt instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 5.6 Impairment of financial assets.

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognized by the Bank in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss.

5.5.3. Financial Assets at fair value through profit or loss

Items at fair value through profit or loss comprise:

- Items held for trading;
- Items specifically designated as fair value through profit or loss on initial recognition; and
- Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

(a) Financial instruments held for trading

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognised at fair value.

(b) Financial instruments designated as measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or
- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Bank's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

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5.5.4. Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognized in the Statement of financial position at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is re-measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

5.5.5. Reclassification of financial assets and liabilities

With the adoption of SLFRS 9, the Bank reclassifies its financial assets subsequent to the initial recognition when and only when the business model for managing such financial assets are changed. Such reclassification is applied prospectively from the reclassification date. Financial liabilities are never reclassified.

5.6. Impairment of financial assets

The Bank/Group applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

Bank determines 12-month ECL from customers whom are not significantly credit deteriorated (i.e., less than 30 days past due)

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset is recognized.

In consistent with the policies of the bank, significant deterioration is measured through the rebuttable presumption of 30 days past due other than the credit facilities categorized under Stage 3, in line with the requirements of the standard.

Bank also considered all restructured loans, which are restructured up to two times, other than credit facilities/exposures upgraded credit facilities from a higher stage to a lower stage considered under stage 2 as per the guidance issued by the Central Bank.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

Bank determines credit facilities where contractual payments of a customer are more than 90 days past due which are subject to the rebuttable presumption as stated in SLFRS 9 together with all NPL classifications as per Central Bank classification, All restructured loans which are restructured more than twice and all rescheduled loans other than credit facilities/exposures upgraded credit facilities from a higher stage to a lower stage and all credit facilities/customers classified as non-performing as per CBSL Directions under stage 3.

Purchased or Originated credit impaired (POCI) Financial Assets: Financial Assets which are credit impaired on initial recognition are categorized within stage 3. The group does not have POCI loans as at the reporting date.

5.6.1. Determining the stage for impairment

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Bank's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for expected credit losses for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

The Bank assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry and other relevant factors.

5.6.2. Write-off of Financial Assets

Loans and debt securities are written off annually (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off provided that the particular facility transfer to the nonperforming category before 2 years (i.e., 2 years prior to the written-off considering the year that bank normally consider the 30th

June of every year) and no payments received during the said 2-year period. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

5.6.3. Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

ECLs are recognised using a provision for doubtful debts account in profit and loss. In the case of debt instruments measured at fair value through other comprehensive income, the measurement of ECLs is based on the three-stage approach as applied to financial assets at amortized cost. The Bank recognizes the provision charge in profit and loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount of the asset in the Statement of financial position.

5.7. De-recognition of financial assets and financial liabilities

5.7.1. Financial assets

The Bank derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

5.7.2. Financial Liabilities

A financial liability is derecognized from the statement of financial position when the Bank has discharged its obligation or the contract is cancelled or expires.

5.7.3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the Statement of financial position when the Bank has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.8. Leases

5.8.1. Finance Lease Income

Assets leased to customers to whom the group transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the statement of Financial Position after the deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

5.8.2. SLFRS 16 – Leases

SLFRS 16 [Leases] sets out the principles for the recognition, measurement, presentation, and disclosure of leases.

The Group recognizes the right of use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Groups' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments

Additionally, the Bank/Group applied the following practical expedients permitted by SLFRS 16 to leases previously classified as operating leases under LKAS 17

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Excluded the initial direct costs from the measurement of the Right of Use assets at the date of initial application.

The Group presents right of use assets under note 28 to these financial statements while the corresponding lease liability is presented in Note 35, 'Other Liabilities'

5.9. Cash and cash equivalents

Cash and short-term funds include cash in hand, balances with banks, placements with banks, and money at call and at short notice. Details of the cash and short-term funds are given in Note 17 to the Financial Statements.

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5.10. Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

5.11. Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

5.11.1. Basis of Recognition

Investment property is recognized if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

5.11.2. Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40) "Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

5.12. Intangible assets and goodwill

5.12.1. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired Subsidiary at the date of acquisition. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstance indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

5.12.2. Software

Software acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortized over its useful life. The internally developed software is stated at capitalized cost less accumulated amortization and any impairment.

Subsequent expenditure on software 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.

5.12.3. Amortization

Software is amortized on a straight-line basis in income statement over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.13. Impairment of non-financial assets

5.13.1. Basis of Recognition

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. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

5.13.2. Measurement

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's CGUs or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with SLFRS 8 'Operating Segments'.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

5.14. Pension benefits GRI 201-3

5.14.1. Defined benefit pension plans.

5.14.1.1 Pre - 1996 – Pension Trust Fund

The Bank operates a defined benefit pension plan, for the permanent staff members who have joined the Bank prior to 1st January 1996, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit Credit method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The latest actuarial valuation was carried out as of 31st December 2023, by Mr. Piyal S. Gunatilleke F.S.A (USA), Member of the American Academy of Actuaries and Consulting Actuary.

The Bank provides a pension to retiring staff on the following basis: Staff are eligible to draw a pension after 10 years of service and after reaching normal age of retirement of 55 years. The quantum of pension paid is dependent on the length of service as follows:

Length of Service	Quantum of Pension
i. 10 to 20 years	80% of last drawn gross salary
ii. 21 to 29 years	80% plus 1% for each additional year in excess of 20 years of last drawn gross salary.
iii. 30 years and above	90% of last drawn gross salary`

The Financial Statements of the Pension Trust Fund are maintained separately and are subject to annual audit by Independent External Auditors. The Financial Statements as well as the Auditors Report are tabled and reviewed by the Board of Trustees. These Financial Statements and Auditor's Report are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at required levels. Pension is payable monthly as long as the participant is alive.

5.14.1.2 Post - 1996 - Pension Fund

As approved by the Ministry of Finance the Bank has almost finalized a new pension fund for permanent employees who joined the Bank post 1st January 1996. Since the bank has concluded this as a define benefit plan, the surplus/deficit has been recorded as per LKAS 19.

The latest actuarial valuation was carried out as of 31st December 2023, by Mr. Piyal S. Gunatilleke F.S.A (USA), Member of the American Academy of Actuaries and Consulting Actuaries.

5.14.1.3. Gratuity

Employees who joined the Bank on or after 1st January 1996 will be eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, or if opted can join the proposed new post 1996 pension fund and if so such employees will forfeit their right to gratuity.

Other employees whose services are terminated other than by retirement are eligible to receive terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of one-half of Gross Salary applicable to the last month of the financial year in which employment is terminated, for each year of continuous service, for those who have served in excess of 5 years.

If a participant who has completed 5 years of services becomes totally and permanently disabled, he is eligible for disability gratuity. Further, if an active participant with a minimum of 5 years of service, dies while in service, a gratuity benefit will be paid to his heirs.

The Bank makes a monthly provision towards such Gratuity Payment Liabilities and this value is reflected in the Statement of Financial Position of the Bank, the Bank made a provision based on the actuarial Valuation. However, as per Sri Lanka Accounting Standards the Bank has provided for gratuity liability based on an Actuary Valuation

The Subsidiary and Associate Companies of the Bank provide for gratuity under the Payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed one year of service with the companies. These liabilities are not externally funded.

5.14.2. Defined contribution plans

The Bank also operates a defined contribution plan. 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.

The Bank contributes to the following Schemes:

5.14.2.1. Employees' Provident Fund

The Bank and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund. The Bank's Provident Fund is an approved fund under the Employees' Provident Fund Act and is maintained internally.

5.14.2.2. Employees' Trust Fund

The Bank contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

5.15. Widow'/Widowers' and Orphans Pension Plan (Pre 1996 / Post 1996)

A separate fund is maintained in order to meet future obligations under the scheme, based on the advice of a qualified actuary. Further this fund is solely funded through the contributions of participants/employees.

5.16. Provision

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

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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 income statement net of any reimbursement.

5.17. Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Bank's share of any contingencies and capital commitments of a Subsidiary or Associate for which the Bank is also liable severally or otherwise are also included with appropriate disclosures.

5.17.1. Basis of Recognition

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial under commitments at facility value,

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

5.17.2. Measurement

Any increase in the commitment relating to financial guarantees is recorded in the Statement of Financial Position. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

5.18. Taxes

5.18.1. Current Taxation

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 as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted by the Statement of financial position date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 at the rates specified in Note 14 to the Financial Statements.

5.18.2. Deferred Taxation

Deferred tax is provided using the liability method on temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

5.18.2.1. Deferred tax Liability.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in Subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

5.18.2.2. Deferred tax Assets.

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor the taxable profit or losses; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each Statement of financial position date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax asset are reassessed at each Statement of financial position date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the Statement of financial position date.

5.18.3. Value Added Tax on Financial Services (FSVAT)

Bank's total value addition was subjected to a 18% Value Added Tax as per section 25A of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

5.18.4. Value Added Tax (VAT)

Value Added Tax is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. VAT is payable at the rate of 15%.

5.18.5. Withholding Tax on Dividends (WHT)

Dividend distributed out of taxable profit of the local Subsidiaries attracts a 15% deduction at source and is final tax liability for of the Bank.

5.18.6. Crop Insurance Levy (CIL)

As per the provision of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy (CIL) was introduced with effect from 1st April 2013. Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund.

5.18.7. Social Security Contribution Levy (SSCL)

Under the Social Security Contribution Levy Act (SSCL) No. 25 of 2022, a social security tax of 2.5 per cent has been imposed on those who annual taxable turnover exceeds LKR '120 Mn.

5.19. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The specific recognition criteria for each type of income are given in note No. 6 to 10.

5.19.1. Income from Government Securities and Securities Purchased under Resale Agreements

Discounts/ premium on treasury bills & treasury bonds are amortized over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognized on an accrual basis. The interest income on securities purchased under resale agreements is recognized in the Income Statement on Effective Interest rate [EIR] over the period of the agreement.

5.19.2. Rental Income

Rental income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Income Statement in 'other operating income.

5.20. Segmental reporting

The Bank's segmental reporting is based on the following operating segments: Retail Banking, Corporate Banking, and Treasury & Primary dealer unit, Leasing, Insurance Finance and Travels. Information relating to above is disclosed in Note 45.

5.21. Deposit Insurance Scheme

In terms of the Banking Act Direction No 5 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 and subsequent amendments there to, all Licensed Commercial Banks are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance and liquidity support Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following,

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka.

Licensed Commercial Banks are required to pay a premium of 0.10% on eligible deposit liabilities if the bank maintains a capital adequacy ratio (CAR) of 14% or above as at the end of the immediately preceding financial year and a premium of 0.125% on eligible deposit liabilities for all other Licensed Commercial Banks (with CAR below 14%) calculated on the total amount of eligible deposits as at the end of the quarter payable within a period of 15 days from the end of the quarter.

5.22. Subsequent Events

Events occurring after the Reporting Date are those events, favorable and unfavorable, that occur between the reporting date and the date of the Financial Statements are authorized for issue.

All material and important events which occur after reporting date have been considered and disclosed in note 42 to the Financial Statements as adjusted as applicable.

5.23. Policies Specific to Insurance Sector

5.23.1. Significant accounting estimates and assumptions

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter -Ferguson methods and frequency/severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortization of unearned premium on a basis other than time apportionment.

Notes to the Financial Statements

5.23.2. Revenue recognition

Gross written premium

Non-life insurance gross written premium comprises the total premium receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences.

Reinsurance premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognized on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. Unearned reinsurance premium is deferred over the term of the underlying direct insurance policies.

5.24. Standards issued but not yet effective

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

- Sri Lanka Accounting Standard - SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more consistent and useful for the insurers.

Once effective, SLFRS 17 will replace SLFRS 4-Insurance Contracts that was issued in 2005.

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026.

- Amendments to LKAS 1: Classification of Liabilities as Current or Non-current.

The amendment specifies the requirements for classifying liabilities as current or noncurrent. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification and disclosures.

6. GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefit(s) will flow to the Bank\Group and the revenue can be reliably measured. The specific recognition criteria for each type of income are more fully set out in respective Income notes.

For the year ended 31 December	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Interest Income	7.1	394,794,898	321,935,983	424,517,915	351,386,736
Fee and Commission Income	8.1	13,806,168	16,397,745	14,822,549	17,213,747
Net Gain/(Loss) from Trading	9	9,430,542	17,026,226	9,543,338	17,019,836
Other Operating Income (Net)	10	4,210,535	1,868,655	5,628,237	5,583,879
		422,242,143	357,228,609	454,512,039	391,204,198

7. NET INTEREST INCOME

Accounting Policy

The Bank\Group calculates interest income\expense by applying the Effective Interest Rate [EIR] to the amortised cost of Financial Assets\Liability other than credit impaired assets

The Effective Interest rate method

Under SLFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL and interest bearing financial assets measured at FVOCI. Interest expense is recorded using the effective interest rate (EIR) method for liabilities recorded such as due to banks, due to other customers and other borrowings.

EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the said financial instrument and includes any fees or incremental costs that are directly attributable to the instrument which are an integral part of the EIR, but excludes future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7.1 Interest Income

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cash And Cash Equivalents	278,649	9,830	710,513	15,263
Placements with banks	2,390,074	926,746	3,473,972	1,486,976
Loans and receivables - To Banks	1,455,096	892,160	1,479,774	926,734
Financial Assets - At Fair Value through Profit or Loss	6,586,707	921,043	6,586,707	921,043
Loans and receivables to other customers	288,708,251	232,797,261	312,360,006	258,849,618
Debt instruments measured at amortised cost	93,429,117	84,305,541	97,872,930	86,999,376
Debt instruments at fair value through OCI	1,250,783	1,246,709	1,337,792	1,351,033
Day one difference on staff loans	696,221	836,693	696,221	836,693
Total Interest Income	394,794,898	321,935,983	424,517,915	351,386,736

Notes to the Financial Statements

7. NET INTEREST INCOME (CONTD.)

7.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	7,594,757	6,633,232	9,585,739	8,624,421
Due to other customers	308,682,792	199,571,363	321,668,276	210,041,439
Other Borrowings	18,907,281	33,861,939	18,876,705	33,842,362
Debt securities issued	4,520,329	5,503,630	5,602,097	7,060,585
Interest on Lease Liabilities	768,293	607,754	1,002,226	782,854
Total Interest Expenses	340,473,452	246,177,918	356,735,043	260,351,661
Net Interest Income	54,321,446	75,758,065	67,782,872	91,035,075

8. NET FEE AND COMMISSION INCOME

Accounting Policy

The Bank/Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income are recognised when the service is performed. Fees earned for the provision of services over a period of time are accrued over that period.

8.1 Fee and Commission Income

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	523,392	655,326	523,392	655,326
Cards	3,103,717	2,349,323	3,103,717	2,349,323
Trade and remittances	3,832,176	8,320,217	3,832,176	8,320,217
Investment banking	17,424	43,273	17,424	43,273
Deposits	5,466,994	4,034,560	5,466,994	4,034,560
Guarantees	642,393	719,146	642,393	719,146
Others	220,072	275,900	1,236,453	1,091,902
	13,806,168	16,397,745	14,822,549	17,213,747

8.2 Fee and Commission Expenses

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cards	809,027	806,575	809,027	806,575
Trade and remittances	390	500	390	500
Investment banking	55,214	19,934	55,214	19,934
Guarantees	4,224	1,150	4,224	1,150
Others	95,511	516	95,511	516
	964,366	828,675	964,366	828,675
Net Fee and Commission Income	12,841,802	15,569,070	13,858,183	16,385,072

9. NET GAIN/(LOSS) FROM TRADING

Accounting Policy

Net gains/(losses) from trading comprises of foreign exchange gain(s) or losses arising from trading activities, realised gains or losses from investment in equities and fixed income securities classified as "Financial Assets - At Fair Value through Profit or Loss" and unrealised gains and losses due to changes in fair value of such instruments.

Gains and losses arising from changes in fair value of the said instruments are recognised in the Income Statement in the period in which they arise and Derivative Financial Instruments are fair valued at each reporting date.

For the year ended 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net Gain/(Loss) from Trading					
Gain from Trading	9.1	10,765,316	2,944,849	10,878,112	2,938,459
Net fair value gain/(loss)	9.2	(1,334,774)	14,081,377	(1,334,774)	14,081,377
		9,430,542	17,026,226	9,543,338	17,019,836

9.1 Gain/(Loss) from Trading

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Foreign Exchange	10,355,650	2,740,436	10,355,650	2,740,436
Government Securities [Treasury Bills & Treasury Bonds]	347,203	184,223	347,203	184,223
Equities	62,463	20,190	175,259	13,800
	10,765,316	2,944,849	10,878,112	2,938,459

9.2 Net fair value gain/(loss) on Financial assets at fair value through profit or loss

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Derivatives Financial Instruments				
Inter - Banks	(2,118,805)	14,157,932	(2,118,805)	14,157,932
Others	348,102	155,517	348,102	155,517
Government Securities				
Treasury Bills	178,664	1,652	178,664	1,652
Treasury Bonds	257,265	(233,724)	257,265	(233,724)
	(1,334,774)	14,081,377	(1,334,774)	14,081,377

Notes to the Financial Statements

10. OTHER OPERATING INCOME

Accounting Policy

Profit / (Loss) from Sale of Property, Plant and Equipment

Profit / (loss) from sale of Property, Plant and Equipment is recognized as and when the control of the Property, Plant and Equipment has passed to the other party.

Dividend Income from investment

Dividend income is recognised when the Bank's/ Group's right to receive the payment is established.

Recovery of bad debts written-off

Recovery of amounts once written-off as bad debts are recognised, as and when such amount has received.

Net Earned Premium

Net Earned Premium refers to the gross written premium less premium ceded to reinsurance and net of any unearned premiums change in reserve unearned, which is more fully described under Note 5.23 to these Financial Statements.

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Profit from Disposals of Property, Plant & Equipment and Right of use assets	329,216	174,560	421,071	237,350
Dividend from investment				
- Quoted	79,541	71,328	88,213	77,760
- Unquoted	120,531	129,600	120,531	129,600
- Subsidiaries	2,143,977	707,698	-	-
Recovery of bad debts written-off	229,020	97,430	229,020	97,430
Net Earned Premium	-	-	3,257,009	4,242,248
Others	1,308,250	688,039	1,512,393	799,491
Total	4,210,535	1,868,655	5,628,237	5,583,879

11. IMPAIRMENT CHARGE

Accounting Policy

The Bank\ Group recognises impairment losses on financial assets by applying the three-stage approach to measure expected credit losses (ECL's) under Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments" of which details are more fully given under Note 5.6 - Impairment of financial assets.

Further, the Bank/Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount of such asset through use or sale, as per Sri Lanka Accounting Standard - LKAS 36 - "Impairment of Assets". Details relating hereto are more fully given under Note 5.13 to these financial statements"

11.1 Bank

For the year ended 31 December	Note	2023			
		LKR '000			
		Stage 1	Stage 2	Stage 3	Total
Cash and Cash Equivalents	17.4	(186)	(1,778)	-	(1,964)
Placements with Banks	19.2	60,823	-	-	60,823
Loans and Advances to Banks	22.2	34,330	-	-	34,330
Loans and Advances to Other Customers	23.2.1	3,394,049	(10,090,379)	12,170,662	5,474,332
Debt instruments measured at amortised cost	24.2	-	1,815,878	-	1,815,878
Debt instruments at fair value through OCI	26.2	(963)	65,494	-	64,531
Contingent Liabilities and Commitments	41.3	(48,323)	(8,702)	46,668	(10,358)
Total Impairment Charge on Financial Assets		3,439,731	(8,219,487)	12,217,330	7,437,572
Total Impairment Charge					7,437,572

For the year ended 31 December	Note	2022			
		LKR '000			
		Stage 1	Stage 2	Stage 3	Total
Cash and Cash Equivalents	17.4	734	16,373	-	17,107
Placements with Banks	19.2	-	-	-	-
Loans and Advances to Banks	22.2	(235,379)	-	-	(235,379)
Loans and Advances to Other Customers	23.2.1	(1,815,409)	9,215,436	20,966,673	28,366,700
Debt instruments measured at amortised cost	26.2	-	5,249,114	-	5,249,114
Debt instruments at fair value through OCI	41.3	518	-	-	518
Contingent Liabilities and Commitments		(22,024)	106,725	(136,310)	(51,609)
Total Impairment Charge on Financial Assets		(2,071,560)	14,587,648	20,830,363	33,346,451
Total Impairment Charge					33,346,451

Notes to the Financial Statements

11.2 Group

For the year ended 31 December		2023			
		LKR '000			
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and Cash Equivalents	17.4	(186)	(1,778)	-	(1,964)
Placements with Banks	19.2	60,823	-	-	60,823
Loans and Advances to Banks	22.2	34,330	-	-	34,330
Loans and Advances to Other Customers	23.2.1	2,841,619	(10,598,253)	11,615,166	3,858,532
Debt instruments measured at amortised cost	24.2	-	1,815,878	-	1,815,878
Debt instruments at fair value through OCI	26.2	(963)	65,494	-	64,531
Contingent Liabilities and Commitments	41.3	(48,323)	(8,702)	46,668	(10,358)
Total Impairment Charge on Financial Assets		2,887,301	(8,727,361)	11,661,834	5,821,772
Others					
Loss on disposal of collaterals including write-offs					253,792
Total Impairment Charge					6,075,564

For the year ended 31 December		2022			
		LKR '000			
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and Cash Equivalents	17.4	734	16,373	-	17,107
Placements with Banks	19.2	-	-	-	-
Loans and Advances to Banks	22.2	(235,379)	-	-	(235,379)
Loans and Advances to Other Customers	23.2.1	(1,669,045)	9,107,554	21,935,932	29,374,441
Debt instruments measured at amortised cost	24.2	-	5,249,114	-	5,249,114
Debt instruments at fair value through OCI	26.2	518	-	-	518
Contingent Liabilities and Commitments	43.3	(22,024)	106,725	(136,310)	(51,609)
Total Impairment Charge on Financial Assets		(1,925,196)	14,479,766	21,799,622	34,354,192
Others					
Loss on disposal of collaterals including write-offs					(32,966)
Impairment charges for Goodwill	29.2				31,611
Total Impairment Charge					34,352,837

12. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include staff salaries, bonus, contribution to defined contribution/benefit plans and other staff related expenses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus in the event the Bank/ the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

For the year ended 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Salaries , bonus & related expenses		19,442,622	20,364,710	24,990,701	25,860,327
Contribution to defined benefit plan - Pension Funds	12.1	1,443,842	2,697,765	1,443,842	2,697,765
Contribution to defined benefit plan - Gratuity	12.2	198,633	44,383	373,150	146,586
Amortization of pre paid staff cost		696,221	836,693	696,221	836,693
Others		2,712,419	2,659,197	2,712,419	2,659,197
Total		24,493,737	26,602,748	30,216,333	32,200,568

12.1 Contribution to Defined Benefit Plan - Pension Funds

The Bank operates two defined benefit pension plans, for the permanent staff members who have joined the Bank prior to 1st January 1996 and after 1st January 1996, which requires contributions to be made to a separately administered funds. The Bank recognises all actuarial gains and losses arising from these pension funds in the Other Comprehensive Income (OCI) and the expenses related to these funds recorded under personnel expenses in the income Statement. Details of these defined benefit plans are given in "Employee retirement benefit plans" (Note 35.1 & Note 35.2).

For the year ended 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net Expense recognised in the income statement					
Defined benefit plan - Pre 1996 Pension Trust Fund	35.1.3	1,660,624	2,257,664	1,660,624	2,257,664
Defined benefit plan - Post 1996 Pension Fund	35.2.3	(216,782)	440,101	(216,782)	440,101
		1,443,842	2,697,765	1,443,842	2,697,765

12.2 Contribution to Defined Benefit Plan-Gratuity (Note 35.3)

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net Expense recognised in the income statement				
Past Service Cost	-	(126,496)	-	(126,496)
Current Service Cost	66,304	72,839	153,562	123,941
Interest Cost	132,329	98,039	219,588	149,141
Net expense	198,633	44,383	373,150	146,586

Notes to the Financial Statements

13. OTHER EXPENSES

Accounting Policy

Other expenses have been recognised in the Income Statement as they are incurred in the period to which they relate. All expenditure incurred in running of the business and maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the income statement in arriving at the profit of the year. Depreciation & Amortisation methods and rates are as stipulated in the Note 28 [Property Plant and Equipment & Right of Use Assets]

For the year ended 31 December	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Directors' Emoluments		7,827	7,127	36,421	22,031
Auditors' Remunerations		11,300	7,850	26,395	23,224
Non Audit Fees to Auditors		-	-	178	2,566
Professional and Legal Expenses		287,825	179,198	395,308	219,667
Depreciation and Amortisation	13.1	4,453,850	4,705,872	5,073,292	5,366,761
Office Administration and Establishment Expenses		14,769,945	10,400,862	16,846,897	12,060,569
Benefits, Claims and Underwriting expenditure		-	-	2,772,351	3,480,043
Deposit Insurance Premium		2,495,131	2,253,144	2,633,312	2,402,371
Others		4,183,610	3,184,734	4,222,420	3,210,551
Total		26,209,488	20,738,787	32,006,574	26,787,783

13.1 Depreciation and Amortisation

For the year ended 31 December	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Depreciation of Property, Plant and Equipment	28	1,916,687	2,035,637	2,182,351	2,321,035
Amortisation of Right of Use Asset	28	1,900,248	2,017,947	2,236,787	2,378,562
Amortisation of Intangible Assets	29	636,915	652,288	654,154	667,164
		4,453,850	4,705,872	5,073,292	5,366,761

14. TAX EXPENSES

Accounting Policy

Current Taxation

As per Sri Lanka Accounting Standard - LKAS 12 - "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Other Comprehensive Income (OCI), in which case it is recognised in OCI.

Accordingly, the provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017. Detailed disclosure of accounting policies are given in note No. 5.18 to these financial statements

Deferred Taxation

Deferred tax is provisioned for using the liability method on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Detailed disclosure of accounting policies and estimate of deferred tax is more fully available in note 5.18.2 to the financial statements

For the year ended 31 December	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Current year tax expense					
Income Tax Expense	14.1	2,874,758	8,450,869	4,409,415	11,027,952
Prior years'(over)/ under provision		(156,515)	(105,881)	(156,515)	(105,881)
Deferred tax Charge/ (Credit) Net	14.2	2,544,391	(4,198,649)	3,631,739	(4,756,858)
Total Tax Expense		5,262,634	4,146,339	7,884,639	6,165,213
Effective Tax Rate		34.3%	19.4%	40.9%	23.1%

14.1 Reconciliation of Tax Expenses

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Profit before Tax for the year	15,345,440	21,338,397	19,270,300	26,690,652
Income tax for the period (Accounting profit @Applicable tax rate)	4,603,628	5,761,367	5,390,230	6,405,756
Add :				
Tax effect of expenses that are not deductible for tax purposes	11,277,703	13,874,938	11,825,405	15,287,710
(Less) :				
Tax effect of expenses that are deductible for tax purposes	(13,006,573)	(11,185,437)	(12,806,220)	(10,665,515)
Income Tax expense for the Period	2,874,758	8,450,869	4,409,415	11,027,952

14.2 The Deferred Tax Charge/(Credit) in the Profit /(Loss) comprise of the following.

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Deferred tax assets	269,131	513,878	131,414	611,847
Deferred tax liabilities	2,275,260	(4,712,527)	3,500,325	(5,368,705)
Deferred tax (credit) /charge to Profit or Loss	2,544,391	(4,198,649)	3,631,739	(4,756,858)

Notes to the Financial Statements

14. TAX EXPENSES (CONTD.)

14.3 The Deferred Tax Charge/(Credit) in other Comprehensive Income comprise of the following.

For the year ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Retirement benefit	434,227	(991,318)	433,438	(953,496)
Revaluation of Land and Buildings	1,445,104	1,052,155	1,641,696	1,313,946
Gain(loss) from instruments at FVOCI	-	-	129,211	(137,822)
Deferred Tax Effect on change in income tax rate on the opening balance	-	2,056,688	-	2,056,688
Deferred tax charge/(credit) to OCI	1,879,331	2,117,525	2,204,345	2,279,316
Net Deferred Tax for the Year	4,423,722	(2,081,124)	5,836,084	(2,477,542)

14.4 Applicable rates concessions or holidays granted on income tax

For the year ended 31 December	2023	2022
Domestic Operation of the Bank	30%	24%
On-Shore Banking Operations of the Off-Shore Banking Unit	30%	24%
Off-Shore Banking Operations of the Off-Shore Banking Unit	30%	24%
People's Leasing and Finance PLC	30%	24%
People's Travels (Pvt) Ltd.	30%	24%
People's Micro Finance Limited	30%	24%
People's Fleet Management Limited	30%	24%

The tax liabilities of the group are computed at the above rates except for the following companies which enjoy exemptions and concessions.

People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

15. EARNINGS PER SHARE

15.1 Basic Earnings per Share

As per Sri Lanka Accounting Standard - LKAS 33 "Earnings per Share". The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted- average number of ordinary shares outstanding during the year.

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net profit attributable to ordinary equity holders (LKR '000)	10,082,806	17,192,058	10,513,288	19,571,989
Weighted average No. of ordinary shares in issue (000')	1,000	1,000	1,000	1,000
Basic Earnings Per Share (LKR)	10,083	17,192	10,513	19,572

15.2 Diluted Earnings per Share

As per Sri Lanka Accounting Standard - LKAS 33 "Earnings per Share", The Calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted- average number of ordinary shares outstanding during the year, after adjustment for the effects of all dilutive potential ordinary shares.

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net profit attributable to ordinary equity holders (LKR '000)	10,082,806	17,192,058	10,513,288	19,571,989
Weighted average no of ordinary shares in issue (000')	1,000	1,000	1,000	1,000
Number of ordinary shares in Capital pending Allotment (000')	243,040	243,040	243,040	243,040
Total Number of Shares in issue and pending allotment (000')	244,040	244,040	244,040	244,040
Diluted Earnings per share (LKR)	41	70	43	80

16 MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of the Financial Instruments by category as defined under Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) under the headings of the Statement of Financial Position.

FVTPL - Fair value through Profit or Loss

FVOCI - Fair value through Other Comprehensive income

AC - Amortised Cost

16.1 Bank - December 31, 2023

ASSETS	FVTPL	FVOCI	AC	Total
Cash and cash equivalents	-	-	61,889,582	61,889,582
Balances with Central Banks	-	-	31,003,219	31,003,219
Placements with Banks	-	-	66,227,025	66,227,025
Derivative Financial Instruments	11,259,451	-	-	11,259,451
Financial Assets - At Fair Value through Profit or Loss	144,184,748	-	-	144,184,748
Financial assets - at amortised cost				
Loans and Advances to banks	-	-	54,022,123	54,022,123
Loans and Advances to other customers	-	-	1,709,457,735	1,709,457,735
Debt instruments measured at amortised cost			831,747,923	831,747,923
Financial assets - at fair value through OCI				
Equity instruments at fair value through OCI	-	1,894,023	-	1,894,023
Debt instruments at fair value through OCI	-	8,286,626	-	8,286,626
Total financial assets	155,444,199	10,180,649	2,754,347,607	2,919,972,455

Notes to the Financial Statements

16 MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

LIABILITIES	FVTPL	FVOCI	AC	Total
Due to banks	-	-	77,224,139	77,224,139
Derivative Financial Instruments	36,049	-	-	36,049
Due to other customers	-	-	2,653,105,546	2,653,105,546
Other Borrowings	-	-	64,278,443	64,278,443
Subordinated term debts	-	-	46,997,291	46,997,291
Total financial liabilities	36,049	-	2,841,605,419	2,841,641,468

Bank - December 31, 2022

ASSETS	FVTPL	FVOCI	AC	Total
Cash and cash equivalents	-	-	66,842,171	66,842,171
Balances with Central Banks	-	-	67,602,313	67,602,313
Placements with Banks	-	-	-	-
Derivative Financial Instruments	14,882,584	-	-	14,882,584
Financial Assets - At Fair Value through Profit or Loss	5,556,754	-	-	5,556,754
Financial assets - at amortised cost				
Loans and Advances to banks	-	-	7,689,150	7,689,150
Loans and Advances to other customers	-	-	1,783,106,693	1,783,106,693
Debt instruments measured at amortised cost			913,099,927	913,099,927
Financial assets - at fair value through OCI				-
Equity instruments at fair value through OCI		1,661,656		1,661,656
Debt instruments at fair value through OCI		10,378,370		10,378,370
Total financial assets	20,439,338	12,040,026	2,838,340,254	2,870,819,618

LIABILITIES	FVTPL	FVOCI	AC	Total
Due to banks	-	-	111,452,491	111,452,491
Derivative Financial Instruments	1,888,478	-	-	1,888,478
Due to other customers	-	-	2,371,518,898	2,371,518,898
Other Borrowings	-	-	191,527,573	191,527,573
Subordinated term debts	-	-	36,603,467	36,603,467
Total financial liabilities	1,888,478	-	2,711,102,429	2,712,990,907

16.2 Group - December 31, 2023

ASSETS	FVTPL	FVOCI	AC	Total
Cash and cash equivalents	-	-	63,307,106	63,307,106
Balances with Central Banks	-	-	31,003,219	31,003,219
Placements with Banks	-	-	76,872,574	76,872,574
Derivative Financial Instruments	11,259,451	-		11,259,451
Financial Assets - At Fair Value through Profit or Loss	145,622,457			145,622,457
Financial assets - at amortised cost				
Loans and Advances to banks	-	-	54,422,338	54,422,338
Loans and Advances to other customers	-	-	1,823,770,212	1,823,770,212
Debt instruments measured at amortised cost			866,704,970	866,704,970
Financial assets - at fair value through OCI				
Equity instruments at fair value through OCI	-	2,123,143	-	2,123,143
Debt instruments at fair value through OCI	-	9,686,213	-	9,686,213
Total financial assets	156,881,908	11,809,356	2,916,080,419	3,084,771,683

LIABILITIES	FVTPL	FVOCI	AC	Total
Due to banks	-	-	85,646,267	85,646,267
Derivative Financial Instruments	36,049	-	-	36,049
Due to other customers	-	-	2,745,161,610	2,745,161,610
Other Borrowings	-	-	64,223,443	64,223,443
Subordinated term debts	-	-	57,806,483	57,806,483
Total financial liabilities	36,049	-	2,952,837,803	2,952,873,852

Group - December 31, 2022

ASSETS	FVTPL	FVOCI	AC	Total
Cash and cash equivalents	-	-	68,077,027	68,077,027
Balances with Central Banks	-	-	67,602,313	67,602,313
Placements with Banks	-	-	3,028,550	3,028,550
Derivative Financial Instruments	14,882,584	-		14,882,584
Financial Assets - At Fair Value through Profit or Loss	5,915,926			5,915,926
Financial assets - at amortised cost				-
Loans and Advances to banks	-	-	7,689,150	7,689,150
Loans and Advances to other customers	-	-	1,915,771,684	1,915,771,684
Debt instruments measured at amortised cost			928,885,518	928,885,518
Financial assets - at fair value through OCI				
Equity instruments at fair value through OCI	-	1,844,574	-	1,844,574
Debt instruments at fair value through OCI	-	11,428,832	-	11,428,832
Total financial assets	20,798,510	13,273,406	2,991,054,242	3,025,126,158

Notes to the Financial Statements

16 MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

LIABILITIES	FVTPL	FVOCI	AC	Total
Due to banks	-	-	122,696,978	122,696,978
Derivative Financial Instruments	1,888,478	-	-	1,888,478
Due to other customers	-	-	2,450,079,037	2,450,079,037
Other Borrowings	-	-	191,527,573	191,527,573
Subordinated term debts	-	-	52,781,563	52,781,563
Total financial liabilities	1,888,478	-	2,817,085,151	2,818,973,629

17. CASH AND CASH EQUIVALENTS

17.1 Cash

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash in Hand		53,340,299	55,289,725	54,391,033	56,352,806

17.2 Cash Equivalents

Cash at Banks		8,572,529	11,577,656	8,939,319	11,749,431
Less : Allowance for Expected credit losses	17.4	(23,246)	(25,210)	(23,246)	(25,210)
		8,549,283	11,552,446	8,916,073	11,724,221
Total Cash and Cash Equivalents		61,889,582	66,842,171	63,307,106	68,077,027

17.3 Analysis of Cash Equivalents based on Exposure to Credit Risk

Bank

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Cash at Banks	8,438,968	133,561	-	8,572,529
Total	8,438,968	133,561	-	8,572,529

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Cash at Banks	11,408,630	169,026	-	11,577,656
Total	11,408,630	169,026	-	11,577,656

Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Cash at Banks	8,805,758	133,561	-	8,939,319
Total	8,805,758	133,561	-	8,939,319

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Cash at Banks	11,580,405	169,026	-	11,749,431
Total	11,580,405	169,026	-	11,749,431

17.4 Allowance for Expected credit losses - Cash Equivalents

Bank & Group	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January	918	24,292	-	25,210
Gross Charge/(Reversal) for the year	(186)	(1,778)	-	(1,964)
ECL allowance as at 30th June	732	22,513	-	23,246

Bank & Group	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January	184	7,919	-	8,103
Gross Charge/(Reversal) for the year	734	16,373	-	17,107
ECL allowance as at 31st December	918	24,292	-	25,210

18. BALANCES WITH CENTRAL BANK OF SRI LANKA

Accounting Policy

The Balance with the Central Bank of Sri Lanka in the Statutory Cash Reserve is 2.0% (4.0% in 2022) of Rupee denominated deposit liabilities. This is a non interest bearing balance. A similar reserve is not required in respect of Foreign Currency denominated Deposits Liabilities in the Domestic Banking Unit and Deposit Liabilities in the Off- Shore Banking Unit.

This Balances is carried at amortised cost in the Statement of Financial Position.

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Statutory balances with Central Bank of Sri Lanka [Stage 1]	31,003,219	67,602,313	31,003,219	67,602,313
	31,003,219	67,602,313	31,003,219	67,602,313

Notes to the Financial Statements

19. PLACEMENTS WITH BANKS

Accounting Policy

Placements with banks include Money Market placements and fixed deposits that are subject to an insignificant risk of changes in the fair value and are used by the Bank/Group in managing its short term commitments. These balances are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Placements		66,287,848	-	66,287,848	-
Fixed Deposits		-	-	10,645,549	3,028,550
		66,287,848	-	76,933,397	3,028,550
Less : Allowance for Expected credit losses	19.2	(60,823)	-	(60,823)	-
Total		66,227,025	-	76,872,574	3,028,550

19.1 Analysis of Placements with Banks based on Exposure to Credit Risk

Bank

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Placements	66,287,848	-	-	66,287,848
Total	66,287,848	-	-	66,287,848

Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Placements	66,287,848	-	-	66,287,848
Fixed Deposits	10,645,549	-	-	10,645,549
Total	76,933,397	-	-	76,933,397

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Placements	-	-	-	-
Fixed Deposits	3,028,550	-	-	3,028,550
Total	3,028,550	-	-	3,028,550

19.2 Allowance for Expected credit losses - Placements with Banks

Bank & Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January 2023	-	-	-	-
Gross Charge/(Reversal) for the year	60,823	-	-	60,823
ECL allowance as at 31st December 2023	60,823	-	-	60,823

20. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

Derivative Financial Instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprises of instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognised in the Statement of Financial Position at fair value and are classified as Fair Value through Profit or Loss except where they have been designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is re measured at fair value throughout the life of the contract.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The table below depicts the fair values of derivative financial instruments of the Bank / Group, recorded as assets or liabilities, together with their notional amounts.

20.1 Foreign Currency derivatives - Assets¹

For the year ended 31 December	Bank				Group			
	2023		2022		2023		2022	
	Assets LKR '000	Notional Amount LKR '000	Assets LKR '000	Notional Amount LKR '000	Assets LKR '000	Notional Amount LKR '000	Assets LKR '000	Notional Amount LKR '000
Currency Swaps								
Sales	-	-	26,800	11,034,300	-	-	26,800	11,034,300
Purchases	11,004,156	15,865,541	14,855,784	17,839,343	11,004,156	15,865,541	14,855,784	17,839,343
Forward Foreign exchange Contracts								
Sales	249,921	28,133,258	-	-	249,921	28,133,258	-	-
Purchases	5,374	698,958	-	-	5,374	698,958	-	-
Total	11,259,451	44,697,757	14,882,584	28,873,643	11,259,451	44,697,757	14,882,584	28,873,643

20.2 Foreign Currency derivatives - Liabilities

For the year ended 31 December	Bank				Group			
	2023		2022		2023		2022	
	Liability LKR '000	Notional Amount LKR '000	Liability LKR '000	Notional Amount LKR '000	Liability LKR '000	Notional Amount LKR '000	Liability LKR '000	Notional Amount LKR '000
Currency Swaps								
Sales	-	-	1,888,105	107,206,938	-	-	1,888,105	107,206,938
Purchases	-	-	-	-	-	-	-	-
Forward Foreign exchange Contracts								
Sales	20,328	291,650	87	27,742	20,328	291,650	87	27,742
Purchases	15,721	1,347,956	286	117,347	15,721	1,347,956	286	117,347
Total	36,049	1,639,606	1,888,478	107,352,027	36,049	1,639,606	1,888,478	107,352,027

Notes to the Financial Statements

21. FINANCIAL ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Financial Assets - At Fair Value through Profit or Loss include debt securities and equities that have been acquired principally for the purpose of trading and are measured at fair value. Details are more fully given in Note 5.5.3. to these Financial Statements

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government Securities	21.1	143,944,863	5,314,829	143,944,863	5,314,829
Equity securities - quoted	21.2	226,018	220,663	638,788	579,835
Unit trusts	21.3	-	-	1,024,939	-
Debt securities		13,867	21,262	13,867	21,262
		144,184,748	5,556,754	145,622,457	5,915,926

21.1 Sri Lanka Government Securities

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Treasury Bills	143,131,271	4,442,690	143,131,271	4,442,690
Treasury Bonds	813,592	872,139	813,592	872,139
	143,944,863	5,314,829	143,944,863	5,314,829

21.2 Equity securities

21.2.1 Equity Securities - Bank

	No of Shares	Cost 2023	Market Value as at	No of Shares	Cost 2022	Market Value as at
		LKR '000	31.12.2023		LKR '000	31.12.2022
Food & Beverage						
Nestle Lanka PLC	-	-	-	25,000	30,520	22,625
Distilleries Company of Sri Lanka PLC	1,700,000	29,550	47,600	1,700,000	29,550	22,440
Ceylon Tobacco Company PLC	-	-	-	25,000	16,800	15,625
Capital Goods						
Access Engineering PLC	393,940	9,401	7,997	393,940	9,401	4,215
Hemas Holdings PLC	755,504	56,093	50,392	755,504	56,093	42,610
Transportation						
EXPO Lanka Holdings PLC	70,000	16,499	10,028	70,000	16,499	12,758
Software & Services						
Hsendib Business Solutions PLC	1,000,000	17,000	11,500	1,000,000	17,000	17,000
Retailing						
John Keells Holdings PLC	92,806	11,044	17,726	92,806	11,044	12,552
Materials						
Chevron Lubricants Lanka PLC	281,564	31,755	25,425	281,564	31,755	27,171
Dipped Products PLC	200,000	5,400	5,580	-	-	-
Utilities						
Windforce PLC	1,100,000	20,020	21,120	1,100,000	20,020	16,390
Vallibel Power Erathna PLC	998,142	7,386	7,187	998,142	7,386	6,288
LVL Energy Fund PLC	1,700,000	19,490	9,350	1,700,000	19,490	10,200
Consumer Durable						
Teejay Lanka PLC	299,813	9,594	10,883	299,813	9,594	9,504
Health Care						
Asiri Hospital Holdings PLC	50,000	1,014	1,230	50,000	1,014	1,285
Total value of the Quoted Equity Securities		234,245	226,018		276,165	220,663

Notes to the Financial Statements

21.2 Equity securities (Contd.)

21.2.2 Equity Securities - Group

	No of Shares	Cost 2023	Market Value as at	No of Shares	Cost 2022	Market Value as at
		LKR '000	31.12.2023		LKR '000	31.12.2022
Food & Beverage						
Nestle Lanka PLC	-	-	-	25,000	30,520	22,625
Distilleries Company of Sri Lanka PLC	1,700,000	29,550	47,600	1,700,000	29,550	22,440
Ceylon Tobacco Company PLC	-	-	-	25,000	16,800	15,625
Capital Goods						
Access Engineering PLC	393,940	9,401	7,997	393,940	9,401	4,215
Hemas Holdings PLC	955,504	70,250	63,732	955,504	70,250	53,890
Transportation						
EXPO Lanka Holdings PLC	70,000	16,499	10,028	70,000	16,499	12,758
Software & Services						
Hsendib Business Solutions PLC	1,000,000	17,000	11,500	1,000,000	17,000	17,000
Retailing						
John Keells Holdings PLC	1,456,914	199,338	278,271	1,456,914	199,338	197,048
Materials						
Chevron Lubricants Lanka PLC	281,564	31,755	25,425	281,564	31,755	27,171
Dipped Products PLC	200,000	5,400	5,580			
Utilities						
Windforce PLC	1,100,000.00	20,020.00	21,120.00	1,100,000	20,020	16,390
Vallibel Power Erthna PLC	998,142.00	7,386.25	7,186.62	998,142.00	7,386.25	6,288.29
LVL Energy Fund PLC	1,700,000.00	19,490.00	9,350.00	1,700,000.00	19,490.00	10,200.00
Consumer Durable						
Teejay Lanka PLC	299,813	9,594	10,883	299,813	9,594	9,504

21.2.2 Equity Securities - Group

	No of Shares	Cost 2023	Market Value as at	No of Shares	Cost 2022	Market Value as at
		LKR '000	31.12.2023		LKR '000	31.12.2022
Health Care						
Asiri Hospital Holdings PLC	50,000	1,014	1,230	50,000	1,014	1,285
Shares Listed In Bangladesh						
British American Tobacco Bangladesh Ltd.	-	-	-	10,000	23,059	18,259
Berger Paints	999	5,291	5,231	999	6,310	6,058
Beximco Pharma	12,000	6,947	5,178	12,000	8,285	6,176
BRAC Bank	32,250	4,403	3,408	30,000	5,251	4,066
City Bank	114,750	8,610	7,248	112,500	10,269	8,633
Dutch-Bangla Bank	59,125	12,132	10,313	55,000	14,469	12,120
Eastern Bank	60,000	5,340	5,206	35,000	4,229	3,918
Grameenphone	28,000	28,422	23,685	28,000	33,898	28,249
Marico	1,000	7,319	7,263	1,000	8,729	8,524
Reckitt Benckiser	390	5,969	5,480	390	7,119	6,313
Square Pharma	30,000	20,934	18,621	30,000	24,967	22,156
Summit Power	150,000	21,228	15,053	150,000	25,318	17,953
Global Islami Bank	433,955	12,198	11,015	413,291	14,549	13,094
Islami Commercial Insurance	-	-	-	8,798	310	870
BATBCL	10,000	19,334	15,309	-	-	-
Walton Hi-Tech Industries	1,900	6,188	5,875	1,900	7,380	7,007
Total value of the Quoted Equity Securities		601,011	638,788		672,759	579,835

21.3 Unit trust - Group

	No of Shares	Cost 2023	Market Value as at	No of Shares	Cost 2022	Market Value as at
		LKR '000	31.12.2023		LKR '000	31.12.2022
CAL Investment	32,251,874	1,024,939	1,024,939	-	-	-
Total value of the Unit trusts		1,024,939	1,024,939		-	-

Notes to the Financial Statements

22. LOANS AND ADVANCES TO BANKS

Accounting Policy

Loans and Receivables to Banks include Sri Lanka Development Bonds, Restructuring Bonds and Securities Purchased under resale agreements

The Group measures Loans and receivables to banks at amortised cost since the said instruments qualify both contractual cash flow assessment and business model assessment which has been described in Note 5.5.1 to these financial statements.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Restructuring Bond	22.3	-	7,689,150	-	7,689,150
Securities Purchased under resale agreements		54,056,453	-	54,456,668	-
Total		54,056,453	7,689,150	54,456,668	7,689,150
Less : Allowance for Expected credit losses	22.2	(34,330)	-	(34,330)	-
		54,022,123	7,689,150	54,422,338	7,689,150

22.1 Analysis of Loans and Advances to Banks based on Exposure to Credit Risk

Bank

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Securities Purchased under resale agreements	54,056,453	-	-	54,056,453
Total	54,056,453	-	-	54,056,453

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Restructuring Bond	7,689,150	-	-	7,689,150
Total	7,689,150	-	-	7,689,150

Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Securities Purchased under resale agreements	54,456,668	-	-	54,456,668
Total	54,456,668	-	-	54,456,668

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Securities Purchased under resale agreements	7,689,150	-	-	7,689,150
Total	7,689,150	-	-	7,689,150

22.2 Allowance for Expected credit losses | impairment losses - Loans and advances to Banks

Bank & Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January	-	-	-	-
Gross Charge/(Reversal) for the year	34,330	-	-	34,330
ECL allowance as at 31st December	34,330	-	-	34,330

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January	235,379	-	-	235,379
Gross Charge/(Reversal) for the year	(235,379)	-	-	(235,379)
ECL allowance as at 31st December	-	-	-	-

22.3 Government of Sri Lanka Restructuring Bonds

22.3.a. In April 1993, The Bank received restructuring bonds amounting to LKR 10,541 Mn, from the Government of Sri Lanka(GOSL) for the following purposes:

	LKR Mn	
(i)	1152.00	To Achieve the capital adequacy requirement in accordance with CBSL Guidelines
(ii)	1700.50	To write off loans granted to sir lank state plantations corporation and paddy marketing board for LKR 1,467 Mn and LKR 233.5 Mn respectively
(iii)	4355.00	To Finance pension liabilities
(iv)	3231.00	To Provide for loan loss provision
(v)	102.50	For loans to be transferred to Special Recovery Unit (RACA)
	10541.00	

22.3.b. The above value of Bonds granted by GOSL effectively relates to accounting entries that were booked to clear carrying values of advances granted under State recommendation, which were deemed as irrecoverable.

22.3.c. The agreement underlying the granting of these Bonds, stipulates the following

- A tenor of 30 years, where the Bonds could be redeemed through the recovery of any of the specific loan losses for which the Bonds were issued. As at Statement of Financial Position date, no recoveries have been made of those specific loan losses.
- As per the initial agreement an interest rate of 12% p.a. would apply, with half yearly payment of interest.
- A value of 25% of income derived from (b) above would be refunded to the GOSL annually.

22.3.d. As indicated in 22.3.a., a sum of LKR 4,355 Mn of this tranche of Bonds was assigned to the Pension Fund (LKR 3,218 Mn) and to the W & OP Fund (LKR 1,137 Mn).

Accordingly, the carrying balance of Bonds reflected on the Statement of Financial Position does not include the value assigned to the Pension Fund, which is managed as an independent Trust Fund.

22.3.e. The financial implications of these Bonds in year 2022 are as follows

- A value of LKR 7,689 Mn. is reflected on the Statement of Financial Position as Loans and Receivables to Banks.
- A value of LKR 879 Mn. is received during the year as income and is reflected under Interest Income

Notes to the Financial Statements

23. LOANS AND ADVANCES TO OTHER CUSTOMERS

Accounting Policy

Loans and Receivables to Other Customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- The Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

The Bank/Group measures Loans and receivables to other customers at amortised cost since both of the following conditions are met:

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

As at 31 December	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Gross Loans and advances	23.1	1,846,389,509	1,915,788,623	1,971,770,003	2,061,137,431
Stage 1		1,248,467,835	1,306,117,973	1,338,335,845	1,405,038,439
Stage 2		314,159,883	276,876,667	330,647,679	297,410,610
Stage 3		283,761,791	332,793,983	302,786,529	358,688,382
Less :					
Allowance for Expected Credit Losses	23.2	(136,931,774)	(132,681,930)	(147,999,791)	(145,365,747)
Stage 1		(9,635,625)	(6,241,576)	(10,488,768)	(7,647,149)
Stage 2		(9,115,910)	(19,206,289)	(9,972,098)	(20,570,351)
Stage 3		(118,180,239)	(107,234,065)	(127,538,925)	(117,148,247)
Net Loans and Advances		1,709,457,735	1,783,106,693	1,823,770,212	1,915,771,684

23.1 Analysis of Gross Loans and advances

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
By product					
Bills of Exchange		848,758	852,600	848,758	852,600
Overdrafts		103,206,483	111,280,950	102,851,886	110,921,942
Trade finance		64,472,134	423,746,694	64,472,134	423,746,694
Credit Cards		6,576,688	5,539,640	6,576,688	5,539,640
Pawning		260,984,713	184,777,612	260,984,713	184,777,612
Staff loans	23.1.1	23,997,196	23,847,736	24,916,806	24,672,335
Short-term Loans		611,964,909	196,871,457	611,964,909	196,871,457
Long-term Loans		773,852,607	895,426,576	830,059,790	968,753,125
Lease Rental Receivable		-	-	61,444,294	64,175,371
Others		486,021	73,445,358	7,650,023	80,826,655
Gross Total		1,846,389,509	1,915,788,623	1,971,770,003	2,061,137,431
By currency					
Sri Lankan Rupee		1,525,999,445	1,332,939,065	1,639,429,923	1,467,886,835
United States Dollar		316,902,748	578,280,418	316,902,748	578,280,418
Great Britain Pound		-	-	-	-
Others		3,487,316	4,569,140	15,437,332	14,970,178
Gross Total		1,846,389,509	1,915,788,623	1,971,770,003	2,061,137,431
By industry					
Agriculture, Forestry and Fishing		119,166,617	134,358,173	145,320,873	163,635,263
Manufacturing		23,333,028	46,358,536	32,697,350	56,990,560
Tourism		69,158,766	71,719,408	71,656,747	74,644,839
Transport & Storage		75,712,366	86,439,525	96,735,472	114,759,034
Construction		575,777,327	585,059,012	582,848,448	594,802,432
Infrastructure Development		115,415,382	512,720,027	115,415,382	512,720,027
Wholesale & Retail Trade		136,865,470	146,766,764	152,952,985	163,682,531
Professional, Scientific & Technical activities		32,275,510	36,004,654	32,275,510	36,004,654
Financial services		30,779,861	20,768,596	39,029,930	32,558,503
Consumption		187,478,766	164,721,672	196,673,786	173,004,031
Others		480,426,416	110,872,256	506,163,519	138,335,557
Gross Total		1,846,389,509	1,915,788,623	1,971,770,003	2,061,137,431

23.1.1 Staff loans (net)

As at 31 December		Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Staff loans		35,973,721	34,364,136	36,893,331	35,188,735
(Less) : Allowance for Day One Difference		(11,976,525)	(10,516,400)	(11,976,525)	(10,516,400)
Net Staff Loans		23,997,196	23,847,736	24,916,806	24,672,335

Notes to the Financial Statements

23.2 Movement in Total impairment Allowance for loans & Receivables

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Opening balance as at 01 st January	132,681,930	101,277,028	145,365,747	112,953,104
Net Charge for the year	5,474,332	28,366,700	3,858,532	29,374,441
Write off during the year	(376,293)	(271,801)	(376,293)	(271,801)
Exchange rate variance on foreign currency impairment	(848,195)	3,310,003	(848,195)	3,310,003
Closing balance as at	136,931,774	132,681,930	147,999,791	145,365,747

23.2.1 Movement in Allowance for Expected Credit Loss [ECL] based on exposure to credit risk

Bank

For the year ended 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 1 st January	6,241,576	19,206,289	107,234,065	132,681,930
Net Charge/(Reversal) for the year	3,394,049	(10,090,379)	12,170,662	5,474,332
Amounts written off	-	-	(376,293)	(376,293)
Exchange rate variance on foreign currency Impairment	-	-	(848,195)	(848,195)
Closing balance as at	9,635,625	9,115,910	118,180,239	136,931,774

Bank

For the year ended 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 1 st January	8,056,985	9,990,853	83,229,190	101,277,028
Net Charge/(Reversal) for the year	(1,815,409)	9,215,436	20,966,673	28,366,700
Amounts written off	-	-	(271,801)	(271,801)
Exchange rate variance on foreign currency Impairment	-	-	3,310,003	3,310,003
Closing balance as at 31st December	6,241,576	19,206,289	107,234,065	132,681,930

Group

For the year ended 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 1 st January	7,647,149	20,570,351	117,148,247	145,365,747
Net Charge/(Reversal) for the year	2,841,619	(10,598,253)	11,615,166	3,858,532
Amounts written off	-	-	(376,293)	(376,293)
Exchange rate variance on foreign currency Impairment	-	-	(848,195)	(848,195)
Closing balance as at	10,488,768	9,972,098	127,538,925	147,999,791

Group

For the year ended 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 1 st January	9,316,194	11,462,797	92,174,113	112,953,104
Net Charge/(Reversal) for the year	(1,669,045)	9,107,554	21,935,932	29,374,441
Amounts written off	-	-	(271,801)	(271,801)
Exchange rate variance on foreign currency Impairment	-	-	3,310,003	3,310,003
Closing balance as at	7,647,149	20,570,351	117,148,247	145,365,747

23.3 Loans granted to a State-Owned Enterprises

Further to the debt restructuring exercise currently being undertaken by the Government of Sri Lanka, certain loans granted by People's Bank to a State-Owned Enterprise on the strength of an irrevocable Government guarantee were transferred to the Government's balance sheet under the Ministry of Finance (MOF) pursuant to a cabinet decision effective from December 31, 2022 onwards. The Bank is currently in discussion with the MOF to agree on the proposed debt service terms relating to such loans and the MOF has agreed to an interim debt service rate of SLFR + margin until such time the proposed debt service terms are finalized.

However, as the discussions between the Bank and the MOF are still ongoing as of the date of reporting, the impact of the said restructuring is yet to be finalized and the bank will account for the proposed debt service terms once the terms are agreed.

Based on the best available information as of the date of release of these financial statements the management is of the view that the potential restructure based on the proposed terms is unlikely to have a material adverse impact on the Bank's Income Statement or net assets in line with SLFRS 9 Financial Instruments.

Notes to the Financial Statements

24. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

Accounting Policy

Investments in Debt Instruments are measured at amortized cost where they have:

- Contractual terms that give rise to cash flows on pre-specified dates, that represent solely payments of principal and/or interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding such assets to collect contractual cash flows.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government securities					
Treasury Bills		63,267,004	2,296,206	92,332,190	12,609,969
Treasury Bonds		760,081,459	898,577,069	763,718,967	900,775,195
International Sovereign Bonds		16,798,920	18,810,234	16,798,920	18,810,234
Investments in Unquoted Preference Shares		-	-	440,607	707,656
Investments in Debentures		-	-	1,813,746	2,566,046
Gross Total		840,147,383	919,683,509	875,104,430	935,469,100
Less : Allowance for Expected credit losses	24.2	(8,399,460)	(6,583,582)	(8,399,460)	(6,583,582)
Net Total		831,747,923	913,099,927	866,704,970	928,885,518

*Government Securities worth of LKR 63.74 Bn (face Value) have been allocated for repurchase transaction as of December 31, 2023

24.1 Analysis of Debt instruments measured at amortised cost based on Exposure to Credit Risk

Bank

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government Securities				
Treasury Bills	63,267,004	-	-	63,267,004
Treasury Bonds	760,081,459	-	-	760,081,459
International Sovereign Bonds	-	16,798,920	-	16,798,920
Total	823,348,463	16,798,920	-	840,147,383

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government Securities				
Treasury Bills	2,296,206	-	-	2,296,206
Treasury Bonds	898,577,069	-	-	898,577,069
International Sovereign Bonds	-	18,810,234	-	18,810,234
Total	900,873,275	18,810,234	-	919,683,509

Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government Securities				
Treasury Bills	92,332,190	-	-	92,332,190
Treasury Bonds	763,718,967	-	-	763,718,967
International Sovereign Bonds	-	16,798,920	-	16,798,920
Investments in Preference Shares	440,607	-	-	440,607
Investments in Debentures	1,813,746	-	-	1,813,746
Total	858,305,510	16,798,920	-	875,104,430

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government Securities				
Treasury Bills	12,609,969	-	-	12,609,969
Treasury Bonds	900,775,195	-	-	900,775,195
International Sovereign Bonds	-	18,810,234	-	18,810,234
Investments in Preference Shares	707,656	-	-	707,656
Investments in Debentures	2,566,046	-	-	2,566,046
Total	916,658,866	18,810,234	-	935,469,100

24.2 Allowance for Expected credit losses | impairment losses - Debt instruments measured at amortised cost

Bank & Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01st January	-	6,583,582	-	6,583,582
Gross Charge/(Reversal) for the year		1,815,878	-	1,815,878
ECL allowance as at 31st December	-	8,399,460	-	8,399,460

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1st January	1,334,468	-	-	1,334,468
Transfer from Stage 1 to Stage 2	(1,334,468)	1,334,468	-	-
Gross Charge/(Reversal) for the year		5,249,114	-	5,249,114
ECL allowance as at 31st December		6,583,582	-	6,583,582

Notes to the Financial Statements

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI

Accounting Policy

Investment in Equity Instruments that are neither held for trading nor contingent consideration recognized by the Group in a business combination to which Sri Lanka Accounting Standard - SLFRS 3 - "Business Combinations" applies, are measured at fair value through other comprehensive income. Detailed accounting policies are more fully set out in Note 5.5.2 to these financial statements.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Equity securities - Unquoted	25.1	397,072	377,106	397,082	377,116
Equity securities - Quoted	25.2	1,496,951	1,284,550	1,726,061	1,467,458
		1,894,023	1,661,656	2,123,143	1,844,574

25.1 Equity securities -Un Quoted

25.1.1 Bank

Name	No of Shares 31.12.2023	Fair value as at 31.12.2023	Cost as at 31.12.2023	No of Shares 31.12.2022	Fair value as at 31.12.2022	Cost as at 31.12.2022
Credit Information Bureau of Sri Lanka	47,400	-	50,715	47,400	-	50,715
Society for Worldwide Inter Bank Financial Telecommunication	14	1,168	1,168	14	1,168	1,168
Regional Development Bank	16,448,448	157,041	162,300	16,448,448	171,689	162,300
Lanka Financial Services Bureau	500,000	-	5,000	500,000	-	5,000
Fitch Rating Lanka Ltd	62,500	625	625	62,500	625	625
Lanka Clear (Private) Ltd	2,126,213	25,620	25,620	2,126,213	25,620	25,620
People's Merchant Finance PLC - Preference Shares	1,000,000	10,000	10,000	1,000,000	10,000	10,000
National Equity Fund	5,112,735	202,618	177,259	5,112,735	168,004	177,259
		397,072	432,686		377,106	432,686

25.1.2 Group

Name	No of Shares 31.12.2023	Fair value as at 31.12.2023	Cost as at 31.12.2023	No of Shares 31.12.2022	Fair value as at 31.12.2022	Cost as at 31.12.2022
Credit Information Bureau of Sri Lanka	47,500	10	50,725	47,500	10	50,725
Society for Worldwide Inter Bank Financial Telecommunication	14	1,168	1,168	14	1,168	1,168
Regional Development Bank	16,448,448	157,041	162,300	16,448,448	171,689	162,300
Lanka Financial Services Bureau	500,000	-	5,000	500,000	-	5,000
Fitch Rating Lanka Ltd	62,500	625	625	62,500	625	625
Lanka Clear (Private) Ltd	2,126,213	25,620	25,620	2,126,213	25,620	25,620
PMF Finance PLC - Preference Shares	1,000,000	10,000	10,000	1,000,000	10,000	10,000
National Equity Fund	5,112,735	202,618	177,259	5,112,735	168,004	177,259
		397,082	432,696		377,116	432,696

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI (CONTD.)

25.2 Equity securities - Quoted

25.2.1 Bank

Name	No of Shares 31.12.2023	Fair value as at 31.12.2023	Cost as at 31.12.2023	No of Shares 31.12.2022	Fair value as at 31.12.2022	Cost as at 31.12.2022
Overseas Reality (Ceylon) PLC	30,538,203	458,073	622,979	30,538,203	455,019	622,979
The Finance PLC	2,080,400	-	10,818	2,080,400	-	10,818
People's Merchant Finance PLC - Ordinary Shares	33,856,246	159,124	311,477	33,856,246	128,654	311,477
The Lanka Hospitals Corporation PLC	7,316,042	879,754	307,274	7,316,042	700,877	307,274
		1,496,951	1,252,549		1,284,550	1,252,549

25.2.2 Group

Name	No of Shares 31.12.2023	Fair value as at 31.12.2023	Cost as at 31.12.2023	No of Shares 31.12.2022	Fair value as at 31.12.2022	Cost as at 31.12.2022
Overseas Reality (Ceylon) PLC	30,538,203	458,073	518,963	30,538,203	455,019	518,963
The Finance PLC	2,080,400	-	83,400	2,080,400	-	83,400
Sanasa Development Bank PLC	2,271,260	71,545	203,382	2,271,260	48,605	203,382
The Lanka Hospitals Corporation PLC	7,316,042	879,754	307,274	7,316,042	700,877	307,274
People's Merchant Finance PLC - Ordinary Shares	58,870,248	276,689	549,110	58,870,248	223,707	549,110
Asiri Hospital Holdings PLC	500,000	12,300	20,730	500,000	12,850	20,730
LB Finance PLC	5,000,000	8,500	50,000	5,000,000	11,500	50,000
Windforce PLC	1,000,000	19,200	18,489	1,000,000	14,900	18,489
		1,726,061	1,751,349		1,467,458	1,751,349

Notes to the Financial Statements

26. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OCI

Accounting Policy

Investments in Debt Instruments are measured at fair value through other comprehensive income (OCI) where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

Detailed policies are given under note 5.5.2 to these financial statements

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government securities		26,512	701,468	554,565	965,695
Debt securities		8,260,114	9,676,902	9,131,648	10,463,137
Total		8,286,626	10,378,370	9,686,213	11,428,832

26.1 Analysis of Debt instruments at fair value through OCI based on Exposure to Credit Risk

Bank

As at 31 December	2023 LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government securities	26,512	-	-	26,512
Debt securities	5,031,426	3,228,688	-	8,260,114
Total	5,057,938	3,228,688	-	8,286,626

As at 31 December	2022 LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government securities	701,468	-	-	701,468
Debt securities	9,380,893	296,009	-	9,676,902
Total	10,082,361	296,009	-	10,378,370

Group

As at 31 December	2023 LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government securities	554,565	-	-	554,565
Debt securities	5,902,960	3,228,688	-	9,131,648
Total	6,457,525	3,228,688	-	9,686,213

As at 31 December	2022 LKR '000			
	Stage 1	Stage 2	Stage 3	Total
Sri Lanka Government securities	965,695	-	-	965,695
Debt securities	10,167,128	296,009	-	10,463,137
Total	11,132,823	296,009	-	11,428,832

26.2 Allowance for Expected credit losses - Debt instruments at Fair Value through OCI

Bank & Group

As at 31 December	2023			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1st January	1,571	296,009	-	297,580
Gross Charge/(Reversal) for the year	(963)	65,494	-	64,531
ECL allowance as at 31st December	608	361,503	-	362,111

As at 31 December	2022			
	LKR '000			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1st January	1,053	296,009	-	297,062
Gross Charge/(Reversal) for the year	518	-	-	518
ECL allowance as at 31st December	1,571	296,009	-	297,580

Notes to the Financial Statements

27. INVESTMENTS IN SUBSIDIARIES

Accounting Policy

Subsidiaries are entities that are controlled by the Group. Control as referred to here is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over such investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

The Financial Statements of subsidiaries are included in the consolidated financial statements from the date that control commences, until the date that control ceases. Where Subsidiaries have been sold or acquired during the year, assets, liabilities, income and expenses of the said subsidiary are included in the consolidated financial statements, from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Group are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries, not owned directly or indirectly by the Bank. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Bank. Non-controlling interests in the profit or loss of the Group, is disclosed separately in the consolidated statement of profit or loss.

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as an equity transaction. Upon the loss of control, the Group de-recognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control, is recognised in the statement of changes in equity. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

The Bank's investments in subsidiaries are carried at cost in the separate financial statements.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Investment in Quoted Subsidiaries	27.1	4,275,572	4,275,572	-	-
Investment in Unquoted Subsidiaries	27.2	4,950	4,950	-	-
Net Total		4,280,522	4,280,522	-	-

27.1 Investment in Quoted Subsidiaries

As at 31 December	No of Shares	Holding % as at 31.12.2023	Cost 2023 LKR '000	No of Shares	Holding % as at 31.12.2022	Cost 2022 LKR '000
People's Leasing and Finance PLC						
- Ordinary Shares	1,184,896,862	75.00	690,958	1,184,896,862	75.00	690,958
- Ordinary Shares allotted by scrip dividends	346,515,473		3,584,614	346,515,473		3,584,614
			4,275,572			4,275,572

27.2 Investment in Unquoted Subsidiaries

As at 31 December	No of Shares	Holding % as at 31.12.2023	Cost 2023 LKR '000	No of Shares	Holding % as at 31.12.2022	Cost 2022 LKR '000
People's Travels (Private) Ltd.	495,000	99.00	4,950	495,000	99.00	4,950
Total			4,950			4,950

Notes to the Financial Statements

28. PROPERTY, PLANT AND EQUIPMENT & RIGHT OF USE ASSETS

Accounting Policy

Property, Plant and Equipment

Property, plant and equipment is stated at cost or valuation excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Cost Model

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

Revaluation Model

The Bank applies the revaluation model for the entire class of freehold land & buildings and leasehold building. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment charged subsequent to the date of the revaluation.

Revaluations are performed every 3 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in income statement, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in Income Statement, except that deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Subsequent Cost

The cost of replacing part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

Restoration Cost

Expenditure incurred on repairs or maintenance of Property, Plant & Equipment in order to restore or maintain future economic benefits is charged to Statement of Comprehensive Income as incurred.

Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of building, major plant and machinery and system development, awaiting capitalization. These are stated in the Statement of Financial Position at cost.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Leased assets under finance leases are depreciated over the shorter of either lease term or its useful life, which is limited to maximum tenor of 50 years. Freehold Land is not depreciated. The estimated useful lives are as follows:

Category of Asset	Period of Depreciation
Freehold Buildings	Estimated useful life
Leasehold Building	Shorter of lease term or its useful life, which is limited to maximum tenor of 50 years
Furniture, Equipment and Machinery	20% p.a.
Freehold & Leasehold Motor vehicles	25% p.a.
Prepaid Leases	Over the period of lease
Self Banking units (SBU)**	Over the period of 3 Years

* These depreciation rates are applied consistently over the period

** Self Banking Units [SBU] are classified under Machinery and Equipment

De recognition

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

Right of Use Assets

The Group has lease contracts for Its branches, Service centers, select Machinery etc. The Group adopted SLFRS 16 using the modified retrospective approach of adoption with effect from the date of initial application of 1 January 2019. Under this approach, the Standard is applied retrospectively and thereby the comparative figures were not restated which were reported under LKAS 17. Further the Bank applied the standard only to contracts that were previously identified as leases, by applying LKAS 17 at the date of initial application.

Upon adoption of SLFRS 16, The Bank recognised such leases as Right-of-Use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Notes to the Financial Statements

28. PROPERTY, PLANT AND EQUIPMENT & RIGHT OF USE ASSETS (CONTD.)

28.1 Property, Plant and Equipment & Right of Use Assets - Bank

As at 31 st December	Property, Plant and Equipment					
	Freehold Land	Freehold Building	Buildings on Leasehold Land	Motor Vehicles	Furniture	Machinery, Equipment & Self Banking Units
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost / Fair value						
Balance as at 1 January	24,079,999	7,398,919	3,158,121	1,496,655	676,169	5,117,370
Additions		2,484			75,270	428,550
Disposals	-	-	-	(48,187)	(642)	(20,666)
Transfers/Adjustments	-	-	-		(50)	10
Transfers from investment property	-	-	-			
Revaluation adjustment on accumulated depreciation	-	(453,271)	(193,302)	-	-	-
Revaluation Surplus [28.1.1]	695,611	3,812,785	387,520	-	-	-
Balance as at 31st December	24,775,609	10,760,917	3,352,340	1,448,468	750,748	5,525,264
Accumulated Depreciation						
Balance as at 1 January	-	-	-	1,479,929	493,047	4,112,016
Charge for the year	-	453,271	193,301	14,217	82,581	481,602
Disposals	-	-	-	(48,187)	668	(9,867)
Transfers/Adjustments	-	-	-	-	(1,173)	(3,085)
Revaluation adjustment on accumulated depreciation		(453,271)	(193,302)	-	-	-
Balance as at 31st December	-	(0)	(1)	1,445,960	575,123	4,580,666
Net book value as 31st December	24,775,609	10,760,918	3,352,340	2,509	175,625	944,598
Capital work in progress at cost						
Furniture Equipment and Machinery at store					8,679	26,620

28.1.1 As at December 31, 2023 - the Bank carried out an independent valuation of all its land and buildings. This valuation was carried out by Messrs KPMG Real Estate and Valuation Services (Private) Limited, on a fair value basis.

Category of Asset	LKR .000
Amount recognised in other comprehensive income	4,817,014
Amount recognised in income statement	78,902
	4,895,916

28.1.2 Property Plant and Equipment Pledged as security for Liabilities

There were no Items of Property plant and equipment pledge as securities for liabilities as at reporting date.

28.1.3 Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at 31st December 2023

28.1.4 Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st December 2023

Computer	Total Property, Plant and Equipment	Right of Use Assets				Total Right of use Assets	Total 2023	Total 2022
		Leased Lands	Buildings	ATM CDM & KIOSK Machines				
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
7,513,405	49,440,637	1,007,237	4,862,461	10,477,765	16,347,463	65,788,100	61,534,652	
738,103	1,244,407	-	3,094,467	398,214	3,492,681	4,737,088	3,278,091	
(24,767)	(94,261)	-	(2,137,934)	(236,059)	(2,373,993)	(2,468,254)	(1,980,893)	
	(40)	-	-	-	-	(40)	25	
	-	-	-	-	-	-	-	
-	(646,573)	-	-	-	-	(646,573)	(550,960)	
-	4,895,916	-	-	-	-	4,895,916	3,507,185	
8,226,740	54,840,085	1,007,237	5,818,994	10,639,920	17,466,151	72,306,237	65,788,100	
6,079,328	12,164,320	640,684	1,626,820	4,787,959	7,055,463	19,219,783	16,699,659	
691,716	1,916,687	15,995	781,339	1,102,914	1,900,248	3,816,935	4,053,584	
(24,264)	(81,650)	-	(929,811)	(213,858)	(1,143,669)	(1,225,319)	(982,501)	
-	(4,258)	-	-	-	-	(4,258)	-	
-	(646,573)	-	-	-	-	(646,573)	(550,960)	
6,746,779	13,348,527	656,679	1,478,348	5,677,015	7,812,042	21,160,569	19,219,783	
1,479,961	41,491,558	350,558	4,340,646	4,962,905	9,654,109	51,145,667	46,568,317	
						4,836,928	2,549,513	
156,147	-	-	-	-	-	191,446	212,250	
						56,174,042	49,330,080	

28.1.5 Unobservable inputs considered in measuring fair value

As of December 31, 2023 - the Bank carried out an independent valuation of all its lands and buildings. The following table depicts information about significant unobservable inputs used in measuring the fair value of the assets categorised under Level 3 of the fair value hierarchy.

Type of Asset	Valuation Technique	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of fair value to unobservable Inputs
Freehold land	Comparison method of Valuation	Property transaction evidences, internal data from previous valuations and asking prices.	LKR 150,000 - LKR 30,000,000	Positively correlated sensitivity
Freehold Buildings	1. Depreciated replacement cost method of valuation for buildings. 2. Investment method of valuation for condominiums.	Estimated depreciated replacement cost per square feet, and rental evidences.	LKR 150 - LKR 13,500	Positively correlated sensitivity
Buildings on leasehold lands	Depreciated replacement cost method of valuation.	Estimated depreciated replacement cost per square feet.	LKR 175 - LKR 14,000	Positively correlated sensitivity.

Notes to the Financial Statements

28. PROPERTY, PLANT AND EQUIPMENT & RIGHT OF USE ASSETS (CONTD.)

28.2 Property, Plant and Equipment & Right of Use Assets - Group

As at 31 st Decembe	Property, Plant and Equipment					
	Freehold Land	Freehold Building	Buildings on Leasehold Land	Motor Vehicles	Furniture	Machinery, Equipment & Self Banking Units
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost / Valuation						
Balance as at 1 January	27,868,121	12,154,270	3,243,884	1,882,890	1,256,191	6,168,366
Additions	-	382,137	-	178,212	93,737	500,508
Disposals	-	-	-	(339,003)	(2,177)	(28,202)
Transfers/Adjustments	-	-	-	-	(17)	(23)
Exchange rate Variance	-	-	-	(3,157)	(10,723)	(6,297)
Revaluation adjustment on accumulated depreciation		(453,271)	(193,302)	-	-	-
Revaluation Surplus [Note 28.2.1]	1,350,919	3,812,785	387,520	-	-	-
Balance as at 31 December	29,219,040	15,895,921	3,438,103	1,718,942	1,337,011	6,634,352
Accumulated Depreciation						
Balance as at 1 January	-	126,462	56,576	1,694,609	1,007,699	4,898,504
Charge for the year	-	516,474	193,301	54,922	102,884	544,905
Disposals	-	-	-	(115,924)	(851)	(17,267)
Transfers/Adjustments	-	-	-	-	(1,173)	(3,085)
Exchange rate Variance	-	-	-	(743)	(5,775)	(2,214)
Revaluation adjustment on accumulated depreciation	-	(453,271)	(193,302)	-	-	-
Balance as at 31 December	-	189,665	56,575	1,632,865	1,102,785	5,420,843
Net book value as at 31 December	29,219,040	15,706,257	3,381,527	86,078	234,227	1,213,509
Capital work in progress at cost						
Furniture Equipment and Machinery at store					8,679	26,620

28.2.1 Book Values of these properties were adjusted for revalued amounts and revaluation surplus was credited accordingly to the revaluation reserve.

Category of Asset	LKR .000
Amount recognised in other comprehensive income	5,472,322
Amount recognised in income statement	78,902
	5,551,224

		Right of Use Assets				Total 2023	Total 2022
Computer	Total Property, Plant and Equipment	Leased Lands	Buildings	ATM CDM & KIOSK Machines	Total Right of use Assets		
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
8,517,895	61,091,617	1,090,099	7,367,215	10,477,765	18,935,079	80,026,696	74,559,146
790,060	1,944,654	-	3,303,742	398,214	3,701,956	5,646,610	4,014,723
(99,693)	(469,074)	-	(2,236,394)	(236,059)	(2,472,453)	(2,941,527)	(2,397,882)
-	(40)	-	-	-	-	(40)	(7,179)
(15,824)	(36,001)	-	(45,956)	-	(45,956)	(81,957)	29,026
-	(646,573)	-	-	-	-	(646,573)	(550,960)
-	5,551,224	-	-	-	-	5,551,224	4,379,820
9,192,438	67,435,808	1,090,099	8,388,607	10,639,920	20,118,626	87,554,434	80,026,696
6,927,387	14,711,237	683,781	2,825,351	4,787,959	8,297,091	23,008,328	20,053,016
769,865	2,182,351	15,995	1,117,878	1,102,914	2,236,787	4,419,138	4,699,597
(99,190)	(233,231)	-	(988,909)	(213,858)	(1,202,767)	(1,435,998)	(1,212,627)
-	(4,258)	-	-	-	-	(4,258)	(471)
(6,863)	(15,595)	-	(23,202)	-	(23,202)	(38,797)	19,772
-	(646,573)	-	-	-	-	(646,573)	(550,960)
7,591,199	15,993,932	699,776	2,931,118	5,677,015	9,307,909	25,301,840	23,008,328
1,601,239	51,441,876	390,323	5,457,489	4,962,905	10,810,717	62,252,594	57,018,368
						4,836,928	2,549,513
156,147						191,446	212,250
						67,280,968	59,780,131

Notes to the Financial Statements

29. INTANGIBLE ASSETS AND GOODWILL

Accounting Policy

Intangible assets include all computer software costs incurred, licensed for use by the Group. Software acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses. Software is amortized on a straight-line basis in income statement over its estimated useful life, from the date on which it is available for use.

Goodwill represents the excess of the cost of acquisition over the fair value of Group's share of the net identifiable assets of the acquired Subsidiary at the date of acquisition.

Detailed policies of good will and intangible assets are set out in Note 5.12 to these Financial Statements

29.1 Intangible Assets

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
As at beginning of the year	4,486,249	4,192,328	4,744,397	4,437,688
Additions during the year	681,025	293,921	726,531	305,459
Disposals during the year	-	-	-	-
Adjustments during the year	-	-	(1,300)	1,250
As at end of the year	5,167,274	4,486,249	5,469,628	4,744,397
Accumulated Amortisation				
As at beginning of the year	2,767,072	2,114,784	2,993,476	2,325,296
Charge for the year	636,915	652,288	654,154	667,164
Adjustments during the year	-	-	(236)	1,016
As at end of the year	3,403,987	2,767,072	3,647,394	2,993,476
Net Book Value	1,763,287	1,719,177	1,822,234	1,750,921

29.2 Goodwill

As at 31 December	2023 LKR '000	2022 LKR '000
Cost		
As at beginning of the year	417,099	417,099
Goodwill on Acquisition	-	-
Disposals / Reversals during the year	-	-
As at end of the year	417,099	417,099
Accumulated Impairment		
As at beginning of the year	308,545	276,934
Impairment for the year	-	31,611
As at end of the year	308,545	308,545
Net Book Value	108,554	108,554
Total Net Book Value	1,930,788	1,859,475

30. OTHER ASSETS

Accounting Policy

Un-amortized day one difference on staff loans

All staff loans are granted at below market interest rates and are initially recognized at fair value according to Sri Lanka Accounting Standard SLFRS 9 - "Financial Instruments". The difference between granted amount and its fair value is treated as Un-amortized day one difference on staff loans and amortised over the loan period

Receivables

Receivables predominantly include the amount receivable on behalf of the senior citizen interest subsidy

Insurance and insurance receivables

The Group cedes insurance risk to reinsurers in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Net Employee Benefit Asset - Post 1996 Pension Fund

Net employee benefit assets represents net benefit assets of retirement benefit plan for the employees recruited to the bank on or after 1st January 1996. for more details refer Note 35.2

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deposits and prepayments		4,169,056	3,466,288	4,169,056	3,466,288
Un-amortized day one difference on staff loans		11,976,525	10,516,400	11,976,525	10,516,400
Receivables		25,066,729	20,952,657	23,994,740	20,952,657
Insurance and insurance receivables		-	-	1,334,110	1,078,841
Net Employee Benefit Asset - Post 1996 Pension Fund	35.2	5,153,842	4,762,504	5,153,842	4,762,504
Others		9,638,560	6,181,206	7,588,444	5,592,124
Total		56,004,712	45,879,055	54,216,717	46,368,814

31. DUE TO BANKS

Accounting Policy

Due to Banks include money market Borrowings and borrowings from banks. These are initially recognised at fair value. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Money market Borrowings	47,649,937	71,691,176	47,649,937	71,691,176
Other Borrowings	29,574,202	39,761,315	37,996,330	51,005,802
Total	77,224,139	111,452,491	85,646,267	122,696,978

Notes to the Financial Statements

32. DUE TO OTHER CUSTOMERS

Accounting Policy

Due to customers include Demand deposits, Savings deposits, Term deposits including call deposits, certificate of deposits and margin deposits.

These deposits are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Total Amount due to Other Customers	2,653,105,546	2,371,518,898	2,745,161,610	2,450,079,037
Total	2,653,105,546	2,371,518,898	2,745,161,610	2,450,079,037

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Analysis				
By product				
Demand Deposits (current accounts)	106,866,729	79,218,921	105,678,701	75,298,448
Savings Deposits	710,068,576	659,375,654	713,741,247	663,567,709
Fixed Deposits	1,833,592,170	1,629,227,409	1,921,704,781	1,707,318,257
Other Products	2,578,071	3,696,914	4,036,881	3,894,623
Total	2,653,105,546	2,371,518,898	2,745,161,610	2,450,079,037
By currency				
Sri Lanka rupee	2,353,372,363	2,072,686,232	2,445,428,427	2,151,246,371
United State dollar	278,609,374	272,861,192	278,609,374	272,861,192
Great Britain pound	5,539,799	5,326,011	5,539,799	5,326,011
Others	15,584,010	20,645,463	15,584,010	20,645,463
Total	2,653,105,546	2,371,518,898	2,745,161,610	2,450,079,037

33. OTHER BORROWINGS

Accounting Policy

Other borrowings include refinance borrowings from Central Bank & Other Financial Institutions and Borrowing Under repurchase agreements.

Subsequent to initial recognition these borrowings are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Central Bank of Sri Lanka	721,846	900,632	721,846	497,732
Other Financial Institutions	5,580,757	5,239,681	5,580,757	5,642,582
Borrowing Under Repurchase agreement	57,975,840	185,387,260	57,920,840	185,387,259
	64,278,443	191,527,573	64,223,443	191,527,573

34 Deferred Tax (Assets) /Liabilities

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Differed tax liabilities	12,391,393	10,394,689	14,996,347	12,863,963
Deferred tax assets	(7,361,464)	(9,788,482)	(8,914,749)	(12,293,434)
	5,029,929	606,207	6,081,598	570,529

As at 31 December	Bank				Bank			
	2023				2022			
	Deferred Tax Asset	Deferred tax Liability	Income Statement	Statement of Comprehensive Income	Deferred Tax Asset	Deferred tax Liability	Income Statement	Statement of Comprehensive Income
Retirement benefit	2,268,508	2,235,803	1,032,979	434,227	3,212,986	1,713,074	(207,690)	(213,770)
Impairment allowance for loan receivables	5,092,956	-	1,433,795	-	6,526,751	-	(4,276,497)	-
Accelerated depreciation allowance for tax purpose - PPE	-	1,149,777	(83,982)	-	-	1,233,759	173,948	-
Revaluation of Freehold land and building	-	8,892,960	-	1,445,104	-	7,447,856	-	2,331,295
Right of Use Asset	-	112,853	161,599	-	48,745	-	111,590	-
	7,361,464	12,391,393	2,544,391	1,879,331	9,788,482	10,394,689	(4,198,649)	2,117,525

As at 31 December	Group				Group			
	2023				2022			
	Deferred Tax Asset	Deferred tax Liability	Income Statement	Statement of Comprehensive Income	Deferred Tax Asset	Deferred tax Liability	Income Statement	Statement of Comprehensive Income
Retirement benefit	3,821,793	3,569,810	1,026,781	433,438	5,717,938	6,480,582	(301,435)	(175,935)
Carry forward Tax Losses	-	(42,347)	-	-	-	-	-	-
Impairment allowance for loan receivables	5,092,956	(522,598)	2,093,916	-	6,526,751	(2,235,080)	(4,649,145)	-
Deferred tax on transitional adjustment	-	(295,502)	-	-	-	(295,502)	(59,100)	-
Accelerated depreciation allowance for tax purpose - (Lease)	-	149,331	564,944	-	-	306,274	(103,663)	-
Accelerated depreciation allowance for tax purpose - (PPE)	-	1,186,020	(137,796)	-	-	1,240,985	152,220	-
Fair value Gain/(Loss) - Investment Properties	-	2,089,919	(41,306)	-	-	-	-	-
Financial Assets at Fair Value through OCI	-	(115,661)	-	129,211	-	(232,405)	-	(137,822)
Revaluation of Freehold land and building	-	8,892,960	-	1,641,696	-	7,619,296	97,969	2,593,073
Right of Use Asset	-	84,415	125,200	-	48,745	(20,187)	106,296	-
	8,914,749	14,996,347	3,631,739	2,204,345	12,293,434	12,863,963	(4,756,858)	2,279,316

Notes to the Financial Statements

35. OTHER LIABILITIES

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deferred income in respect of off-balance sheet items		245,964	362,241	245,964	362,241
Expected Credit Loss in respect of Contingent Liabilities and Commitments		506,248	516,606	506,248	516,606
Sundry creditors		7,133,290	5,819,218	7,133,290	5,819,218
Net Defined benefit obligation - Pre 1996 Pension Trust Fund	35.1	337,884	4,901,096	337,884	4,901,096
Provision For Gratuity	35.3	799,025	735,160	1,605,134	1,442,536
Lease Liability	35.4	9,774,938	9,330,861	11,106,043	10,726,390
Payable on other expenses		3,874,574	4,828,274	4,368,294	5,275,287
Insurance liabilities and reinsurance payable		-	-	4,926,388	4,891,896
Other liabilities		7,608,266	80,271,594	11,648,202	82,026,444
Total		30,280,189	106,765,050	41,877,447	115,961,714

35.1 Net Defined Benefit Obligation - Pre 1996 Pension Trust Fund

The Bank operates a defined benefit pension plan, for the permanent staff members who have joined the Bank prior to 1st January 1996, For which an actuarial valuation was carried out using the "Projected Unit Credit Method" in accordance with the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits". The results of the actuarial valuation of the Pre 1996 Pension plan is summarised below.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fair Value of Plan Assets	35.1.1	(62,083,540)	(56,390,526)	(62,083,540)	(56,390,526)
Present value of obligations	35.1.2	62,421,424	61,291,622	62,421,424	61,291,622
Net Defined Benefit Obligation		337,884	4,901,096	337,884	4,901,096

35.1.1 Fair value of Plan Assets

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Plan assets comprise:				
Fixed Deposits	46,831,250	38,804,750	46,831,250	38,804,750
Government Securities	14,332,920	17,087,176	14,332,920	17,087,176
Debentures	-	-	-	-
Net Current Assets	919,370	498,600	919,370	498,600
	62,083,540	56,390,526	62,083,540	56,390,526
Actual Return on Plan Assets	8,617,561	6,152,855	8,617,561	6,152,855

Movement in the Fair Value of Plan Assets

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Fair value of plan assets as at 1 st January	56,390,526	52,518,847	56,390,526	52,518,847
Expected return on plan assets	9,715,980	5,553,265	9,715,980	5,553,265
Benefit paid by the plan	(7,259,078)	(6,460,222)	(7,259,078)	(6,460,222)
Actual Employer Contribution	4,334,529	4,179,047	4,334,529	4,179,047
Actuarial Gain /(Losses)	(1,098,417)	599,589	(1,098,417)	599,589
Fair value of plan assets as at 31 st December	62,083,540	56,390,526	62,083,540	56,390,526

35.1.2 Movement in the Present value of the defined benefit obligations

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Defined benefit obligations as at 1 st January	61,291,622	57,361,249	61,291,622	57,361,249
Benefit paid by the plan	(7,259,078)	(6,460,222)	(7,259,078)	(6,460,222)
Current service cost	344,112	400,743	344,112	400,743
Interest cost	11,032,492	6,309,737	11,032,492	6,309,737
Plan Amendment 1	-	1,100,448	-	1,100,448
Actuarial (Gain) /Losses	(2,987,724)	2,579,667	(2,987,724)	2,579,667
PV of defined benefit obligation as at 31 st December	62,421,424	61,291,622	62,421,424	61,291,622

35.1.3 Net Expenses recognised in Income Statement

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Current service cost	344,112	400,743	344,112	400,743
Interest cost	11,032,492	6,309,737	11,032,492	6,309,737
Expected return	(9,715,980)	(5,553,265)	(9,715,980)	(5,553,265)
Plan Amendment 1	-	1,100,448	-	1,100,448
Net expenses	1,660,624	2,257,664	1,660,624	2,257,664

1 The plan was amended to comply with the provisions of Staff circular, where all participants' compulsory Normal Retirement Age is now age 60. (They have the option of retiring as early as age 55). The change in the PVDBO is recognized immediately in the income statement as this is considered as a plan amendment.

35.1.4 Actuarial Gains / (Losses) recognised in Other Comprehensive Income

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Amount accumulated in retained earnings as at 1st January	(16,975,443)	(14,995,365)	(16,975,443)	(14,995,365)
Recognised during the year	1,889,307	(1,980,078)	1,889,307	(1,980,078)
Amount accumulated in retained earnings as at 31st December	(15,086,136)	(16,975,443)	(15,086,136)	(16,975,443)

Notes to the Financial Statements

35. OTHER LIABILITIES (CONTD.)

35.1.5 Actuarial Assumptions

The following are the principal actuarial assumptions as at the reporting date

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Financial assumptions				
Discount Rate	12.50%	18.00%	12.50%	18.00%
Increase in Cost of Living Allowances	8.00%	12.50%	5.00%	12.50%
Future Gross Salary Increase	10.00%	15.00%	10.00%	15.00%
Demographic assumptions				
Mortality Table	RP - 2000	RP - 2000	RP - 2000	RP - 2000

35.1.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible changes in the key assumptions employed with all other variables held constant in the employment benefit liability measures. The sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the assumed changes in discount rate & salary increment rate as follows;

As at 31 December	Bank				Group			
	2023		2022		2023		2022	
	Effect on Comprehensive Income Statement Increase / (reduction) in the Liability LKR '000	Effect on employee benefit obligation Increase / (reduction) in the Liability LKR '000	Effect on Comprehensive Income Statement Increase / (reduction) in the Liability LKR '000	Effect on employee benefit obligation Increase / (reduction) in the Liability LKR '000	Effect on Comprehensive Income Statement Increase / (reduction) in the Liability LKR '000	Effect on employee benefit obligation Increase / (reduction) in the Liability LKR '000	Effect on Comprehensive Income Statement Increase / (reduction) in the Liability LKR '000	Effect on employee benefit obligation Increase / (reduction) in the Liability LKR '000
Increase/ (decrease) in discount rate								
1%	3,530,625	(3,530,625)	3,411,129	(3,411,129)	3,530,625	(3,530,625)	3,411,129	(3,411,129)
-1%	(3,947,960)	3,947,960	(3,799,039)	3,799,039	(3,947,960)	3,947,960	(3,799,039)	3,799,039
Increase/ (decrease) in salary Increment								
1%	(502,453)	502,453	(356,732)	356,732	(502,453)	502,453	(356,732)	356,732
-1%	478,845	(478,845)	340,856	(340,856)	478,845	(478,845)	340,856	(340,856)

35.2 Net Defined Benefit Obligation - Post 1996 Pension Fund

The Board of Directors of the Bank approved this retirement benefit plan for the employees recruited to the bank on or after 01st January 1996. An actuarial valuation was carried out using the "Projected Unit Credit Method" in accordance with the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits". The results of the actuarial valuation of the Post 1996 employment benefit plan is summarised below.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fair Value of Plan Assets	35.2.1	15,729,662	12,565,415	15,729,662	12,565,415
Present value of obligations	35.2.2	(10,575,820)	(7,802,911)	(10,575,820)	(7,802,911)
Net Defined Benefit Asset/(Obligation)		5,153,842	4,762,504	5,153,842	4,762,504

35.2.1 Fair value of Plan Assets

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Plan assets comprise:				
Fixed Deposits	13,796,300	11,703,541	13,796,300	11,703,541
Net Current Assets	1,933,362	861,874	1,933,362	861,874
	15,729,662	12,565,415	15,729,662	12,565,415
Actual Return on Plan Assets	2,671,512	1,276,635	2,671,512	1,276,635

Movement in the Fair Value of Plan Assets

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fair value of plan assets as at 1 st January	12,565,415	10,038,600	12,565,415	10,038,600
Expected return on plan assets	2,252,868	1,141,686	2,252,868	1,141,686
Benefit paid by the plan	(91,347)	(43,950)	(91,347)	(43,950)
Actual Employer Contribution	584,082	1,294,130	584,082	1,294,130
Actuarial Gain /(Losses)	418,644	134,950	418,644	134,950
Fair value of plan assets as at 31 st December	15,729,662	12,565,415	15,729,662	12,565,415

35.2.2 Movement in the Present value of the defined benefit obligations

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Defined benefit obligations as at 1 st January	7,802,911	5,182,381	7,802,911	5,182,381
Benefit paid by the plan	(91,347)	(43,950)	(91,347)	(43,950)
Current service cost	631,561	402,798	631,561	402,798
Interest cost	1,404,524	590,791	1,404,524	590,791
Plan Amendment	-	588,198	-	588,198
Actuarial (Gain) /Losses	828,171	1,082,693	828,171	1,082,693
PV of defined benefit obligation as at 31 st December	10,575,820	7,802,911	10,575,820	7,802,911

35.2.3 Net Expenses recognised in Income Statement

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Current service cost	631,562	402,798	631,562	402,798
Interest cost	1,404,524	590,791	1,404,524	590,791
Expected return	(2,252,868)	(1,141,686)	(2,252,868)	(1,141,686)
Plan Amendment	-	588,198	-	588,198
Net expenses	(216,782)	440,101	(216,782)	440,101

The plan was amended to comply with the provisions of the Staff circular where all participants' compulsory Normal Retirement Age is now age 60. (They have the option of retiring as early as age 55). The change in the PVDBO is recognized immediately in the income statement as this is considered as a plan amendment.

Notes to the Financial Statements

35. OTHER LIABILITIES (CONTD.)

35.2.4 Actuarial Gains / (Losses) recognised in Other Comprehensive Income

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Amount accumulated in retained earnings as at 1st January	(613,554)	334,189	(613,554)	334,189
Recognised during the year	(409,526)	(947,743)	(409,526)	(947,743)
Amount accumulated in retained earnings as at 31st December	(1,023,080)	(613,554)	(1,023,080)	(613,554)

35.2.5 Actuarial Assumptions

The following are the principal actuarial assumptions as at the reporting date

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
The following are the principal actuarial assumptions as at the reporting date				
Financial Assumptions				
Discount rate	12.00%	18.00%	12.00%	18.00%
Increase in cost of living allowance	8.00%	12.50%	8.00%	12.50%
Future Gross Salary Increase	9.00%	15.00%	9.00%	15.00%
Demographic Assumptions				
Mortality Table	RP - 2000	RP - 2000	RP - 2000	RP - 2000

35.2.6 Sensitivity of Assumptions Employed in Actuarial Valuation [Bank & Group]

The following table demonstrates the sensitivity to a reasonably possible changes in the key assumptions employed with all other variables held constant in the employment benefit liability measures. The sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the assumed changes in discount rate & salary increment rate as follows;

As at 31 December	2023		2022	
	Effect on Comprehensive Income Statement Increase (reduction) LKR '000	Effect on employee benefit obligation Increase (reduction) in the Liability LKR '000	Effect on Comprehensive Income Statement Increase (reduction) LKR '000	Effect on employee benefit obligation Increase (reduction) in the Liability LKR '000
Increase/ (decrease) in discount rate				
1%	1,722,820	(1,722,820)	1,155,342	(1,155,342)
-1%	(2,183,571)	2,183,571	(1,428,681)	1,428,681
Increase/ (decrease) in salary Increment				
1%	(2,012,354)	2,012,354	(1,793,030)	1,793,030
-1%	1,667,559	(1,667,559)	1,032,749	(1,032,749)

35.3 Contribution to Defined Benefit Plan - Gratuity

Employees who joined the Bank on or after 1st January 1996 will be eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, or if opted can join the proposed new post 1996 pension scheme and if so such employees will forfeit their right to gratuity. An actuarial valuation was carried out using the "Projected Unit Credit Method" in accordance with the Sri Lanka Accounting Standard - 19 "Employee Benefits"

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1st January	735,160	381,416	1,442,536	1,124,965
Past Service Cost	-	(126,496)	-	(126,496)
Current Service Cost	66,304	72,839	153,562	123,941
Interest Cost	132,329	98,039	219,588	149,141
Benefits paid during year	(167,126)	(67,211)	(245,197)	(78,962)
Actuarial losses/(Gains) on obligations	32,358	376,572	34,645	249,947
Balance as at 31st December	799,025	735,160	1,605,134	1,442,536

35.3.1 The Principal financial assumptions used in the valuations are as follows;

As at 31 December	Bank	
	2023	2022
Discount Rate	12.0 % p.a	18.0 % p.a
Gross Salary increase for all grades	10.0 % p.a	15.0 % p.a
Normal age of retirement	60 years	60 years

35.3.2 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible changes in the key assumptions employed with all other variables held constant in the employment benefit liability measures. The sensitivity of the Statement of Financial Position is the assumed changes in discount rate & salary increment rate as follow;

As at 31 December	2023		2022	
	Effect on Comprehensive Income Statement Increase (reduction)	Effect on employee benefit obligation Increase (reduction) in the Liability	Effect on Comprehensive Income Statement Increase (reduction)	Effect on employee benefit obligation Increase (reduction) in the Liability
	LKR '000	LKR '000	LKR '000	LKR '000
Increase/ (decrease) in discount rate				
1%	(58,554)	58,554	50,705	(50,705)
-1%	66,808	(66,808)	(42,465)	42,465
Increase/ (decrease) in salary Increment				
1%	(68,077)	68,077	(414,168)	414,168
-1%	60,572	(60,572)	352,282	(352,282)

Notes to the Financial Statements

35. OTHER LIABILITIES (CONTD.)

35.4 Lease Liability

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 st January	9,330,861	10,244,653	10,726,390	11,572,070
Additions / Renewals During the Year	3,470,730	2,103,876	3,623,252	2,643,068
Terminations During the Year	(1,372,029)	(1,117,999)	(1,441,228)	(1,357,213)
Accretion of interest	768,293	607,754	1,002,226	782,854
Payments During the year	(2,422,917)	(2,507,423)	(2,804,597)	(2,914,389)
Balance as at 31 st December	9,774,938	9,330,861	11,106,043	10,726,390

35.4.1 Amounts recognised in Income Statement

For the Year ended 31 Decmber	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Interest on Lease Liabilities	7.2	768,293	607,754	1,002,226	782,854
Amortisation of Right of Use Asset	13.1	1,900,248	2,017,947	2,236,787	2,378,562
		2,668,541	2,625,701	3,239,013	3,161,416

35.4.2 Amounts recognised in the Statement of Cash Flows

For the Year ended 31 Decmber	Note	Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Repayment of Lease Liabilities		2,422,917	2,507,423	2,804,597	2,914,389
		2,422,917	2,507,423	2,804,597	2,914,389

36. SUBORDINATED TERM DEBTS

Accounting Policy

Subordinated term debts represent funds borrowed for long term funding purposes which are subordinated to the other claims. Subsequent to initial recognition, subordinated term debts are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

As at 31 December	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank		Group	
				2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Issued by the bank							
(i) Type A	12.0% - Annually	8-Nov-2019	8-Nov-2024	6,679,516	6,706,228	6,679,516	6,706,228
(ii) Type B	12.25% - Annually	8-Nov-2019	8-Nov-2027	3,499,290	3,499,290	3,499,290	3,499,290
(iii) Type A	9.5% - Annually	27-Jul-2020	27-Jul-2025	13,430,490	13,430,490	13,430,490	13,430,490
(iv) Type B	10.25% - Annually	27-Jul-2020	27-Jul-2030	7,415,026	7,415,026	7,415,026	7,415,026
(v) Type A	16.00% - Annually	30-Nov-2023	29-Nov-2028	7,150,363	-	7,150,363	-
(vi) Type B	16.25% - Annually	1-Dec-2023	30-Nov-2031	3,037,397	-	3,037,397	-
Additional Tier 1 Capital Bond							
AT1 - Bond	13.5% - Annually	29-Mar-2021	N/A	4,188,031	3,859,877	4,188,031	3,859,877
AT1 - Bond	31.03% - Annually	3-Aug-2021	N/A	1,597,178	1,692,556	1,597,178	1,692,556
Issued by the Subsidiary							
Senior, unsecured, redeemable							
Type B	12.8% - Annually	23-Apr-2018	18-Apr-2023	-	-	-	5,631,423
Type A	8.0% - Annually	5-Aug-2021	5-Aug-2024	-	-	3,036,126	3,030,634
Type B	8.0% - At Maturity	5-Aug-2021	5-Aug-2024	-	-	2,948,562	2,691,584
Type C	9.0% - Annually	5-Aug-2021	5-Aug-2026	-	-	4,376,554	4,413,676
Type D	9.0% - Annually	5-Aug-2021	5-Aug-2026	-	-	447,949	410,779
Total				46,997,291	36,603,467	57,806,483	52,781,563
Total				46,997,291	36,603,467	57,806,483	52,781,563
Due within 1 year				6,679,516	-	12,664,204	5,631,423
Due after 1 year				40,317,775	36,603,467	45,142,279	47,150,140
Total				46,997,291	36,603,467	57,806,483	52,781,563

36.1 Movement in Subordinated Term Debts

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	36,603,467	48,861,680	52,781,563	65,560,465
Proceed received from subordinated debt	10,000,000	-	10,000,000	-
Repayment of subordinated debt	-	(12,500,000)	(5,295,400)	(12,500,000)
Interest expense on subordinated debt	4,520,329	5,503,630	5,602,097	7,060,585
Interest paid on subordinated debt	(4,126,505)	(5,261,843)	(5,281,777)	(7,339,487)
Balance as at 31 December	46,997,291	36,603,467	57,806,483	52,781,563

Notes to the Financial Statements

37. STATED CAPITAL | ASSIGNED CAPITAL

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Stated Capital	37.1	49,998	49,998	49,998	49,998
Assigned Capital	37.2	12,152,000	12,152,000	12,152,000	12,152,000
		12,201,998	12,201,998	12,201,998	12,201,998

37.1 Stated Capital

37.1.1 Movement of Stated Capital

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Authorised				
1,000,000,000 Ordinary Shares of 50/- each	50,000,000	50,000,000	50,000,000	50,000,000

In September 2019, the People's Bank Act No. 29 of 1961 was amended whereby, amongst other, the Bank's Authorised share capital was increased to LKR 50.0 Bn from LKR 1.0 Bn previously.

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fully Paid				
999,960 Ordinary Shares of 50/- each	49,998	49,998	49,998	49,998

All issued shares are fully paid with the exception of 40 shares which yet remain unpaid

37.1.2 Principal Shareholders of the Bank are as follows

As at 31 December	2023 %	2022 %
Government of Sri Lanka	92.27	92.27
Corporative Societies	7.73	7.73
	100.00	100.00

37.2 Assigned Capital (Capital Pending Allotment)

During period 2005 to 2008 and in 2017, the General Treasury - Ministry of Finance infused an aggregate of LKR 12,152 Mn in People's Bank as New Capital. These amounts were held in the Bank's Capital Pending Allotment/ Assigned Capital account pending conclusion of applicable formalities to issue New Shares and to transfer to the Paid in Capital account. Upon conclusion thereto, the General Treasury, Ministry of Finance will own 99.97% in People's Bank whilst the Corporative Societies will have 0.03%.

38. STATUTORY RESERVE FUND

The Statutory Reserve Fund is maintained as required by the Banking Act No. 30 of 1988. Accordingly, the Bank should, out of profits after taxation but before any dividend is declared, transfer to the Statutory Reserve Fund a sum equivalent to not less than 5% of the Bank's paid-up capital until the Permanent Reserve is equal to 50% of the paid-up capital and not less than 2% until the Permanent Reserve equals the paid-up capital. Accordingly, Bank has transferred LKR 504 Mn for the current year.

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 st January	10,070,131	9,210,528	10,070,131	9,210,528
Transfer to Reserve during the year	504,140	859,603	504,140	859,603
Balance as at 31 st December	10,574,271	10,070,131	10,574,271	10,070,131

39. OTHER RESERVES

39.1 Revaluation Reserve

This reserve has been created in accordance with Sri Lanka Accounting Standard 16 - Property, Plant & Equipment

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 st January	23,995,328	21,540,300	26,394,593	23,464,860
Gains on Revaluation of Land and Buildings	4,817,014	3,507,183	5,308,495	4,185,333
Deferred tax effect on revaluation of Land and Buildings	(1,445,104)	(1,052,155)	(1,592,548)	(1,255,600)
Balance as at 31 st December	27,367,238	23,995,328	30,110,540	26,394,593

39.2 Capital Reserve

This reserve has been created in 1987 and increased in 1998, has no transferred to date.

39.3 Special Risk Reserve

In terms of Central Bank directives, 25% of Primary Dealer Unit (PDU) profit has been transferred to Special Risk Reserve in order to promote the safety, soundness and the stability of the Primary Dealer System and to build up Primary Dealer Capital Base

According to Central Bank Direction 08/11/011/0019/001 dated 14.02.2013 Bank is exempted from the requirement of maintaining the reserve. Therefore No transfer is made to the reserve this year based on the direction from the Central Bank of Sri Lanka.

39.4 General Reserve

This reserve has been created under Section 22(2) of the People's Bank Act No.29 of 1961. The General Reserve represents accumulated unallocated retained Profits & Losses which are available for distribution and for settlement of debentures issued.

39.5 Financial Assets at FVOCI Reserve

This FVOCI reserve comprises the cumulative net change in Equity instruments at FVOCI and Debt Instruments at FVOCI until such investments are derecognised or impaired

39.6 Special levy to Treasury/ Dividend

In 2022 payment of LKR 219 Mn was made according to the Agreement between the Government of Sri Lanka and the People's Bank, the Bank is required to pay back 25% of the Restructuring Bond interest to the General Treasury as a Dividend. Additional details relating to this expense is reflected in Note 22.3.C.C

LKR 18.3 Mn. pertains to a dividend / special levy paid to the Consolidated Fund of the Government of Sri Lanka as determined by the Ministry of Finance.

40. RETAINED EARNINGS

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 st January	84,624,172	73,322,570	111,194,555	97,445,732
Surcharge Tax Levied under Surcharge Tax Act No. 14 of 2022	-	-	82,610	-
Adjusted Balance as at 1 st January	84,624,172	73,322,570	111,277,165	97,445,732
Total Comprehensive Income				
Profit for the year	10,082,806	17,192,058	10,513,288	19,571,989
Other Comprehensive Income [Net of Taxes]	1,013,196	(4,369,763)	1,008,134	(4,302,473)
Transfer to Reserve during the year	(504,140)	(859,603)	(504,140)	(859,603)
Special levy to Treasury/ Dividend	(18,308)	(661,090)	(18,308)	(661,090)
Balance as at 31 st December	95,197,726	84,624,172	122,276,138	111,194,555

Notes to the Financial Statements

40. RETAINED EARNINGS (CONTD.)

40.1 Movement in Reserves - Bank

	Statutory Reserve LKR '000	Revaluation Reserve LKR '000	Capital Reserve LKR '000
Balance as at 1 st January 2022	9,210,528	21,540,300	5,663
Profit for the year	-	-	-
Net Gains/(Losses) on equity instruments at fair value through OCI	-	-	-
Net Gains/(Losses) on debt instruments at fair value through OCI	-	-	-
Net Actuarial Gains and Losses on Defined Benefit Plans	-	-	-
Deferred tax effect on defined benefit plans	-	-	-
Deferred Tax Effect on change in income tax rate on the opening balance	-	-	-
Revaluation Surplus of Land and Building	-	3,507,183	-
Deferred tax effect on Revaluation Surplus	-	(1,052,155)	-
Transfer to Reserve during the year	859,603	-	-
Special levy to Treasury/ Dividend	-	-	-
Balance as at 31st December 2022	10,070,131	23,995,328	5,663
Balance as at 1 st January 2023	10,070,131	23,995,328	5,663
Profit for the year	-	-	-
Net Gains/(Losses) on equity instruments at fair value through OCI	-	-	-
Net Gains/(Losses) [including change in ECL] on debt instruments at fair value through OCI	-	-	-
Net Defined Benefit obligation	-	-	-
Deferred tax effect on defined benefit plans	-	-	-
Deferred Tax Effect on change in income tax rate on the opening balance	-	-	-
Revaluation Surplus of Land and Building	-	4,817,014	-
Deferred tax effect on Revaluation Surplus	-	(1,445,104)	-
Transfer to Reserve during the year	504,140	-	-
Special levy to Treasury/ Dividend	-	-	-
Balance as at 31st December 2023	10,574,271	27,367,238	5,663

Special Risk Reserve LKR '000	General Reserve LKR '000	Financial Assets at FVOCI Reserve LKR '000	Retained Earnings LKR '000	Total LKR '000
1,633,710	12,502,000	220,614	73,322,570	118,435,385
-	-	-	17,192,058	17,192,058
-	-	52,869	-	52,869
-	-	(12,354)	-	(12,354)
-	-	-	(3,304,393)	(3,304,393)
-	-	-	991,318	991,318
-	-	-	(2,056,688)	(2,056,688)
-	-	-	-	3,507,183
-	-	-	-	(1,052,155)
-	-	-	(859,603)	-
-	-	-	(661,090)	(661,090)
1,633,710	12,502,000	261,129	84,624,172	133,092,133
1,633,710	12,502,000	261,129	84,624,172	133,092,133
-	-	-	10,082,806	10,082,806
-	-	232,367	-	232,367
-	-	82,477	-	82,477
-	-	-	1,447,423	1,447,423
-	-	-	(434,227)	(434,227)
-	-	-	-	-
-	-	-	-	4,817,014
-	-	-	-	(1,445,104)
-	-	-	(504,140)	-
-	-	-	(18,308)	(18,308)
1,633,710	12,502,000	575,973	95,197,726	147,856,581

Notes to the Financial Statements

40. RETAINED EARNINGS (CONTD.)

40.2 Movement in Reserves - Group

	Statutory Reserve LKR '000	Revaluation Reserve LKR '000	Capital Reserve LKR '000	Special Risk Reserve LKR '000
Balance as at 1 st January 2022	9,210,528	23,464,860	5,663	1,633,710
Profit for the year	-	-	-	-
Net Gains/(Losses) on equity instruments at fair value through OCI	-	-	-	-
Net Gains/(Losses) on debt instruments at fair value through OCI	-	-	-	-
Deferred tax effect on above	-	-	-	-
Net Gains/(Losses) on translating the financial statements of foreign operation	-	-	-	-
Net Actuarial Gains and Losses on Defined Benefit Plans	-	-	-	-
Deferred tax effect on defined benefit plans	-	-	-	-
Revaluation Surplus on Land & Building	-	4,185,333	-	-
Deferred tax effect on Revaluation Surplus	-	(1,255,600)	-	-
Deferred Tax Effect on change in income tax rate on the opening balance	-	-	-	-
Transfer to Reserve during the year	859,603	-	-	-
Special levy to Treasury/ Dividend	-	-	-	-
Dividend payment	-	-	-	-
Balance as at 31st December 2022	10,070,131	26,394,593	5,663	1,633,710
Adjustment for Surcharge Tax levied under Surcharge Tax Act No.14 of 2022	-	-	-	-
Balance as at 1 st January 2023	10,070,131	26,394,593	5,663	1,633,710
Profit for the year	-	-	-	-
Net Gains/(Losses) on equity instruments at fair value through OCI	-	-	-	-
Net Gains/(Losses) [including change in ECL] on debt instruments at fair value through OCI	-	-	-	-
Deferred tax effect on above	-	-	-	-
Net Gains/(Losses) on translating the financial statements of foreign operation	-	-	-	-
Net Defined Benefit obligation	-	-	-	-
Deferred tax effect on defined benefit plans	-	-	-	-
Reversal of Revaluation Gain on Disposed Property	-	-	-	-
Deferred Tax Effect on change in income tax rate on the opening balance	-	-	-	-
Revaluation Surplus on Land & Building	-	5,308,495	-	-
Deferred tax effect on Revaluation Surplus	-	(1,592,548)	-	-
Transfer to Reserve during the year	504,140	-	-	-
Special levy to Treasury/ Dividend	-	-	-	-
Dividend payment	-	-	-	-
Balance as at 31st December 2023	10,574,271	30,110,540	5,663	1,633,710

General Reserve LKR '000	Financial Assets at FVOCI Reserve LKR '000	Exchange Equalization Fund LKR '000	Retained Earnings LKR '000	Total LKR '000	Non Controlling Interest LKR '000	Total LKR '000
12,502,000	154,723	399,125	97,445,732	144,816,341	12,687,071	157,503,412
-			19,571,989	19,571,989	953,450	20,525,439
-	(80,773)	-	-	(80,773)	(40,429)	(121,202)
	(224,992)			(224,992)	(74,997)	(299,989)
	103,367			103,367	34,455	137,822
-		565,090	-	565,090	893,342	1,458,432
-		-	(3,208,737)	(3,208,737)	31,663	(3,177,074)
-		-	962,952	962,952	(9,456)	953,496
-		-	-	4,185,333	194,487	4,379,820
-		-		(1,255,600)	(58,346)	(1,313,946)
			(2,056,688)	(2,056,688)	-	(2,056,688)
-		-	(859,603)	-	-	-
-		-	(661,090)	(661,090)	-	(661,090)
-		-	-	-	(198,803)	(198,803)
12,502,000	(47,675)	964,215	111,194,555	162,717,192	14,412,436	177,129,629
			82,610	82,610	(82,610)	-
12,502,000	(47,675)	964,215	111,277,165	162,799,802	14,329,826	177,129,629
-			10,513,288	10,513,288	872,373	11,385,661
-	287,639	-	-	287,639	(9,069)	278,570
	319,397			319,397	106,466	425,862
	(96,908)			(96,908)	(32,303)	(129,211)
-		(271,026)	-	(271,026)	(424,938)	(695,964)
-		-	1,441,769	1,441,769	(612)	1,441,157
-		-	(433,635)	(433,635)	197	(433,438)
-		-	-	-	-	-
-		-	-	-	-	-
-		-	-	5,308,495	163,827	5,472,322
-		-		(1,592,548)	(49,148)	(1,641,696)
-		-	(504,140)	-	-	-
-		-	(18,308)	(18,308)	-	(18,308)
-		-	-	-	(432,191)	(432,191)
12,502,000	462,452	693,189	122,276,138	178,257,964	14,524,428	192,782,394

Notes to the Financial Statements

41. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank makes various commitments and incurs contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

As at 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Contingent Liabilities	41.1	126,432,311	302,336,794	126,961,311	302,740,138
Commitments	41.2	95,479,645	68,828,585	102,358,645	73,064,804
Less :		221,911,956	371,165,379	229,319,956	375,804,942
Allowance for Expected Credit Losses	41.3	(506,248)	(516,606)	(506,248)	(516,606)
		221,405,708	370,648,773	228,813,708	375,288,336

41.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Acceptances	2,867,067	74,070,645	2,867,067	74,070,645
Documentary Credit	24,304,456	22,841,324	24,304,456	22,841,324
Guarantees	53,221,051	68,387,765	53,750,051	68,791,109
Forward Exchange Contracts	46,039,737	137,037,060	46,039,737	137,037,060
	126,432,311	302,336,794	126,961,311	302,740,138

41.2 Commitments

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Undrawn overdrafts & loans	95,479,645	68,828,585	102,358,645	73,064,804
	95,479,645	68,828,585	102,358,645	73,064,804

41.3 Movement in Allowance for Expected Credit Loss [ECL] based on exposure to credit risk

Bank & Group	2023			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 01st January	57,212	361,043	98,351	516,606
Net Charge/(Reversal) for the year	(48,323)	(8,702)	46,668	(10,358)
Closing balance as at 31st December	8,888	352,341	145,019	506,248

Bank & Group	2022			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 01st January	79,236	254,318	234,661	568,215
Net Charge/(Reversal) for the year	(22,024)	106,725	(136,310)	(51,609)
Closing balance as at 31st December	57,212	361,043	98,351	516,606

41.4 Other Capital Commitments

Capital Expenditure approved by the Board of Directors for which provisions has not been made in these Financial Statements amounted to ;

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and Contracted for	450,664	1,036,951	450,664	1,036,951
Approved but Not contracted for	60,530	213,309	60,530	213,309
	511,194	1,250,260	511,194	1,250,260

41.5 Assessment Received by the Bank

Following assessments were received by the bank from the Department of Inland Revenue

Income Tax

Notice of Assessment issued for Income tax for the Years of Assessment, 2018/2019 LKR 5,646 Mn (0201819002) and discussion is going on for full settlement. The following tax assessment is outstanding which, although currently is at a Court of Appeal stage, is also in the process of settlement:

Period - Tax Type	Charge Number	Assessment Value	Current status
2010/11 - Income Tax	(ITA 13291100319V1)	LKR 2,422.29 Mn	Court of Appeal

Please note: For the above purposes, provisions have been constructed based on the likely outcome as advised by the respective Tax Consultant.

Value Added Tax

Value added tax on financial services for the years 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 are respectively LKR 732.3 Mn. (VATFS/BFSU/2015/660), LKR 360.8 Mn. (VATFS/BFSU/2015/661), LKR 405.0 Mn. (VATFS/BFSU/2017/816), LKR 802.8 Mn. (VATFS/BFSU/2018/894), LKR 1,089.1 Mn. (VATFS/BFSU/2019/1008) LKR 1,083.1 Mn. (7501718002), LKR 1,309.2 Mn and (7501920001) LKR 1,099.0 Mn (7502021002) LKR 1725.5 Mn

41.6 Litigation Against the Bank and Companies within the group

In the normal course of business, the Bank is involved in various types of litigation, including litigation with borrowers who are in default under terms of their loan agreements. In certain circumstances, borrowers have asserted or threatened counter claims defenses. The Bank is also contesting certain Labour Tribunal cases. In the opinion of management, based on its assessment and consultation with outside counsel, litigation which is currently pending against the Bank and the Group will not have a material impact on the financial condition or future operations of the Bank and the Group as a whole. The total damage claimed of litigation against the bank amounts to approximately LKR.11.3 Bn, of which details are given Below

Zone	Region	Total [LKR]
Western I	Gampaha	1,000,000
	Colombo South	3,000,000
Western II	Kaluthara	2,700,000
	Colombo East	18,000,000
Central	Kandy	403,631,900
	Matale	14,287,000
	Nuwara Eliya	3,469,291
Wayamba	Kurunegala	23,977,908
Sabaragamuwa	Rathnapura	1,000,000
	Kegalle	19,210,000
Eastern	Ampara	20,000,000
	Batticaloa	15,000,000
Northern	Jaffna	50,000,000
Southern	Galle	206,000,000
	Matara	120,127,580
	Hambantota	5,310,213
Legal /Special Assets Unit/Corporate Banking Division		10,442,011,027
		11,348,724,918

Notes to the Financial Statements

42. SUBSEQUENT EVENTS

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

43. RELATED PARTY DISCLOSURES

The Bank has 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', except for the transactions that Key Management Personnel (KMPs) have availed under schemes uniformly applicable to all staff at concessionary rates. Those transactions include lending activities, acceptance of deposits, off balance sheet transactions and provision of other banking and finance services.

43.1 Parent and the ultimate controlling party

People's Bank is a Sri Lankan Government owned Bank

43.2 Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Such Key Management Persons include Chairman, Executive and Non Executive Directors and Chief Executive Officer/General Manager of the Bank. Close family members of an Individual are those family members who may be expected to influence, or to be influenced by, that individual in their dealings with the entity. They may include individual's domestic partner and children, children of the individual's domestic partner and dependents of the individual or the individual's domestic partner.

43.2.1 Compensation of Key Management Personnel (KMPs)

For the year ended 31 December	2023 LKR '000	2022 LKR '000
Short-term employee benefits	33,291	41,958
Post-employment pension	1,817	2,349
Termination benefits	-	-

43.2.2 Transactions with Key Management Personnel (KMPs)

For the year ended 31 December	2023 LKR '000	2022 LKR '000
a. Items in income statement		
Interest Income	32	3,923
Interest Expenses	5,583	14,666

As at 31 December	2023 LKR '000	2022 LKR '000
b. Items in statement of financial position		
Term Loans	155	26,832
Overdrafts	-	-
Credit cards	333	2,823
Deposits	227,087	74,313

43.2.3 Transactions with Close Family Members (CFMs) of the Key Management Personnel

For the year ended 31 December	2023 LKR '000	2022 LKR '000
a. Items in income statement		
Interest Income	9	437
Interest Expenses	18,015	38
As at 31 December		
b. Items in statement of financial position		
Term Loans	-	-
Overdrafts	-	-
Deposits	47,162	861

43.3 Transactions with Group Entities

The Group entities include the Subsidiaries and Associates of the Bank

43.3.1 Transactions with subsidiaries, sub-subsidiaries and associate companies of the Bank

The aggregate amount of income and expenses arising from the transactions during the year, amount due to and due from the relevant related party and total contract sum of off balance sheet transactions at the year end are summarized below.

For the year ended 31 December	Subsidiary Companies of the Bank		Sub- subsidiary Companies of the Bank	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
a. Items in income statement				
Interest income	51,417	16,691	25,464	33,793
Interest expense	14,649,995	13,393,139	60,099	252,574
Dividend income	1,071,989	707,698	-	-
Other income	652	50,776	686,487	84,179
Other expenses	-	-	188,211	670,613

For the year ended 31 December	Subsidiary Companies of the Bank		Sub- subsidiary Companies of the Bank	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
b. Items in statement of financial position				
Assets				
Investments	4,280,522	4,280,522	-	-
Loans	-	-	38,015	69,262
Overdrafts	118,199	34,671	236,398	323,257
Assets backed securities	-	-	-	-
Other receivables	-	-	198,345	220,691
	4,398,721	4,315,193	472,757	613,211

Notes to the Financial Statements

43. RELATED PARTY DISCLOSURE (CONTD.)

For the year ended 31 December	Subsidiary Companies of the Bank		Sub- subsidiary Companies of the Bank	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Liabilities				
Deposits	30,513,123	22,930,649	238,431	2,000,069
Securities sold under repurchase agreements	28,953,987	10,333,763	-	-
Other payables	-	-	108,232	102,800
	59,467,110	33,264,412	346,663	2,102,868

For the year ended 31 December	Subsidiary Companies of the Bank		Sub- subsidiary Companies of the Bank	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
c. Off balance sheet items				
Guarantees	30,000	20,000	-	-

43.4 Transactions with Government of Sri Lanka (GOSL) and State- Owned Enterprises (SOEs).

Transactions and arrangements entered in to by the Bank with the Government of Sri Lanka and State Owned Enterprises as follows:

For the year ended 31 December	2023	2022
	LKR '000	LKR '000
a. Items in income statement		
Interest income	257,303,527	160,961,076
Other income	105,591	168,409
Interest expenses	29,102,672	36,095,281
Tax payments Inland Revenue Department - VAT	7,318,088	8,195,633
Income Tax	5,262,634	4,146,339
Other Taxes	1,388,229	1,051,062

As at 31 December	2023	2022
	LKR '000	LKR '000

b. Items in statement of financial position

Assets		
Balances with CBSL	31,003,219	67,602,313
Investment in Government Securities	1,038,062,416	933,388,956
Loans & Receivables - Term Loans	720,729,859	707,565,659
- Overdrafts	44,438,597	61,374,355
- Bills	-	55,290
- Default LCs	-	71,876,916
	1,834,234,091	1,841,863,489
Liabilities		
CBSL Borrowings	8,921,846	176,027,732
Deposits - Demand	56,489,025	33,585,021
- Savings	41,130,343	26,578,383
- Time	374,168,418	182,741,129
	480,709,633	418,932,265

As at 31 December	2023 LKR '000	2022 LKR '000
c. Items in statement of changes in equity		
Dividends paid	18,308	219,690
Special levy	-	441,400

As at 31 December	2023 LKR '000	2022 LKR '000
d. Off balance sheet items		
Acceptances	784,322	510,098
Documentary Credit	10,662,711	6,626,744
Guarantees	5,445,015	9,407,001
	16,892,047	16,543,843

43.5 Transactions with Employment Benefit plans for Bank's employees.

Transactions and arrangements entered in to by the post employment benefit plans for Bank's employees as follows;

43.5.1 Transactions with Pre 1996 Pension Fund

For the year ended 31 December	2023 LKR '000	2022 LKR '000
a. Items in income statement		
Interest Income	-	91468
Other Income	8	3
Interest Expenses	10,093,251	7,245,954
Contribution made	1,660,624	2,257,663

As at 31 December	2023 LKR '000	2022 LKR '000
b. Items in statement of financial position		
Liabilities		
Deposits	47,790,074	39,369,185
Securities sold under repurchase agreements	14,735,018	13,869,176
Subordinated Term Debts	-	-

Notes to the Financial Statements

43. RELATED PARTY DISCLOSURE (CONTD.)

43.5.2 Transactions with Post 1996 Pension Fund

For the year ended 31 December	2023 LKR '000	2022 LKR '000
a. Items in income statement		
Interest Expenses	3,148,519	1,484,460
Contribution made	(216,782)	356,651
As at 31 December		
b. Items in statement of financial position		
Liabilities		
Deposits	15,771,399	12,717,355

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

44.1 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is disclosed in the Financial Statements are categorised using the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Valuation based on quoted market prices

Here the fair value is determined using the Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Valuation based on observable inputs

Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Valuation based on significant unobservable inputs

Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

44.2 Financial instruments recorded at fair value

Following descriptions show how fair values are determined for assets and liabilities that are recorded at fair value using valuation techniques, which incorporates the bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Financial Assets - Fair Value Through Profit or Loss

Financial instruments are classified as fair value through profit or loss consists of government securities, equity securities, unit trusts and debt securities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka and the Group uses quoted market prices in the active market for the valuation of quoted equities as at the reporting date

Financial Assets - Fair Value Through OCI

Financial Assets - Fair Value Through OCI are primarily consist of quoted & unquoted equities and debentures. These assets are valued using models that use both observable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions.

Property Plant & Equipment

Free hold lands and buildings and buildings on leasehold lands are carried at revalued amount less any subsequent accumulated depreciation and impairment losses.

44.3 Assets Measured at Fair Value - by level of the fair value hierarchy.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31st December 2023	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets								
Derivative financial instruments								
Forward foreign exchange contracts & SWAPS	-	11,259,451	-	11,259,451	-	11,259,451	-	11,259,451
Financial Assets - At Fair Value through Profit or Loss								
								-
Treasury bills and bonds	143,944,863	-	-	143,944,863	143,944,863	-	-	143,944,863
Quoted - Equity securities	226,018	-	-	226,018	638,788	-	-	638,788
- Debt securities	13,867	-	-	13,867	13,867	-	-	13,867
- Unit Trusts	-	-	-	-	1,024,939	-	-	1,024,939
Equity instruments at fair value through OCI								
Unquoted equity securities	-	-	397,072	397,072	-	-	397,082	397,082
Quoted equity securities	1,496,951	-	-	1,496,951	1,726,061	-	-	1,726,061
Debt instruments at fair value through OCI								
Treasury bills and bonds	26,512			26,512	554,565			554,565
Debt Securities	7,964,105	296,009	-	8,260,114	8,835,639	296,009		9,131,648
Non Financial Assets measured at fair value								
								-
Land and building			38,888,867	38,888,867			48,306,823	48,306,823
	153,662,245	11,565,531	39,285,939	204,513,715	156,728,651	11,565,531	48,703,905	216,998,087
Financial Liabilities								
Derivative financial instruments								
Forward foreign exchange contracts		36,049		36,049		36,049		36,049

Notes to the Financial Statements

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

31 st December 2022	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets								
Derivative financial instruments								
Forward foreign exchange contracts & SWAPS	-	14,882,584	-	14,882,584	-	14,882,584	-	14,882,584
Financial Assets - At Fair Value through Profit or Loss								
Treasury bills and bonds	5,314,829	-	-	5,314,829	5,314,829	-	-	5,314,829
Quoted - Equity securities	220,663	-	-	220,663	579,835	-	-	579,835
- Debt securities	11,191	10,071	-	21,262	11,191	10,071	-	21,262
- Unit Trusts	-	-	-	-	-	-	-	-
Equity instruments at fair value through OCI								
Unquoted equity securities	-	-	377,106	377,106	-	-	377,116	377,116
Quoted equity securities	1,284,550	-	-	1,284,550	1,467,458	-	-	1,467,458
Debt instruments at fair value through OCI								
Treasury bills and bonds	701,468	-	-	701,468	965,695	-	-	965,695
Debt Securities	9,380,893	296,009	-	9,676,902	10,167,128	296,009	-	10,463,137
Non Financial Assets measured at fair value								
Land and building	-	-	34,637,038	34,637,038	-	-	43,083,236	43,083,236
	16,913,594	15,188,664	35,014,144	67,116,402	18,506,136	15,188,664	43,460,352	77,155,152
Financial Liabilities								
Derivative financial instruments								
Forward foreign exchange contracts	-	1,888,478	-	1,888,478	-	1,888,478	-	1,888,478

44.4 Movements in Level 3 Assets Measured at Fair Value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value.

31st December 2023	Bank					Group				
	As at 1 January-23	Total Gains/ (losses) recorded in profit or loss	Total Gains/ (losses) recorded in OCI	Purchases/ (sales)	As at 31 December-23	As at 1 January-23	Total Gains/ (losses) recorded in profit or loss	Total Gains/ (losses) recorded in OCI	Purchases/ (sales)	As at 31 December-23
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Financial investments available for sale										
Unquoted equity securities	377,107	-	19,966	-	397,072	377,117	-	19,966	-	397,082
Total Level 3 financial assets	377,107	-	19,966	-	397,072	377,117	-	19,966	-	397,082
Financial Liabilities										
Total Level 3 Financial Liabilities	-	-	-	-	-	-	-	-	-	-
Total net level 3 Financial assets/(liabilities)	377,107	-	19,966	-	397,072	377,117	-	19,966	-	397,082

31st December	Bank					Group				
	As at 1 January-22	Total Gains/ (losses) recorded in profit or loss	Total Gains/ (losses) recorded in OCI	Purchases/ (sales)	As at 31 December-22	As at 1 January-22	Total Gains/ (losses) recorded in profit or loss	Total Gains/ (losses) recorded in OCI	Purchases/ (sales)	As at 31 December-22
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Financial investments available for sale										
Unquoted equity securities	403,168	-	(26,062)	-	377,107	403,178	-	(26,062)	-	377,117
Total Level 3 financial assets	403,168	-	(26,062)	-	377,107	403,178	-	(26,062)	-	377,117
Financial Liabilities										
Total Level 3 Financial Liabilities	-	-	-	-	-	-	-	-	-	-
Total net level 3 Financial assets/(liabilities)	403,168	-	(26,062)	-	377,107	403,178	-	(26,062)	-	377,117

44.5 Fair value of assets and liabilities not measured at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturity less than a year), it is assumed that the carrying amount approximate their fair values. This assumption is also applied to demand deposits, call deposits and savings deposits without specific maturity.

Fixed rate financial instruments

Loans and advances with fixed interest rates were fair valued using market rates end of the reporting period and other variable interest bearing loans were considered as carrying value equal fair value. Conversely, fixed deposits with original tenor above one year and interest paid at maturity were discounted using current market rates offered to customers end of the reporting period.

Set out below is a comparison by class, of the carrying amount and fair values of the bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non financial assets and non financial liabilities.

For the year ended 31 December	Bank				Group			
	2023		2022		2023		2022	
	Carrying amount	Fair Value	Carrying amount	Fair value	Carrying amount	Fair Value	Carrying amount	Fair value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets								
Cash and cash equivalents	61,889,582	61,889,582	66,842,171	66,842,171	63,307,106	63,307,106	68,077,027	68,077,027
Balances with central banks	31,003,219	31,003,219	67,602,313	67,602,313	31,003,219	31,003,219	67,602,313	67,602,313
Placements with banks	66,227,025	66,227,025	-	-	76,872,574	76,872,574	3,028,550	3,028,550
Loans and receivables to banks	54,022,123	54,022,123	7,689,150	7,689,150	54,422,338	54,422,338	7,689,150	7,689,150
Loans and receivables to Other Customers	1,709,457,735	1,708,266,523	1,783,106,693	1,781,262,625	1,823,770,212	1,823,770,212	1,915,771,684	1,913,927,616
Debt instruments measured at amortised cost	831,747,923	793,332,020	913,099,927	639,329,496	866,704,970	808,321,255	928,885,518	654,318,731
Financial Liabilities								
Due to banks	77,224,139	77,224,139	111,452,491	111,452,491	85,646,267	85,646,267	122,696,978	122,696,978
Due to other customers	2,653,105,546	2,637,763,025	2,371,518,898	2,334,416,188	2,745,161,610	2,729,819,089	2,450,079,037	2,450,079,037
Other borrowings	64,278,443	64,278,443	191,527,573	191,527,573	64,223,443	64,223,443	191,527,573	191,527,573
Subordinated term debts	46,997,291	46,997,291	36,603,467	36,603,467	57,806,483	57,806,483	52,781,563	52,781,563

Notes to the Financial Statements

45. FINANCIAL REPORTING BY SEGMENT

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, (including revenue and expenses that relate to transactions with other components of the group) whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

The Group's segmental reporting is based on the following operating segments

- Retail Banking
- Corporate Banking
- Treasury & Primary Dealer Unit [PDU]
- Leasing
- Insurance
- Finance
- Travels

The following table presents income, profit, total assets, total liabilities of the Group's operating segments

As at 31 st December 2022	Retail Banking		Corporate Banking		Treasury & PDU		Total Bank	
	2023	2022	2023	2022	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Income from External customers								
Net Interest Income	134,046,362	116,900,765	28,498,087	17,207,213	(111,618,917)	(60,617,165)	50,925,532	73,490,813
Net Fee and Commission Income	10,025,204	8,277,276	3,106,719	7,641,299	(290,121)	(349,505)	12,841,802	15,569,070
Net Gain(loss) From Trading	1,974,264	6,488,818	4,781,394	5,408,714	2,674,884	5,128,693	9,430,542	17,026,226
Others	3,831,210	1,598,297	98,618	89,378	(1,930,118)	(628,773)	1,999,710	1,058,902
Total Operating income from External customers	149,877,040	133,265,156	36,484,818	30,346,605	(111,164,272)	(56,466,750)	75,197,586	107,145,011
Inter-segment revenue								
Net Interest Income			3,395,914	2,267,252			3,395,914	2,267,252
Net Fee and Commission Income							-	-
Net Gain(loss) From Trading							-	-
Others	66,847	102,055			2,143,977	707,698	2,210,825	809,753
Total Inter-segment revenue	66,847	102,055	3,395,914	2,267,252	2,143,977	707,698	5,606,739	3,077,005
Total Operating Income	149,943,887	133,367,211	39,880,732	32,613,857	(109,020,294)	(55,759,052)	80,804,325	110,222,016
Total Incurred Expenses							(65,458,885)	(88,883,619)
Share of Profits/(Loss) of Associates (Net of Tax)								
Income Tax expenses							(5,262,634)	(4,146,339)
Profit for the year							10,082,806	17,192,058
Non Controlling Interest								
Profit for Equity Holders of the bank								
Other Comprehensive Income Net of Tax								
Total Comprehensive Income								
Non Controlling interest								
Profit for the Equity Holders of the bank								
Segment Assets	1,049,800,679	1,081,498,611	890,912,484	917,405,552	1,097,481,855	973,124,289	3,038,195,018	2,972,028,452
Total Assets	1,049,800,679	1,081,498,611	890,912,484	914,405,552	1,097,481,855	973,124,289	3,038,195,018	2,972,028,452
Segment Liabilities	2,636,279,847	949,377,538	157,805,950	805,911,742	84,050,642	253,619,248	2,878,136,439	2,826,734,321
Total Liabilities	2,636,279,847	949,377,538	157,805,950	805,911,742	84,050,642	253,619,248	2,878,136,439	2,826,734,321
Total Equity and Liabilities	1,049,800,679	1,081,498,611	890,912,484	917,405,552	1,097,481,855	973,124,289	3,038,195,018	2,972,028,452

	Leasing		Insurance		Travels		Unallocated		Eliminations		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	15,376,217	16,228,255	1,458,336	1,306,704	22,787	9,303					67,782,873	91,035,075
	929,485	816,002	86,896	-	-	-					13,858,183	16,385,072
	112,796	(24,144)	-	17,754	-	-					9,543,338	17,019,836
	(683,045)	71,076	4,247,065	4,514,579	64,507	34,013			-	(94,691)	5,628,237	5,583,879
	15,735,452	17,091,189	5,792,297	5,839,037	87,294	43,316	-	-	-	(94,691)	96,812,630	130,023,862
	(3,386,259)	(2,262,574)			(9,655)	(4,678)			(0)	0	-	-
									-	-	-	-
									-	-	-	-
	121,363	114,211	686,490	556,452					(3,018,678)	(1,480,417)	-	-
	(3,264,895)	(2,148,363)	686,490	556,452	(9,655)	(4,678)	-	-	(3,018,678)	(1,480,417)	-	-
	12,470,557	14,942,826	6,478,787	6,395,489	77,639	38,638	-	-	(3,018,678)	(1,575,108)	96,812,630	130,023,862
	(7,223,196)	(9,796,985)	(5,694,312)	(5,397,184)	(40,637)	(28,140)	-	-	874,701	772,719	(77,542,330)	(103,333,210)
											-	10,893
	(2,359,107)	(1,682,964)	(262,898)	(364,317)	-	-			-	28,407	(7,884,639)	(6,165,213)
	2,888,254	3,462,877	521,578	633,989	37,002	10,498	-	-	(2,143,977)	(773,982)	11,385,661	20,536,333
											872,373	1,736,673
											10,513,290	18,799,660
											4,717,602	12,786,691
											16,103,264	33,323,024
											626,793	1,768,436
											15,476,471	31,554,588
	173,167,073	181,468,519	12,144,229	11,237,585	136,217	95,530			(15,442,383)	(31,695,506)	3,208,200,156	3,133,134,578
	173,167,073	181,468,519	12,144,229	11,237,585	136,217	95,530	-	-	(15,442,383)	(31,695,506)	3,208,200,156	3,133,134,578
	128,241,858	137,873,553	6,895,677	6,586,073	31,652	23,988			(10,089,874)	(27,414,987)	3,003,215,757	2,943,802,952
	128,241,858	137,873,553	6,895,677	6,586,073	31,652	23,988	-	-	(10,089,874)	(27,414,987)	3,003,215,757	2,943,802,952
	173,167,073	181,468,519	12,144,229	11,237,585	136,217	95,530			(15,442,383)	(31,695,506)	3,208,200,156	3,133,134,578

Notes to the Financial Statements

46. NON CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation of Property plant & equipment	1,916,687	2,035,637	2,182,351	2,321,035
Amortisation of Right of Use asset	1,900,248	2,017,947	2,236,787	2,378,562
Amortisation of intangible assets	636,915	652,288	654,154	667,164
Fair Value Gain on Revaluation of Land & Buildings	(78,902)	-	(78,902)	-
Impairment losses on Financial Assets	7,437,572	33,346,451	5,821,772	34,354,192
Other impairments	-	-	253,793	(1,355)
Profit on sale of fixed assets	(329,216)	(174,560)	(421,071)	(237,350)
Changes in derivative financial instruments	1,770,703	(14,313,449)	1,770,703	(14,313,449)
Changes in fair value of trading securities	(480,955)	228,331	(480,955)	228,331
Scrip Dividend Income	(1,071,989)	(707,698)	-	-
Premium Amortisation of Held to Maturity investments	3,164,187	3,222,354	3,164,187	3,222,354
Interest expense on Lease Liabilities	768,293	607,754	1,002,226	782,854
Total	15,633,544	26,915,055	16,105,045	29,402,338

47. CHANGES IN OPERATING ASSETS

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Held at fair value through profit or loss	(138,147,039)	(4,226,235)	(139,225,576)	(3,590,711)
Net increase in balance with central bank	36,599,094	(10,884,493)	36,599,094	(10,884,493)
Net increase in placement with bank	(66,227,025)	-	(73,844,024)	297,176
Net increase in loans and receivable to banks	(46,332,973)	2,442,802	(46,733,188)	5,708,905
Net increase in loans an receivable to customers	66,211,386	19,243,964	86,179,700	40,563,185
Net increase /(Decrease) in financial investments FVOCI	2,174,221	(978,864)	2,168,482	(1,208,730)
Change in other assets	(9,075,620)	(11,069,274)	(8,101,695)	(10,939,118)
Total	(154,797,956)	(5,472,100)	(142,957,207)	19,946,214

48. CHANGES IN OPERATING LIABILITIES

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Changes in due to banks	(34,228,352)	3,706,575	(37,050,711)	299,153
Change in deposits from banks ,customers and debt securities issued	281,586,648	299,986,286	295,082,573	281,404,295
Change in other borrowings	(127,249,130)	(49,891,552)	(127,304,130)	(49,891,552)
Change in other liabilities	(77,317,211)	70,367,203	(75,667,570)	68,938,041
Total	42,791,955	324,168,512	55,060,162	300,749,931

49. 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, market, liquidity and operational risk & information security risk.. However, with the rapid technological innovations / IT based products & solutions introduced by the Bank, due consideration should be given to Information Systems risk as well. Proactive identification of such risk exposures is of high importance to ensure the sustainability and profitability of the Bank. 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 integrated risk management framework in place supports the efficient management and mitigation of the said risk exposure

Risk Management Framework

Risk is identified and managed as part of a Group-wide Risk Management Framework. The Group's Board of Directors has ultimate responsibility for the oversight of risk, determining risk appetite levels, formulating risk policies and ensuring the effectiveness of the risk management processes and procedures in place. The BIRMC (Board Integrated Risk Management Committee) assists the Board in the discharge of its risk related duties and provides independent oversight of all risk related aspects by ensuring the adequacy and effectiveness of the implementation of risk governance structures, policy frameworks, standards and processes. Furthermore, the BECC (Board Executive Credit Committee), BAC (Board Audit Committee) and the BIBC (Board Investment Banking Committee) also support the Board in discharging its risk related duties. Executive committees namely, the ALCO (Assets and Liabilities Management Committee) and the ORMC (Operational Risk Management Committee) and the CRMC (Credit Risk Management Committee) play a critical role in ensuring the effective implementation of the Bank's Risk management processes

The People's Bank Group Risk Management Framework forms the foundation for managing risk, and sets out the Group's risk universe, risk parameters and assigns executive and board responsibility for the management and oversight of risk and ensures that growth and risk considerations are appropriately balanced. Policies and systems associated with the Risk Management framework are reviewed on a regular basis to factorize the adversities in market conditions and the changes in Group's activities

The framework is based on the three lines of defense model specifically, the Business Line, Risk Management and Internal Audit

Risk Appetite

The term 'Risk Appetite' refers to the broad types and quantum of risk the People's Bank Group is willing to undertake in implementing its business strategy. It is expressed in the form of tolerance limits and risk trigger points across a range of variables. The Board of Directors has ultimate responsibility for setting the Risk Appetite of the Group and ensure that the exposures and risks are maintained within that approved levels.

Risk Mitigation

The Bank carefully analyzes and imposes risk mitigating measurements, Continuous monitoring and reporting to the board/ management committees, obtains various types of collateral and establishes maximum prudential limits in order to mitigate various risks

Risk Management and Credit Control Department

The Risk Management and Credit Control Department (RM & CC) holds overall executive responsibility for the Bank's risk management functions. The Department is headed by the DGM-Risk Management who reports directly to the BIRMC and operates independently of business units as well as profit and volume targets. The Credit Pre-Review unit, Credit Post-Review unit, Treasury Middle Office and Operational Risk unit have been established Separately under the guidance of DGM-Risk Management with specific responsibilities to handle credit, market and operational Risk.

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. In addition to the credit risk from direct funding exposures, the Bank would also be exposed to indirect liabilities such as letters of credit, guarantees etc., which would carry credit risk. Credit risk is composed of default risk /settlement risk, concentration risk and counterparty risk.

The Board Executive Credit Committee (BECC) functions as the steering committee holding overall responsibility for implementing the Bank's credit risk management framework. The Credit Control Unit operates independently from the business lines and drives all credit risk management efforts. The primary responsibility for managing credit risk lies with the business units, complemented by independent review by the Credit Control Unit

Key aspects of the Group's credit policies include delegated approval authority at multiple levels, a comprehensive credit appraisal mechanism which includes well-defined credit criteria and prudential limits in line with the defined risk appetite among others. Borrowers are assessed primarily on repayment capacity and internally developed risk rating scorecards and a 9-point rating scale is used for evaluating credit worthiness

Tailor-made scorecards have been developed for assessing corporates, SME borrowers' financial institutions as well as retail borrowers. The internal credit rating models in place represent diverse risk factors and are able to predict the probability of default and loss given default.

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Impairment Assessment

Definition of Default and Cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past or three instalments in arrears due on its contractual payments or when classified as Non-Performing Loan(NPL) as per directions issued by the Central Bank of Sri Lanka (CBSL). The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Individually Assessed Allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis if there is any objective evidence of a potential loss. The Bank has currently set individually significant threshold at Rupees 25 Mn and every customer having an aggregate exposure above that limit is individually assessed for objective evidence of incurred loss. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy arise, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows.

Collectively-Assessed Allowances

Customers that have been assessed individually and found not to be impaired are then assessed collectively together with the loans below the individual threshold in groups of loans with similar risk characteristics. Customer exposure which are above the set threshold, but no conditions exists under objective evidence are also considered under collective impairment assessment. In line with the requirements of the standard, several estimates have been factored in by the management when determining the expected Credit Losses under the general approach.

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized. Bank determines 12 month ECL for customers who are not significantly credit deteriorated (i.e. less than or equal to 30 days past due)

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognized. In consistent with the policies of the bank, significant deterioration is measured with the rebuttable presumption of 30 days past due other than the credit facilities categorized under Stage 3, in line with the requirements of the standard. Bank also has considered all restructured loans, which are restructured up to two times, other than credit facilities/exposures upgraded from a higher stage to a lower stage under stage 2. This is done in compliance with the Banking Act Direction No. 13 of 2021-Classification, Recognition and Measurement of Credit Facilities in Licensed Banks.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount. Bank determines credit facilities where contractual payment of customer is more than 90 days past due subject to the rebuttable presumption as stated in SLFRS 9 together with all NPL classifications as per Central Bank classification, all restructured loans which are restructured more than twice and all rescheduled loans other than credit facilities/exposures upgraded from a higher stage to a lower stage.

As at 31 December	2023 LKR '000	2022 LKR '000
Individually Significant Impaired Loans		
Amortized Cost	250,715,569	298,784,804
Allowances for Impairment	(101,978,763)	(91,505,252)
Carrying amount as at 31st December	148,736,805	207,279,552
Collectively Assessed Loans		
Amortized Cost	1,595,673,941	1,617,003,819
Allowances for Impairment	(34,953,011)	(41,176,678)
Carrying amount as at 31st December	1,560,720,930	1,575,827,141

PD estimation process

Probability of Default is the likelihood of a borrower defaulting on its financial obligations either over the next 12 months (i.e 12 month PD) or over the remaining lifetime (i.e lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due (i.e number of days passed since the due date) is the main determinant of the PD estimation process. In this process historical information pertaining to 5 years have been used depending on the nature of the product. Accordingly, exposures are categorized among 5 buckets based on the DPD as follows.

- Zero days past due
- 1-30 days past due
- 31-60 days past due
- 61-90 days past due
- Above 90 days past due

The exposure at default (EAD)

The exposure at default (EAD) represents the expected exposure in the event of a default. The Bank uses Credit Conversion Factors (CCF) which explains the historical utilization of defaulted facilities at the time of default to calculate the EAD of revolving facilities in which customers have the ability to increase their exposure. For non-revolving facilities, already utilized amount plus any undisbursed amount and accrued interest over the same is considered as EAD.

Loss given default (LGD)

Loss given default (LGD) is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed the Above 90 days at-least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan. Virtually closed contracts are also considered in computation of LGD. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

Analysis of the total impairment for expected credit losses

As at 31 December 2023		Stage 1	Stage 2	Stage 3	Total
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	17.4	732	22,513	-	23,246
Placements with Banks	19.2	60,823	-	-	60,823
Loans and Receivables to Banks	22.2	34,330	-	-	34,330
Loans and Receivables to Other Customers	23.2	9,635,625	9,115,910	118,180,240	136,931,775
Debt instruments at amortised cost	24.2	-	8,399,460	-	8,399,460
Debt instruments at fair value through OCI	26.2	608	361,503	-	362,111
Total Impairment for Expected Credit Losses		9,732,118	17,899,386	118,180,240	145,811,744

As at 31 December 2022		Stage 1	Stage 2	Stage 3	Total
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	17.4	918	24,292	-	25,210
Placements with Banks	19.2	-	-	-	-
Loans and Receivables to Banks	22.2	-	-	-	-
Loans and Receivables to Other Customers	23.2.1	6,241,576	19,206,289	107,234,065	132,681,930
Debt instruments at amortised cost	24.2	-	6,583,582	-	6,583,582
Debt instruments at fair value through OCI	26.2	1,571	296,009	-	297,580
Total Impairment for Expected Credit Losses		6,244,065	26,110,172	107,234,065	139,588,302

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Forward looking information in the ECL Model under Multiple Economic Scenarios

The Bank incorporates forward looking information in its measurement of expected credit losses under three main scenarios namely best case, base case and worst case.

Probability weighting for scenarios

As at December 31,	2023	2022
Best Case	20%	10%
Base Case	20%	10%
Worst Case	60%	80%

The base case refers to the most likely outcome and is aligned with the information used by the Bank for its other operational purposes. The key drivers of credit risk both quantitative and qualitative identified in its impairment assessment are as following. Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources such as Asian Development Bank, World Bank and etc.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth	Status of Industry business
Inflation	Regulatory impact
Interest rate(AWPLR)	Government policies
Exchange Rate	Average loan to value ratio
Unemployment rate	

Sensitivity of impairment provision on loans and advances to other customers

The Bank has estimated its provisions on expected credit losses(ECL) to other customers as at December 31,2023 based on various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the statement of financial position.

The following table demonstrates the sensitivity of the provisions on expected credit losses(ECL) to other customers as at December 31,2023 to possible changes in the PDs,LGDs and forward looking macro economic information.

	Sensitivity effect on statement of financial position [Increase/ (Decrease) in impairment provision]			Total	Sensitivity effect on income statement
	Stage 1	Stage 2	Stage 3		
Probability of Default(PD)					
PD 1% increase across all age buckets	1,905,005	483,772	-	2,388,777	(2,388,777)
PD 1% decrease across all age buckets	(1,035,098)	(483,772)	-	(1,518,871)	1,518,871
Loss Given Default					
LGD 5% increase	892,726	2,708,821	1,177,103	4,778,649	(4,778,649)
LGD 5% decrease	(892,726)	(2,708,821)	(1,177,103)	(4,778,649)	4,778,649
Probability weighted forward looking macro economic indicators					
worst case 10% increase,base case 5% decrease and best case 5% decrease	75,152	197,222	-	272,374	(272,374)
worst case 10% decrease,base case 5% increase and best case 5% increase	(75,152)	(197,222)	-	(272,374)	272,374

Reconciliation of Changes in credit-impaired (stage 3) loans and advances

	2023 LKR '000
Stage 3 loans and advances to other customers as at January 1	332,793,983
Newly classified as impaired loans and advances during the year	22,305,682
Net change in already impaired loans and advances during the year	(2,659,385)
Net payment, write off and recoveries and other movements including upgrades during the year	(91,160,046)
Impaired loans and advances to customers as at December 31	261,280,234

Provision for impairment(ECL) movement

The following table shows reconciliation from the opening to closing balance of the provision for impairment of loans and advances to other customers

	12 month ECL (Stage 1) LKR '000	Lifetime ECL-not credit impaired (Stage 2) LKR '000	Lifetime ECL- credit impaired (Stage 3) LKR '000	Total LKR '000
Provision for impairment (ECL) as at January	6,241,576	19,206,289	107,234,065	132,681,930
Transfer to Stage 1	280,316	(199,728)	(80,589)	-
Transfer to Stage 2	(908,948)	2,016,442	(1,107,494)	-
Transfer to Stage 3	(207,012)	(790,376)	997,388	-
Net remeasurement of impairment	5,113,488	433,760	14,442,229	19,989,478
New assets originated or purchased	1,652,560	395,121	699,562	2,747,243
Financial assets derecognised or repaid(excluding write offs)	(2,536,356)	(11,945,598)	(2,780,435)	(17,262,389)
Write offs and recoveries			(376,293)	(376,293)
Foreign exchange adjustments			(848,195)	(848,195)
Provision for impairment (ECL) as at December 31,2023	9,635,625	9,115,910	118,180,240	136,931,775

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Collateral and Other Credit Enhancements

Net Exposure to Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place in the Bank's Credit Policy Guideline and Credit Procedure Manual covering the acceptability and valuation of each type of collateral. We adopt a stringent approach towards collateral valuation, and these are regularly reviewed and updated to ensure that valuations reflect market conditions. Relatively diverse collateral portfolio of the Bank mitigates the impact of potential price drops in a particular asset class.

The main types of collateral obtained are as follows.

- For commercial lending - charges over real estate properties, movables, trade receivables, debt securities, inventory, cash deposits, corporate and personal guarantees
- For retail lending - mortgage over residential properties, vehicles, gold, cash deposits and personal guarantees
- For Government and State Owned Enterprises-Government treasury guarantees

The following tables show the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset.

As at 31 December 2023	Maximum exposure to credit risk LKR '000	Net Exposure LKR '000
Cash and Cash Equivalents	61,889,582	8,572,529
Derivative Financial Instruments	11,259,451	11,259,451
Financial Assets-at fair value through profit or loss	144,184,748	144,184,748
Loans and Receivables to Banks	54,022,123	54,022,123
Loans and Receivables to Other Customers	1,709,457,735	400,146,333
Equity Instruments at fair value through OCI	1,894,023	1,894,023
Debt Instruments at fair value through OCI	8,286,626	8,286,626
Debt Instruments measured at amortized cost	831,747,923	831,747,923
Total	2,822,742,211	1,460,113,756

As at 31 December 2022	Maximum exposure to credit risk LKR '000	Net Exposure LKR '000
Cash and Cash Equivalents	66,842,171	11,577,656
Derivative Financial Instruments	14,882,584	14,882,584
Financial Assets-at fair value through profit or loss	5,556,754	5,556,754
Loans and Receivables to Banks	7,689,150	7,689,150
Loans and Receivables to Other Customers	1,783,106,693	486,927,320
Equity Instruments at fair value through OCI	1,661,656	1,661,656
Debt Instruments at fair value through OCI	10,378,370	10,378,370
Debt Instruments measured at amortized cost	913,099,927	913,099,927
Total	2,803,217,305	1,451,773,417

Concentration of Credit Risk

Concentration risk stems from high lending exposure to a particular sector, product, region or customer/group. The Bank's Risk Appetite clearly defines exposure limits for particular sectors and products and such limits are reviewed and modified in the context of emerging risks and opportunities presented by the operating landscape. In addition to adherence to the Single Borrower Limit, the Bank also uses Herfindahl-Hirschman Index (HHI) to monitor and control concentrations. These limits are monitored by the Risk Management Department, BIRMC and Board on a regular basis. The Bank imposed individual as well as sector-wise maximum facility limits for State Owned Enterprises (SOE) with the objective of managing concentration risk in the SOE exposure.

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

An analysis of risk concentration by industry for the financial assets is given below.

As at 31 December 2023	Government	Commercial	Financial	Agricultural
Financial Assets				
Cash & Cash Equivalents	-	-	61,912,828	-
Balances with Central Bank of Sri Lanka	31,003,219	-	-	-
Placement with Banks	-	-	66,287,848	-
Derivative financial instruments	-	-	11,259,451	-
Financial Assets - at fair value through profit & loss	143,944,863	65,326	-	13,867
Loans and Recievables to banks	54,056,453	-	-	-
Loans and Recievables to Other customers	762,199,149	164,736,057	30,484,592	13,746,689
Debt instruments measured at amortised cost	840,147,383	-	-	-
Equity instruments at fair value through OCI	-	458,073	528,783	-
Debt instruments at fair value through OCI	2,959,191	1,472,316	3,306,741	-
Total	1,834,310,258	166,731,772	173,780,243	13,760,556

As at 31 st December 2022	Government	Commercial	Financial	Agricultural
Financial Assets				
Cash & Cash Equivalents	-	-	66,867,381	-
Balances with Central Bank of Sri Lanka	67,602,313	-	-	-
Placement with Banks	-	-	-	-
Derivative financial instruments	-	-	14,882,584	-
Financial Assets - at fair value through profit & loss	5,314,829	73,242	-	21,262
Loans and Recievables to banks	7,689,150	-	-	-
Loans and Recievables to Other customers	871,619,489	163,021,413	24,001,868	13,577,587
Debt instruments measured at amortised cost	919,683,509	-	-	-
Equity instruments at fair value through OCI	-	455,019	478,347	-
Debt instruments at fair value through OCI	3,634,648	2,601,855	3,595,532	-
Total	1,875,543,937	166,151,529	109,825,712	13,598,849

Industrial	Tourism	Housing & property Development	Consumption	Services	other	ECL	Total
-	-	-	-	-	-	(23,246)	61,889,582
-	-	-	-	-	-	-	31,003,219
-	-	-	-	-	-	(60,823)	66,227,025
-	-	-	-	-	-	-	11,259,451
99,422	-	-	10,883	50,387	-	-	144,184,748
-	-	-	-	-	-	(34,330)	54,022,123
48,117,596	29,106,894	379,814,464	359,615,811	18,603,837	39,964,420	(136,931,773)	1,709,457,735
-	-	-	-	-	-	(8,399,460)	831,747,923
-	-	-	-	907,167	-	-	1,894,023
-	-	-	-	548,378	-	-	8,286,626
48,217,018	29,106,894	379,814,464	359,626,694	20,109,768	39,964,420	(145,449,631)	2,919,972,455

Industrial	Tourism	Housing & property Development	Consumption	Services	other	ECL	Total
-	-	-	-	-	-	(25,210)	66,842,171
-	-	-	-	-	-	-	67,602,313
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	14,882,584
103,754	-	-	9,504	34,163	-	-	5,556,754
-	-	-	-	-	-	-	7,689,150
55,874,413	31,011,042	426,841,415	282,618,630	19,292,395	27,930,370	(132,681,930)	1,783,106,693
-	-	-	-	-	-	(6,583,582)	913,099,927
-	-	-	-	728,291	-	-	1,661,657
-	-	-	-	546,336	-	-	10,378,370
55,978,167	31,011,042	426,841,415	282,628,134	20,601,184	27,930,370	(139,290,722)	2,870,819,619

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Liquidity Risk

Liquidity risk is the potential loss of earnings / erosion of capital arising from the inability to meet the Bank's contractual financial obligations as and when they fall due. Banks are vulnerable to liquidity and solvency problems resulting from asset and liability mismatches. The management of such risks are a vital element of the Bank's operations.

The Bank's liquidity risk management framework aims to assess/ quantify and ensure the availability of funds required to meet Bank's contractual obligations at appropriate times. This is ensured under both normal and stressed conditions. The Bank's Treasury is entrusted to manage the liquidity risk and the Risk Management Department ensures same by monitoring the adherence to set limits / regulatory ratios etc. and performing other related analysis. ALCO on the other hand, oversee the management of same by continuously monitoring the Bank's liquidity position to ensure that compliance to internal targets as well as regulatory requirements is met.

The Bank manages liquidity risk, in accordance with regulatory guidelines and international best practices and measures liquidity through the dual approaches of flow and stock. The flow method measures liquidity through analyzing the mismatch between inflows and outflows in various time bands based on the maturity of assets and liabilities. The stock method measures liquidity in terms of a set of key ratios such as Loans to Deposit ratio, Commitments ratio (Unutilized portion of overdrafts/Unutilized Inter-bank lines), statutory liquid asset ratio, liquidity coverage ratio and cumulative mismatches.

Maturity Profile of Assets & Liabilities (LKR'000) As At 31.12.2023

	Up to 3 M LKR '000	3-12 M LKR '000	1-3 Years LKR '000	3-5 Years LKR '000	Over 5 Years LKR '000	Total	
						2023 LKR '000	2022 LKR '000
Assets							
Cash and Cash equivalents	61,889,582	-	-	-	-	61,889,582	66,842,171.00
Balances with Central Bank	11,600,271	15,922,032	1,423,281	2,020,130	37,504	31,003,219	67,602,313.00
Placements with banks	66,227,025	-	-	-	-	66,227,025	-
Derivative with Banks	11,259,451	-	-	-	-	11,259,451	14,882,584.00
Financial Assets - At Fair Value through Profit or Loss	144,184,748	-	-	-	-	144,184,748	5,556,754.00
Financial Assets - At Amortised Cost							
Loans and advances to Banks	-	54,022,123	-	-	-	54,022,123	7,689,150.00
Loans and advances to Other Customers	129,619,860	777,838,922	127,227,455	177,495,626	497,275,872	1,709,457,735	1,783,106,693.00
Debt instruments measured at amortised cost	232,710,321	189,722,819	362,586,392	24,339,366	22,389,025	831,747,923	913,099,927.00
Equity instruments at fair value through OCI	1,894,023	-	-	-	-	1,894,023	1,661,656.00
Debt instruments at fair value through OCI	8,286,626	-	-	-	-	8,286,626	10,378,371.00
Investments in subsidiaries	-	-	-	-	4,280,522	4,280,522	4,280,522.00
Goodwill and intangible assets	-	-	-	-	56,174,042	56,174,042	49,330,080.00
Property, plant and equipment	-	-	-	-	1,763,287	1,763,287	1,719,177.00
Other assets	54,804,251	433,123	94,855	235,224	437,259	56,004,712	45,879,055
Total Assets 2023	722,476,158	1,037,939,019	491,331,983	204,090,346	582,357,511	3,038,195,018	
Total Assets 2022	386,697,380	840,983,554	328,480,459	809,012,596	606,854,462		2,972,028,452

	Up to 3 M	3-12 M	1-3 Years	3-5 Years	Over 5 Years	Total	
						2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Liabilities							
Due to banks	74,066,916	3,157,222	-	-	-	77,224,139	107,745,916
Derivative with Banks	36,049	-	-	-	-	36,049	1,761,220
Due to other customers	1,347,861,122	1,007,364,506	121,797,527	172,872,976	3,209,416	2,653,105,546	2,071,532,612
Other Borrowings	46,882,315	3,157,222	-	14,238,905	-	64,278,443	241,419,125
Debt securities issued	-	-	-	-	29,112,200	29,112,200	-
Current tax liabilities	1,184,853	-	-	-	-	1,184,853	6,452,823
Net Deferred Tax Liabilities	-	-	-	-	5,029,929	5,029,929	2,687,330
Other liabilities	5,488,870	18,612,971	6,170,358	7,991	-	30,280,189	31,102,734
Subordinated term debts	-	-	-	-	46,997,291	46,997,291	48,861,680
Stated Capital/Assigned Capital	-	-	-	-	12,201,998	12,201,998	12,201,998
Statutory Reserve Fund	-	-	-	-	10,574,271	10,574,271	9,210,528
Other reserve	-	-	-	-	42,084,584	42,084,584	35,902,287
Retained earnings	-	-	-	-	95,197,726	95,197,726	78,762,283
Total Liabilities 2023	1,475,520,125	1,032,291,922	127,967,884	187,119,872	215,295,215	3,038,195,018	-
Total Liabilities 2022	1,439,824,293	1,124,529,936	63,231,591	176,142,396	168,300,236	-	2,972,028,452
NET 2023	(753,043,967)	5,647,097	363,364,099	16,970,474	367,062,296	-	-
NET 2022	(1,053,126,913)	(283,546,382)	265,248,868	632,870,200	438,554,226	-	-
Total equity and liabilities 2023	722,476,158	1,037,939,019	491,331,983	204,090,346	582,357,511	3,038,195,018	-
Total equity and liabilities 2022	386,697,380	840,983,554	328,480,459	809,012,596	606,854,462	-	2,972,028,452

Maturity Profile of the Undiscounted Cash Flows of Financial Liabilities as at 31 December 2023

	On Demand	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Due to Banks	3,563,375	-	8,071,518	103,235,990	-	114,870,882
Derivative Financial Instruments	-	1,639,606	-	-	-	1,639,606
Due to Other Customers	829,989,112	568,690,207	1,082,388,195	427,901,684	5,245,111	2,914,214,309
Other Borrowings	-	46,950,313	3,631,951	-	6,302,603	56,884,867
Subordinated Term Debts	-	499,212	3,627,293	34,485,490	17,097,100	55,709,095
Total Undiscounted Financial Liabilities	833,552,487	617,779,338	1,097,718,957	565,623,163	28,644,814	3,143,318,759

Maturity Profile of the Undiscounted Cash Flows of Financial Liabilities as at 31 December 2022

	On Demand	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Due to Banks	6,707,600	4,440,786	5,678,409	146,792,379	-	163,619,175
Derivative Financial Instruments	-	104,362,796	2,989,231	-	-	107,352,027
Due to Other Customers	755,708,257	490,503,273	1,153,960,050	184,787,506	4,148,110	2,589,107,197
Other Borrowings	-	182,676,375	3,649,076	-	6,140,314	192,465,764
Subordinated Term Debts	-	499,212	3,627,293	34,485,490	17,097,100	55,709,095
Total Undiscounted Financial Liabilities	762,415,857	782,482,442	1,169,904,058	366,065,376	27,385,524	3,108,253,257

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Market Risk

Market risk is potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, share prices, foreign exchange rates and bond and commodity prices. Most of the Bank's operations are exposed to at least one or more elements of market risk. The market risk stems primarily from the interest rate risk of its trading and non-trading books and from exposure to gold prices due to its pawning portfolio.

At Board level, exposure to market risk is monitored by the BIRMC which is also responsible for providing recommendations to the Board on the Bank's market risk management framework, policies and risk appetite limits. The ALCO is vested with the responsibility of implementing the market risk management framework at an executive level and ensures that the Bank's market risk exposures are within the defined risk appetite. Policies governing the Bank's market risk include Treasury policy and policy on stress testing. These frameworks collectively provide guidance on the systems, procedures, tools and techniques for the identification, assessment, mitigation, monitoring and reporting on all market related risks. The policies are reviewed and updated regularly in view of emerging market risks. The management of market risk is entrusted to the Bank's Treasury and Risk Management ensures the same through its monitoring and analysis.

The Bank's market risk exposures are classified into trading and banking book and are managed separately. Sensitivity and scenario analysis of portfolios are carried out together with mark-to-market valuations and duration analysis that reflects the portfolio sensitivity to the market volatility. The principal tool used to measure and control market risk exposure within the Bank's trading portfolio is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based on a 99% confidence level and assumes one day holding period. The VaR model used is based mainly on variance co variance method.

The Bank uses VaR limits to monitor and manage the market risk, specifically foreign exchange and interest rate. The overall structure of VaR limits is subject to review and approval by BIRMC. VaR limits are allocated to trading portfolios. VaR is measured and monitored against its limits at least daily by the Treasury Middle office, which is attached to the Risk Management Department.

Interest rate risk

Interest rate risk is the potential loss to earnings and capital resulting from the Bank's exposure to interest rate sensitive assets. The market value of such assets fluctuates in line with changes in interest rates and credit spreads. The Bank's exposure to interest rate risk arises from its lending portfolio, trading securities and deposit liabilities.

Techniques used to measure interest rate risk include Duration Gap Analysis, VaR and Earnings at Risk. Rate sensitive assets and liabilities are mapped into time buckets based on their maturity period, in order to ascertain the duration gap and overall exposure to interest rate risk.

Foreign exchange risk

Foreign exchange risk (FOREX) is the potential impact to earnings and/or capital stemming from adverse fluctuations in exchange rates. Such exposure of the Bank stems from proprietary trading and from undertaking transactions denominated in foreign currency namely, import/export transactions and remittances etc. CBSL regulatory limits and board approved limits are in place on currency positions and are monitored on a daily basis. Hedging strategies are used to ensure positions are maintained within established limits.

The Bank also conducts VaR calculations and stress testing on the portfolios subject to forex risk. Parallel VaR calculations are performed by the Bank's Treasury Management System (based on Finacle) and the Bloomberg system. Stress testing is performed by applying rate shocks in order to gauge the potential impact on the Bank's profitability and capital adequacy levels.

Equity risk

Equity risk arises from exposures to changes in fluctuations in the value of equity investments held by the Bank. This arises primarily from its fair value through profit or loss and fair value through OCI investment portfolio and excludes strategic investments by the Bank in subsidiaries.

The BIBC (Board Investment Banking Committee) is responsible for formulating all investment related policies and ensuring that the Bank's investment risks are managed in line with its defined risk appetite. The Board approved Investment Banking Policy Manual clearly articulates the procedures, tools and techniques for managing equity risk as well as volume and stop loss limits.

Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. Operational risks exist in the natural course of business activities, products and processes. When controls fail to perform, operational risks can cause damage to reputation and create legal or regulatory implications, or lead to financial losses. Operational Risks cannot be fully eliminated. However Bank objective is to manage operational risk in order to avoid financial losses and damage to the Bank's reputation with overall cost effectiveness, innovation and contain it within acceptable levels as determined by Bank's Board of Directors.

The Bank's Operational Risk management framework clearly articulates the policies, structures and processes in place to manage the different types of operational risk exposures. The Board of Directors, supported by the BIRMC is responsible for formulating policy and ensuring the robustness of the operational risk management framework. Loss events are recorded and periodically reported through the Risk Management Unit to the Operational Risk Management Committee (ORMC). Meanwhile, Internal Audit also provides assurance to the Board on the effectiveness on the operational risk management processes in place.

Capital Adequacy and Internal Capital Adequacy Assessment Process (ICAAP)

Capital Adequacy

The capital adequacy is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted assets. The capital adequacy ratio is known as capital-to-risk weighted assets. Sound Capital Adequacy protects rights of the depositors and ensures the stability and efficiency of the bank. Two types of capital measurements are imposed by the CBSL under Basel guidelines which are tier-1 capital and tier-2 capital requirements which can absorb losses to protect the rights of depositors and stakeholders.

Internal Capital Adequacy Assessment Process (ICAAP)

Under ICAAP the Bank has in place internal procedures and processes to ensure that it possesses adequate capital resources in the long term to cover all of its material risks. These processes and procedures are known as the Internal Capital Adequacy and Assessment Process (ICAAP). ICAAP report is prepared by the Risk Management Department, in coordination with the Finance and Compliance Departments and has been subject to review by the bank's Internal Audit Dept., and recommended by the BIRMC for approval of the Board. ICAAP determines the level of capital to be maintained against all risks and ensure that banks have adequate capital to support all risks and ensure that banks use ICAAP in more general business decisions and budgets, in more specific decisions such as allocating capital to business units and when evaluating individual credit decision process. Also the Internal Capital Adequacy Assessment Process (ICAAP) covers capital planning over the next 5 years.

Recovery Plans (RCP)

As per CBSL Direction No 13 of 2021 the Bank implement Recovery Plans (RCP) commencing from 2022. The scope of the Recovery Plans shall identify the full range of recovery options available to a licensed bank to deal with shocks to capital, liquidity and all other aspects that may arise from bank specific stresses, market wide stresses or a combination of both

The Recovery Plans include and properly addressed the nature, scales, complexity and interconnectedness of,

Critical Functions and Critical Shares Services

- Recovery Triggers and Indicators
- Recovery Options
- Governance Framework within the Bank
- Implementation Strategies

Bank has appointed DGM Risk Management to oversee RCP process . Further RCP is a dynamic process and be updated annually and as and when required.

RCP shall be approved by Board of Directors with the recommendation of the BIRMC and RCP assign clear responsibilities of key management personnel for formulating, maintaining, reviewing, executing and activating the required functionalities.

Capital Management

The Bank's capital management framework has been designed taking into consideration regulatory requirements on capital as well as future growth aspirations and funding options available to the Bank.

The Capital Adequacy Ratio (CAR) is calculated based on the CBSL Directions based on the Basel framework. Since 1st July 2017, the Bank is required to comply with Basel III Guidelines. According to Basel III framework the Bank is required to maintain a CAR of not less than 9.5% with core capital (Tier I) and a minimum overall CAR of 13.5% as at 31.12.2023.

The details of the computation of the capital and the ratios as at 31st December 2023 and 31st December 2022 are given below for the Bank and Group:

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

CAPITAL ADEQUACY - BANK

Computation of Risk Weighted Assets

As at 31st December	Balance		Risk Weight %	Risk weighted Balance	
	2023 LKR '000	2022 LKR '000		2023 LKR '000	2022 LKR '000
Assets	-	-	0-150	-	-
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	1,193,812,736	1,557,190,034	0-20	47,995,325	104,078,413
Claims on Foreign Sovereigns and their Central Banks	-	-	0-150	-	-
Claims on Public Sector Entities (PSEs)	113,289,213	112,025,739	20-150	155,041,167	34,966,728
Claims on Official Entities and Multilateral Development Banks(MDBs)	-	-	0-150	-	-
Claims on Banks	74,776,309	11,566,209	20-150	41,111,205	4,949,674
Claims on Financial Institutions	4,874,079	6,701,868	20-150	2,586,989	3,604,999
Claims on Corporates	88,321,523	176,721,225	20-150	85,966,654	176,709,703
Retail Claims	487,159,525	487,235,137	75-100	394,447,443	380,310,299
Claims Secured by Gold	260,366,719	183,955,880	20-100	3,607,839	2,922
Claims Secured by Residential Property	56,187,375	59,509,996	50-100	19,665,581	20,828,499
Claims Secured by Commercial Real Estate	-	-	100	-	-
Non-Performing Assets (NPAs)	55,272,290	39,155,305	50-150	76,047,711	51,930,634
High Risk Categories	1,253,821	1,147,268	150-250	3,134,552	2,868,170
Cash Items	54,336,057	57,119,603	0-20	199,152	365,976
Property, Plant & Equipment	46,870,490	40,404,636	100	46,870,490	40,404,636
Other Assets	24,972,583	33,643,211	100	24,972,583	33,643,211
Total	2,461,492,719	2,766,376,111		901,646,692	854,663,864

Above Risk Weighted Assets includes the credit equivalent of off balance sheet exposures illustrated below.

Off balance Sheet Exposures

	Balance		Credit Conversion Factor (%)	Credit Equivalent	
	2023 LKR '000	2022 LKR '000		2023 LKR '000	2022 LKR '000
Instruments					
Direct Credit Substitutes	18,587,513	18,599,654	100	18,587,513	18,599,654
Transaction-related Contingencies	26,405,984	40,145,861	50	13,202,992	20,072,930
Short-Term Self-Liquidating Trade-Related Contingencies	23,742,292	14,063,936	20	4,748,458	2,812,786
Sale and Repurchase Agreements and Assets Sale with recourse where the credit risk remains with the Bank			100	-	-
Obligations under an On-going Underwriting Agreement			50	-	-
Other Commitments with an Original maturity of up to one year or which can be unconditionally cancelled at any time			0-20	0	0
Commitments with an original maturity up to 1 year	65,479,645	56,307,598	20	13,095,929	11,261,520
Other Commitments with an Original Maturity of over one year		-	50	-	-
Foreign Exchange Contracts	46,039,737	152,222,636	0-5	920,795	3,044,453
Interest Rate Contracts			0-3		
Total	180,255,171	281,339,685		50,555,687	55,791,343

Computation of Capital

	2023 LKR '000	2022 LKR '000
Common Equity Tier I (CET1) Capital	122,360,337	111,298,172
Total Tier 1 Capital	127,360,337	116,298,172
Total Capital	178,793,109	159,532,587
Computation of Ratios		
Total Risk Weighted Assets for Credit risk	901,646,691	854,663,864
Total Risk Weighted Assets for Market risk	23,050,845	22,038,936
Total Risk Weighted Assets for Operational risk	104,857,270	101,773,095
Total Risk Weighted Assets	1,029,554,806	978,475,894
Common Equity Tier I (CET1) Capital Ratio (Minimum Requirement 8.0%- 2022 7.0%- 2021)	11.88	11.37
Total Tier1 Capital (Tier I) (minimum requirement 9.5% -2022, 8.5%- 2021)	12.37	11.89
Total Capital Ratio (Minimum Requirement 13.5% -2022, 12.5%- 2021)	17.37	16.30

CAPITAL ADEQUACY - GROUP

Computation of Risk Weighted Assets

As at 31st December	Balance		Credit Weight %	Credit Equivalent	
	2023 LKR '000	2022 LKR '000		2023 LKR '000	2022 LKR '000
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	1,225,496,081	1,570,101,439	0-20	47,995,325	104,078,413
Claims on Foreign Sovereigns and their Central Banks	-	-	0-150	-	-
Claims on Public Sector Entities (PSEs)	113,589,111	112,025,739	20-150	15,510,147	34,966,728
Claims on Official Entities and Multilateral Development Banks(MDBs)	-	-	0-150	-	-
Claims on Banks	85,788,707	14,767,304	20-150	46,446,557	7,318,902
Claims on Financial Institutions	4,874,079	6,701,868	20-150	2,586,989	3,604,999
Claims on Corporates	88,321,523	176,721,225	20-150	85,966,654	176,709,703
Retail Claims	583,301,656	618,205,712	75-100	466,554,042	511,280,874
Claims Secured by Gold	260,366,719	183,955,880	20-100	3,607,839	2,922
Claims Secured by Residential Property	56,187,375	59,509,996	50-100	19,665,581	20,828,499
Claims Secured by Commercial Real Estate	-	-	100	-	-
Non-Performing Assets (NPAs)	73,835,245	40,849,720	50-150	103,892,143	53,625,050
High Risk Categories	-	1,487,552	150-250	-	3,718,881
Cash Items	55,386,732	58,181,917	0-20	199,152	365,976
Property, Plant & Equipment	57,809,915	50,854,687	100	57,809,915	50,854,687
Other Assets	28,394,558	41,682,244	100	28,003,220	41,682,244
Total	2,632,960,363	2,935,045,283		1,017,828,564	937,833,649

Above Risk Weighted Assets includes the credit equivalent of off balance sheet exposures illustrated below.

Notes to the Financial Statements

49. FINANCIAL RISK MANAGEMENT (CONTD.)

Off balance Sheet Exposures

	Balance		Credit Conversion Factor (%)	Credit Equivalent	
	2023 LKR '000	2022 LKR '000		2023 LKR '000	2022 LKR '000
Instruments					
Direct Credit Substitutes	18,587,513	18,599,654	100	18,587,513	18,599,654
Transaction-related Contingencies	26,405,984	40,145,861	50	13,202,992	20,072,930
Short-Term Self-Liquidating Trade-Related Contingencies	23,742,292	14,063,936	20	4,748,458	2,812,787
Sale and Repurchase Agreements and Assets Sale with recourse where the credit risk remains with the Bank			100	-	-
Obligations under an On-going Underwriting Agreement			50	-	-
Other Commitments with an Original maturity of up to one year or which can be unconditionally cancelled at any time			0-20	0	0
Commitments with an original maturity up to 1 year	65,479,645	56,307,598	20	14,095,929	11,261,520
Other Commitments with an Original Maturity of over one year	-	-	50	-	-
Foreign Exchange Contracts	46,039,737	152,222,636	0-5	1,131,082	3,044,453
Interest Rate Contracts			0-3		
Total	180,255,171	281,339,685		51,765,974	55,791,343

Computation of Capital

	2023 LKR '000	2022 LKR '000
Common Equity Tier I (CET1) Capital	156,650,481	148,454,894
Total Tier 1 Capital	161,650,481	153,454,894
Total Capital	214,717,978	198,618,984
Computation of Ratios		
Total Risk Weighted Assets for Credit risk	1,017,828,564	1,009,037,876
Total Risk Weighted Assets for Market risk	29,268,677	24,425,006
Total Risk Weighted Assets for Operational risk	130,784,463	123,198,293
Total Risk Weighted Assets	1,177,881,704	1,156,661,175
Common Equity Tier I (CET1) Capital Ratio (Minimum Requirement 8.00%, 2022, 7.00%, 2021)	13.30	12.83
Total Tier1 Capital (Tier I) (Minimum Requirement 9.50%, 2022, 8.50%, 2021)	13.72	13.27
Total Capital Ratio (Minimum Requirement 13.50%, 2022, 12.50%, 2021)	18.23	17.17



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Income Statement USD

For the year ended 31 December	Bank			Group		
	2023 US \$ '000	2022 US \$ '000	Change	2023 US \$ '000	2022 US \$ '000	Change
Gross Income	1,302,814	975,368	33.6%	1,402,382	1,068,134	31.3%
Interest Income	1,218,127	879,006	38.6%	1,309,836	959,418	36.5%
Interest Expenses	(1,050,520)	(672,158)	56.3%	(1,100,694)	(710,858)	54.8%
Net Interest Income	167,607	206,848	-19.0%	209,142	248,560	-15.9%
Fee and Commission Income	42,598	44,772	-4.9%	45,734	47,000	-2.7%
Fee and Commission Expense	(2,976)	(2,263)	31.5%	(2,976)	(2,263)	31.5%
Net Fee and Commission Income	39,623	42,509	-6.8%	42,759	44,737	-4.4%
Net Gain/(Loss) from Trading	29,098	46,488	-37.4%	29,446	46,471	-36.6%
Other Operating Income (Net)	12,991	5,102	154.6%	17,366	15,246	13.9%
Total Operating Income	249,319	300,947	-17.2%	298,712	355,014	-15.9%
Impairment Charge	(22,948)	(91,048)	-74.8%	(18,746)	(93,796)	-80.0%
Net Operating Income	226,371	209,899	7.8%	279,966	261,218	7.2%
Personnel Expenses	(75,575)	(72,635)	4.0%	(93,232)	(87,920)	6.0%
Other Expenses	(80,869)	(56,625)	42.8%	(98,755)	(73,141)	35.0%
Operating Profit Before Taxes on Financial Services	69,928	80,639	-13.3%	87,980	100,157	-12.2%
Taxes on Financial Services	(22,580)	(22,377)	0.9%	(28,522)	(27,282)	4.5%
Operating Profit After Taxes on Financial Services	47,348	58,262	-18.7%	59,458	72,876	-18.4%
Share of Profits/(Loss) of Associates (Net of Tax)	-	-		-	-	#DIV/0!
Profit Before Tax	47,348	58,262	-18.7%	59,458	72,876	-18.4%
Income Tax Expenses	(16,238)	(11,321)	43.4%	(24,328)	(16,833)	44.5%
Profit for the Year	31,110	46,941	-33.7%	35,130	56,042	-37.3%
Profit Attributable to :						
Equity Holders of the Bank	31,110	46,941	-33.7%	32,438	53,439	-39.3%
Non-Controlling Interests	-	-		2,692	2,603	3.4%
	31,110	46,941	-33.7%	35,130	56,042	-37.3%

Exchange Rate : 1 US \$ was LKR 324.10 as at 31st December 2023 (LKR366.25 as at 31st December 2022)

Statement of Financial Position USD

For the year ended 31 December	Bank			Group		
	2023	2022	Change	2023	2022	Change
	US \$ '000	US \$ '000		US \$ '000	US \$ '000	
Assets						
Cash and Cash Equivalents	190,958	182,504	4.6%	195,332	185,876	5.1%
Balances with Central Bank of Sri Lanka	95,659	184,580	-48.2%	95,659	184,580	-48.2%
Placements with Banks	204,341	-	-	237,188	8,269	2768.4%
Derivative Financial Instruments	34,741	40,635	-14.5%	34,741	40,635	-14.5%
Financial Assets - At Fair Value through Profit or Loss	444,877	15,172	2832.2%	449,313	16,153	2681.7%
Financial Assets - At Amortised Cost						
Loans and advances to Banks	166,684	20,994	693.9%	167,918	20,994	699.8%
Loans and advances to Other Customers	5,274,476	4,868,551	8.3%	5,627,184	5,230,776	7.6%
Debt instruments measured at amortised cost	2,566,331	2,493,106	2.9%	2,674,190	2,536,206	5.4%
Financial Assets - At Fair Value through Other Comprehensive Income [OCI]						
Equity instruments at fair value through OCI	5,844	4,537	28.8%	6,551	5,036	30.1%
Debt instruments at fair value through OCI	25,568	28,337	-9.8%	29,886	31,205	-4.2%
Investments in Subsidiaries	13,207	11,687	13.0%	-	-	-
Property, Plant & Equipment and Right of Use assets	173,323	134,690	28.7%	207,593	163,222	27.2%
Intangible Assets and Goodwill	5,441	4,694	15.9%	5,957	5,077	17.3%
Other Assets	172,801	125,267	37.9%	167,284	126,605	32.1%
Total Assets	9,374,252	8,114,753	15.5%	9,898,797	8,554,634	15.7%
Liabilities						
Due to Banks	238,273	304,307	-21.7%	264,259	335,009	-21.1%
Derivative Financial Instruments	111	5,156	-97.8%	111	5,156	-97.8%
Due to Other Customers	8,186,071	6,475,137	26.4%	8,470,107	6,689,636	26.6%
Other Borrowings	198,329	522,942	-62.1%	198,159	522,942	-62.1%
Current Tax Liabilities	3,656	17,398	-79.0%	7,352	22,654	-67.5%
Net Deferred Tax Liabilities	15,520	1,655	-	18,765	1,558	1104.6%
Other Liabilities	93,429	291,509	-67.9%	129,211	316,619	-59.2%
Subordinated Term Debts	145,009	99,941	45.1%	178,360	144,115	23.8%
Total Liabilities	8,880,396	7,718,046	15.1%	9,266,324	8,037,687	15.3%
Equity						
Stated Capital/Assigned Capital	37,649	33,316	13.0%	37,649	33,316	13.0%
Statutory Reserve Fund	32,627	27,495	18.7%	32,627	27,495	18.7%
Other Reserves	129,851	104,840	23.9%	140,104	113,181	23.8%
Retained Earnings	293,729	231,056	27.1%	377,279	303,603	24.3%
Total Shareholders' Equity	493,856	396,707	24.5%	587,658	477,595	23.0%
Non-Controlling Interests	-	-		44,815	39,352	13.9%
Total Equity	493,856	396,707	24.5%	632,473	516,947	22.3%
Total Equity and Liabilities	9,374,252	8,114,753	15.5%	9,898,797	8,554,634	15.7%
Contingent Liabilities and Commitments	683,140	1,012,010	-32.5%	705,997	1,024,678	-31.1%

Exchange Rate : 1 US \$ was LKR 324.10 as at 31st December 2023 (LKR366.25 as at 31st December 2022)

Ten Year Summary - Bank

(Sri Lanka LKR Mn)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSETS										
Cash & Short Term Funds	80,940	74,112	127,058	134,647	109,496	89,562	85,658	114,256	134,444	92,893
Investments	290,486	304,519	250,240	269,691	299,160	405,688	443,955	613,604	942,666	1,110,643
Loans & Receivables (Net)	627,209	768,515	890,528	1,012,643	1,265,667	1,310,150	1,635,579	1,835,697	1,783,107	1,709,458
Property, Plant , Equipment and Right of Use assets	14,947	16,304	17,224	25,048	26,260	34,310	38,406	46,761	49,330	56,174
Other Assets	13,186	13,146	16,999	25,071	34,120	33,697	26,521	37,322	62,481	69,027
Total Assets	1,026,769	1,176,595	1,302,048	1,467,099	1,734,703	1,873,406	2,230,119	2,647,641	2,972,028	3,038,195
LIABILITIES										
Customer Deposits	793,342	899,238	1,077,812	1,244,003	1,422,961	1,491,386	1,835,099	2,071,533	2,371,519	2,653,106
Borrowing from Banks and others	157,198	192,083	134,109	105,057	173,607	224,809	200,852	349,165	302,980	141,503
Other Liabilities	17,727	20,747	17,947	28,051	34,391	39,532	48,626	42,004	115,632	36,531
Subordinated Term Debts	15,033	15,033	12,532	12,532	12,534	22,714	43,558	48,862	36,603	46,997
Total Liabilities	983,299	1,127,100	1,242,400	1,389,642	1,643,493	1,778,442	2,128,135	2,511,563	2,826,734	2,878,136
Total Equity	43,470	49,495	59,649	77,457	91,210	94,964	101,984	136,077	145,294	160,059
Total Equity & Liabilities	1,026,769	1,176,595	1,302,048	1,467,099	1,734,703	1,873,406	2,230,119	2,647,641	2,972,028	3,038,195
Contingent Liabilities and Commitments	182,573	181,533	226,430	303,344	402,762	363,926	489,939	428,771	370,649	221,406
OPERATING RESULTS										
Gross Income	96,377	103,649	122,114	160,835	181,284	199,729	190,982	207,250	357,229	422,242
Total Operating Income	41,894	54,743	55,060	61,856	69,886	73,795	71,715	91,783	110,222	80,804
Total Operating Expenses (incl. VAT)	26,093	31,483	32,999	34,594	42,855	45,640	38,922	46,923	55,537	58,021
Profit before Tax	17,231	19,520	20,814	25,913	24,406	19,666	21,227	30,387	21,338	15,345
Income Tax	3,012	6,922	5,819	7,663	7,312	6,741	7,052	6,666	4,146	5,263
Profit after Tax	14,219	12,598	14,995	18,250	17,095	12,926	14,175	23,720	17,192	10,083
PERFORMANCE INDICATORS										
Number of Employees (permanent)	8,156	8,368	8,249	8,454	8,093	7,836	7,692	7,568	7,377	7,656
PER EMPLOYEE										
(Sri Lanka LKR '000)										
Deposits	97,271	107,462	130,660	147,150	175,826	190,325	238,572	273,723	321,475	346,539
Loans & Receivables (Net)	76,902	91,840	107,956	119,783	156,390	167,196	212,634	242,560	241,712	223,283
Gross Earnings	11,817	12,386	14,804	19,025	22,400	25,489	24,829	27,385	48,425	55,152
Profit after Tax	1,743	1,505	1,818	2,159	2,112	1,650	1,843	3,134	2,330	1,317
PER SHARE										
(Sri Lanka LKR)										
Profit after Tax	14,219	12,598	14,995	18,250	17,095	12,926	14,175	23,720	17,192	10,082.8
Total Assets	1,026,769	1,176,595	1,302,048	1,467,099	1,734,703	1,873,406	2,230,119	2,647,641	2,972,028	3,038,195
Equity	43,470	49,495	59,649	77,457	91,210	94,964	101,984	136,077	145,294	160,059
Return on Assets % (before tax)	1.76	1.77	1.68	1.87	1.52	1.09	1.03	1.25	0.76	0.51
Return on Equity %	35.54	27.10	27.48	26.62	20.27	13.89	14.39	19.93	12.22	6.60
Cost/Income Ratio %	62.28	57.51	59.93	55.93	61.32	61.85	54.27	51.12	50.39	71.80
Capital Adequacy Ratio (CAR) %	14.30	12.60	12.10	13.50	14.47	14.66	15.47	17.83	16.30	17.37
Non Performing Loan (NPL) Ratio (Gross) %	3.20	2.40	1.90	1.90	2.49	3.31	3.25	3.21	-	-
Impaired (Stage 03) Ratio (%)							3.48	4.01	12.78	8.83
Impairment(Stage03)to Stage 03 Loans Ratio(%)							54.72	50.17	29.88	40.96

● Ten Year Summary - Group

(Sri Lanka LKR Mn)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSETS										
Cash & Short Term Funds	83,003	76,840	129,458	135,364	110,451	90,453	87,096	115,555	135,679	94,310
Investments	300,366	311,141	258,049	280,357	311,581	419,190	461,373	631,843	958,793	1,155,432
Loans & Receivables (Net)	722,099	869,781	1,013,921	1,143,767	1,415,928	1,460,498	1,776,231	1,990,689	1,915,772	1,823,770
Property, Plant , Equipment and Right of Use assets	19,364	22,696	23,441	33,758	35,434	43,744	48,102	56,432	59,780	67,281
Other Assets	14,425	14,279	19,528	25,833	35,147	35,889	27,766	38,091	63,111	67,407
Total Assets	1,139,258	1,294,737	1,444,398	1,619,079	1,908,540	2,049,775	2,400,567	2,832,610	3,133,135	3,208,200
LIABILITIES										
Customer Deposits	829,019	932,906	1,119,753	1,305,626	1,495,326	1,588,903	1,935,194	2,168,675	2,450,079	2,745,162
Borrowings	193,825	225,795	172,419	134,263	207,330	235,724	208,802	363,817	314,225	149,870
Other Liabilities	27,469	32,328	30,509	40,299	49,285	54,619	60,592	56,920	126,718	50,378
Subordinated Term Debts	24,883	30,907	36,526	32,448	33,085	40,513	56,868	65,560	52,782	57,806
Total Liabilities	1,075,196	1,221,937	1,359,207	1,512,635	1,785,027	1,919,759	2,261,457	2,654,972	2,943,803	3,003,216
Total Equity	64,062	72,801	85,191	106,443	123,513	130,016	139,111	177,638	189,332	204,984
Total Equity & Liabilities	1,139,258	1,294,737	1,444,398	1,619,079	1,908,540	2,049,775	2,400,567	2,832,610	3,133,135	3,208,200
Contingent Liabilities and Commitments	182,597	181,545	226,442	304,102	409,575	370,986	497,690	443,842	375,288	228,814
OPERATING RESULTS										
Gross Income	118,641	123,831	144,750	188,854	214,664	238,219	223,898	236,795	391,204	454,512
Total Operating Income	54,308	67,635	68,429	77,518	89,843	96,475	90,836	110,710	130,024	96,813
Total Operating Expenses (incl. VAT)	32,779	38,346	41,633	44,600	54,554	59,135	48,623	58,989	68,980	71,467
Profit before Tax	21,628	24,121	25,433	29,868	31,162	25,652	24,648	37,246	26,691	19,270
Income Tax	4,674	9,053	7,477	9,358	9,669	9,474	8,557	9,159	6,165	7,885
Profit after Tax	16,953	15,068	17,956	20,511	21,492	16,178	16,090	28,088	20,525	11,386
PERFORMANCE INDICATORS										
Number of Employees	10,331	10,682	10,471	11,396	11,394	11,237	11,051	10,969	10,454	10,528
PER EMPLOYEE (Sri Lanka LKR '000)										
Deposits	80,246	87,334	106,939	114,569	131,238	141,399	175,115	197,709	234,368	260,749
Loans & Receivables	69,896	81,425	96,831	100,366	124,270	129,972	160,730	181,483	183,257	173,230
Gross Earnings	11,484	11,592	13,824	16,572	18,840	21,199	20,260	21,588	37,421	43,172
Profit after Tax	1,641	1,411	1,715	1,800	1,886	1,440	1,456	2,561	1,963	1,081
Return on Assets % (before tax)	1.99	1.98	1.86	1.95	1.77	1.30	1.11	1.42	0.89	0.61
Return on Equity %	28.46	22.02	22.73	21.41	18.69	12.76	11.96	17.73	11.19	5.77
Cost/Income Ratio %	60.36	56.70	60.84	57.53	60.72	61.30	53.53	53.28	53.05	73.82
Capital Adequacy Ratio (CAR) %	14.90	13.80	12.97	13.71	14.48	14.86	15.63	17.91	17.17	18.23
Non Performing Loan (NPL) Ratio (Gross) %	3.20	2.40	1.90	2.03	2.70	3.68	3.89	3.63	-	-
Impaired (Stage 03) Ratio (%)							4.22	4.69	12.64	8.76
Impairment (Stage03 to Stage 03 Loans Ratio(%))							50.75	46.88	30.45	41.47

Basel III – Market Discipline Disclosure Requirement Under Pillar III

CAPITAL ADEQUACY

Capital adequacy is one of the key financial indicators which illustrate the soundness and the stability of a bank. This measures banks ability to withstand in an unexpected loss scenarios during various activities carried out by the bank.

Basel committee on Bank supervision (BCBS) has implemented set of stringent measures of capital, liquidity and funding reforms. Accordingly BASEL III accord was issued in December 2010 and it has come into force and effect in Sri Lanka on July 1, 2017 based on the Central bank direction 01 of 2016 on capital requirement under BASEL III for licensed commercial banks. This replaces Basel II reforms which were in force and effect in Sri Lanka since January 1, 2008 onwards.

Commencing from 01st July 2017, with the amendment thereto under Direction no 11 of 2019 on Domestically Systemically Important Banks (D-SIBS) dated 20th December 2019; Bank has to maintain the Capital in 3 tiers as mentioned below

Accordingly minimum capital requirement of the bank are as follows.

	Minimum Requirement
- Common Equity Tier I Capital Ratio (CET I)	8.00%
- Total Tier I Capital Ratio (CET I+ AT I)	9.50%
- Total Capital Ratio	13.50%

Common Equity Tier I (CET I) is mainly comprised of equity capital, other capital and retained earnings. CET I is the highest quality capital and effective capital in absorbing losses.

Additional Tier I (AT 1) capital includes capital instruments other than the instruments included in CET I capital.

Total capital is comprised of Tier I plus other qualifying capital instruments (i.e. such as subordinated debentures subject to regulatory deductions, revaluation reserves on property plant and equipment with a cap of up to 50% and general loan loss provision)

BASEL III has introduced new capital buffers and all banks are required to hold additional capital buffers over and above the minimum CET I and Total Capital Adequacy levels stipulated above.

- Capital Conservation Buffer
- High Loss Absorbency (HLA) requirement on Domestically Significant Banks (D-SIBs)
- Counter Cyclical Buffer

Three pillars introduced by BASEL II is continued to be applied in the BASEL III framework is mentioned below.

- Pillar I - Minimum capital requirements
- Pillar II - Supervisory Review Process
- Pillar III - Market Discipline

Pillar I - Minimum Capital Requirement

Minimum Capital Requirement shall maintain as a percentage of Risk Weighted Assets (RWAs) and bank calculated its RWAs based on following approaches.

- The Standardized Approach for Credit Risk
- The Standardized Measurement Method for Market Risk
- The Basic Indicator Approach for Operational Risk

Pillar II – Supervisory Review Process (SRP)

SRP framework assesses the bank's capital adequacy and determining whether bank is maintaining additional capital to cover its risks. Bank has developed an ICAAP (Internal Capital Adequacy Assessment Process) framework in this regard, which closely indicates risks and capital assessment processes to support the Bank's current and projected demand for capital under unexpected and stressed conditions.

Pillar III – Market Discipline

Pillar III aims to provide consistent and comprehensive disclosure framework which enhances the comparability between banks. It requires number of disclosure requirements to give better understanding of capital adequacy to external share holders by providing an insight into the internal computation procedures followed by the bank.

Accordingly disclosures required to be published as per the Central Bank Direction 01 of 2016 are set out below.

TEMPLATE 1 : KEY REGULATORY RATIO - CAPITAL AND LIQUIDITY

	Bank		Group	
	As at 31st December 2023	As at 31st December 2022	As at 31st December 2023	As at 31st December 2022
Regulatory Capital (Rs 000)				
Common Equity Tier 1 Capital	122,360,337	111,298,172	156,650,481	148,454,894
Total Tier I Capital	127,360,337	116,298,172	161,650,481	153,454,894
Total Capital	178,793,109	159,532,587	214,717,978	198,618,984
Regulatory Capital Ratio (%)				
Common Equity Tier I Capital Ratio (Minimum Requirement -2022 -8.00%,2021-7.00%)	11.88	11.37	13.30	12.83
Total Tier I Capital (Minimum Requirement -2022, 9.50%, 2021- 8.50%)	12.37	11.89	13.72	13.27
Total Capital (Minimum Requirement - 2022- 13.50%, 2021-12.50%)	17.37	16.30	18.23	17.17
Regulatory Liquidity				
Statutory Liquid Assets - Bank				
Domestic Banking Unit (Rs '000)	1,030,521,078	540,470,751	N/A	N/A
Off - Shore Banking Unit (USD '000)	77,677	70,182	N/A	N/A
Statutory Liquid Assets - (Minimum Requirement 20%)				
Domestic Banking Unit (%)	37.41	21.37	N/A	N/A
Off - Shore Banking Unit (%)	38.40	20.05	N/A	N/A
Liquidity Coverage Ratio (%) Rupee				
(Minimum Requirement 2022-90%, 2021-100%)	257.00	213.00	N/A	N/A
Liquidity Coverage Ratio (%) All currency				
(Minimum Requirement 2022-90%, 2021-100%)	207.91	119.47	N/A	N/A

Basel III – Market Discipline Disclosure Requirement Under Pillar III

TEMPLATE 2 : KEY REGULATORY RATIO - CAPITAL AND LIQUIDITY

	Bank		Group	
	As at 31st December 2023	As at 31st December 2022	As at 31st December 2023	As at 31st December 2022
Common Equity Tier 1 (CET I) Capital after adjustments	122,360,337	111,298,172	156,650,481	148,454,894
Common Equity Tier 1 (CET I) Capital	132,299,216	121,208,499	163,735,110	155,377,215
Equity / Assigned Capital	12,201,998	12,201,998	12,201,998	12,201,998
Reserve Fund	10,574,271	10,070,131	10,574,271	9,972,747
Public Retained Earning /(Accumalated Retained Losses)	95,161,263	84,624,172	122,239,676	113,457,633
Publish accumulated Other Comprehensive Income (OCI)	220,311	170,825	200,158	66,665
General and other Disclosed Reserves	14,141,373	14,141,373	14,141,373	14,141,373
Unpublished Current Year's Profit / Loss and Gain reflected in OCI	-	-	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	4,377,635	5,536,799
Total Adjustments to CETI Capital	9,938,879	9,910,326	7,084,629	6,922,321
Goodwill (net)	-	-	-	-
Deferred Tax Asset (Net)	-	-	-	-
Intangible Assets (Net)	1,763,287	1,719,177	1,930,788	1,859,475
Other (Investment in the Capital of Subsidiaries & Other Financial Institution)	3,021,751	3,428,646	-	300,343
Defined Benefit Asset	5,153,841	4,762,503	5,153,841	4,762,503
Additional Tier I (AT i) Capital after adjustments	5,000,000	5,000,000	5,000,000	5,000,000
Additional Tier I (AT i) Capital	5,000,000	5,000,000	5,000,000	5,000,000
Qualifying additional Tier I Capital instruments	5,000,000	5,000,000	5,000,000	5,000,000
Instrument issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to AT I Capital	-	-	-	-
Investment in own shares	-	-	-	-
Other (Specify)	-	-	-	-
Tier II Capital after adjustments	51,432,771	43,234,415	53,066,434	45,164,090
Tier II Capital	51,432,771	43,234,415	53,066,434	45,164,090
Qualifying Tier II capital instruments	29,112,200	23,176,650	29,112,200	23,176,650
Revaluation Gains	11,049,988	9,374,467	11,232,440	9,374,467
Loan Loss Provisions	11,270,584	10,683,298	12,722,857	12,612,973
Instrument issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustment to Tier II	-	-	-	-
Investment in own shares	-	-	-	-
Other (specify)	-	-	-	-
CET Capital	122,360,337	111,298,172	156,650,481	148,454,894
Total Tier I Capital	127,360,337	116,298,172	161,650,481	153,454,894
Total Capital	178,793,109	159,532,587	214,717,978	198,618,984
Total Risk Weghted Assets (RWA)	1,029,554,806	978,475,894	1,178,028,452	1,156,661,175
RWA for Credit Risk	901,646,691	854,663,864	1,017,828,564	1,009,037,876
RWA for Market Risk	23,050,845	22,038,936	29,268,677	24,425,006
RWA for Operational Risk	104,857,270	101,773,095	130,931,211	123,198,293
CET I Capital Ratio (including Capital Conservstion Buffer, Countercyclical Capital Buffer & Surcharge on D-SIB) (%)	11.88	11.37	13.30	12.83
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital surcharge on D-SIBs (%)	1.00	1.00	1.00	1.00
Total Tier I Capital Ratio (%)	12.37	11.89	13.72	13.27
Total Capital Ratio (including Capital Conservation Buffer,Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.37	16.30	18.23	17.17
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital surcharge on D-SIBs (%)	1.00	1.00	1.00	1.00

TEMPLATE 03 : COMPUTATION OF LEVERAGE RATIO

	Bank		Group	
	As at 31st December 2023	As at 31st December 2022	As at 31st December 2023	As at 31st December 2022
Tier 1 Capital	127,360,337	109,747,717	161,650,481	143,667,285
Total Exposures	3,030,416,129	2,772,318,458	3,203,275,517	2,962,165,320
On balance Sheet items (Excluding derivatives and securities financing transactions, but including collateral)	2,907,877,016	2,434,881,051	3,080,336,189	2,621,996,953
Deravitive Exposures	17,639,936	3,466,934	17,639,936	3,466,934
Securities financing transaction exposures	55,264,285	249,384,608	55,664,500	249,384,608
Other off-balance sheet exposures	49,634,892	84,585,865	49,634,892	87,316,825
Basel III Leverage ratio (%) (Tier 1/ total Exposure)	4.20%	3.96%	5.05%	4.85%

Basel III – Market Discipline Disclosure Requirement Under Pillar III

BASEL III DISCLOSURE REQUIREMENT

TEMPLATE 4 : COMPUTATION OF LIQUIDITY COVERAGE RATIO

	As at 31st December 2023		As at 31st December 2022	
	Total Un Weighted Value	Total Weighted Value	Total Un Weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	972,884,868	971,952,946	505,483,388	502,751,126
Level 1 Assets	970,321,023	970,321,023	497,480,281	497,480,281
Level 2A Assets	1,000,000	850,000	3,626,548	3,082,566
Level 2B Assets	1,563,845	781,923	4,376,559	2,188,280
Total Cash Outflows	2,923,275,102	612,757,881	2,705,630,537	583,061,521
Deposits	1,931,549,144	193,154,914	1,728,355,981	172,835,598
Unsecured Wholesale Funding	735,508,931	355,722,329	655,891,101	307,819,682
Secured Funding Transactions	34,467,102	-	5,054,298	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	189,786,678	31,917,391	234,679,545	20,756,629
Additional requirements	31,963,247	31,963,247	81,649,612	81,649,612
Total Cash Inflows	180,356,815	145,264,852	213,285,842	162,260,205
Maturing Secured Lending Transactions Backed by Collateral	15,474,843	15,474,843	27,071,732	27,071,732
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	130,365,609	104,138,655	92,324,469	53,538,861
Operational deposits	8,865,009	-	12,240,029	-
Other Cash Inflows	25,651,354	25,651,354	81,649,612	81,649,612
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next Calendar Days)* 100		207.91		119.47

TEMPLATE 5 : MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

	No 2 Debenture issued in 2009	No 3 Debenture issued in 2011	No 4 Debenture issued in 2013	Type A Debenture issued in 2019	Type B Debenture issued in 2019	Type A Debenture issued in 2020	Type B Debenture issued in 2020	Type A Debenture issued in 2023	Type B Debenture issued in 2023
Must be provided for each type of capital instrument separately									
Description of the Capital Instrument									
Issuer	People's Bank	People's Bank	People's Bank	People's Bank	People's Bank	People's Bank	People's Bank	People's Bank	People's Bank
Unique Identifier (e.g.,SIN or Bloomberg Identifier for Private placement)	2	3	4	A	B	A	B	A	B
Original Date of Issuance	30 th December 2009	30 th December 2011	15 th December 2013	08 th November 2019	08 th November 2019	27 th July 2020	27 th July 2020	20 th October 2023	20 th October 2023
Par Value of Instrument	2,500,000,000	5,000,000,000	5,000,000,000	6,563,000,000	3,437,000,000	12,900,000,000	7,100,000,000	3,000,000,000	7,000,000,000
Original Maturity Date, if Applicable	29 th December 2022	29 th December 2022	29 th December 2022	08 th November 2024	08 th November 2027	27 th July 2025	27 th July 2028	20 th October 2031	20 th October 2028
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting date)	-	-	-	2,297,050,000	3,265,150,000	6,450,000,000	7,100,000,000	3,000,000,000	7,000,000,000
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
Issuer Call subject to Prior Supervisory Approval									
Optional Call Date, Contingent Call dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/Dividends									
Fixed or Floating Dividend/Coupon	Fixed rate	Fixed rate	Fixed rate	Fixed rate	Fixed rate	Fixed rate	Fixed rate	Fixed rate	Fixed rate
Coupon rate and any Related Index	13.50%	13.00%	13.00%	12.00%	12.25%	9.50%	10.25%	16.25%	16.00%
Non-Cumulative or Cumulative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Convertible or Non-Convertible									
If Convertible, Conversion trigger (s)	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If Convertible, Fully or Partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If Convertible, Mandatory or Optional	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If Convertible, Conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Basel III – Market Discipline Disclosure Requirement Under Pillar III

TEMPLATE 6

SUMMARY DISCUSSION ON THE ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

OVERVIEW

In accordance with CBSL stipulations, the Bank carries out an annual Internal Capital Adequacy Assessment Process. The assessment covers a five (5) year time horizon with the last carried out for 2019-2023.

MATERIAL EXPOSURES

At the end of 2023, close 43% of the Bank's total loan book was composed of exposures to the State and Other State Owned Enterprises. State exposures mostly backed by sovereign undertaking(s) by way of either a Treasury guarantee/indemnity and/or another form of government assurance.

Leaving aside such sovereign backed exposures, the Bank's single largest exposure to a non-sovereign does not account for over 2.0% of the Bank's total loan book

Initiatives taken to bolster regulatory capital during 2017, 2018, 2019, 2020, 2021, 2022 & 2023

- During 2017 - 2023 the Bank undertook several initiatives to bolster its regulatory capital and meet all requisite Basel III Risk Control measures. From a Capital Adequacy/ Solvency perspective, these included amongst other.

2017

- Raise LKR 5.0 Bn New Capital from General Treasury, Ministry of Finance on July 21, 2017. This was first so received over the last eight (8) years.
- Reduce its dividend payout, as measured as a function of post tax profit, to 28.6% during 2017 from 54.8% in 2016.
- Revalued all its land & buildings on 1 July 2017. This enabled the Bank recognize close to LKR 3.6 Bn in Tier II capital with requisite regulatory clearance

- Ensured new facilities extended to State Owned Enterprises were backed by the sovereign backed and, in case of other forms of government assurances, ensure they are as a general rule routed through the Monetary Board of the Central Bank of Sri Lanka for prior approval.
- Carry-out an interim profit certification for the six months period ended 30 June 2017 in view of ensuring interim regulatory capital pressures are managed in order to support loan book growth.
- Undertake efforts necessary to amend the People's Bank Act to facilitate the issuance of Debentures to enable the Bank conform with Basel rules. This process was once again revived with the assistance of the line of Ministry

As a result of all the above, during 2017 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2018

- The Bank endeavored to further reduce its dividend payout ratio, as measured as a function of dividends over post tax profit, to 20.0% in 2018 from 28.6% in 2017.
- Loan book growth was risk measured during 2018
- Interim profit certifications were carried out for the six months period ended 30 June 2018 in view of ensuring interim regulatory capital requirements were met
- The process in relation to the People's Bank Act amendment continued. This was key to long term sustainable loan book growth

As a result of all the above, during 2018 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2019

- The Bank further reduced its dividend payout ratio to 18.7% in 2019 from 20.0% in 2018
- Interim profit certifications were carried during the three months ended 31 March 2019, six months ended 30 June 2019 and the nine months ended 30 September 2019 in view of managing/ avoiding interim regulatory capital pressures

The People's Bank Act amendments was finalized in September 2019

- On November 8, 2019 - the Bank issued its first Basel III, Tier II compliant debenture for value LKR 10.0 Bn

As a result of all the above, during 2019 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2020

- On July 1, 2020 -as originally planned -the Bank revalued all its land & buildings. This resulted in a Tier II benefit of close to LKR 2.3 Bn. The next detailed revaluation is set to be carried out on July 1, 2023
- On July 27, 2020 - the Bank issued LKR 20.0 Bn in Basel III, Tier II debentures which was the single largest issuance for any Bank/ Financial Services Provider to date in the country

As a result of all the above, during 2020 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2021

- On March 29, 2021 and 03, August 2021-as originally planned the Bank issued LKR 3.5 Bn and LKR 1.5 Bn Basel III, Additional Tier I Compliant debentures.
- The Bank further reduced its dividend payout ratio to 9.2 % in 2021.
- Interim Profit Certifications were carried out for three months ended 31 March 2021, Six months ended 30 June 2021 and nine months ended 30 September 2021 in view of managing regulatory capital pressure.

As a result of all the above, during 2021 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2022

- The Bank further reduced its dividend payout ratio to 3.9% in 2022.
- Interim Profit Certifications were carried out for Six months ended 30 June 2022 in view of managing regulatory capital pressure.

As a result of all the above, during 2022 - the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2023

- During the year the Bank issued LKR 10.0 Bn Basel III, Additional Tier II Compliant debentures.
- The Bank revalued all its land & buildings. This resulted in a Tier II benefit of close to LKR 1.68 Bn.
- The Bank further reduced its dividend payout ratio to 0.18% in 2023.

As a result of all the above, during 2023 the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage.

2024 PLAN

- The Bank is in a constant and continuous process of undertaking measures reasonably necessary to bolster its regulatory capital levels
- Issue additional tier II Basel III compliant instrument.
- Following are slated to be undertaken during 2024.
- Continue to maintain its lower dividend/levy payout policy during the year
- Carry-out an interim profit certification in view of avoiding regulatory capital shortfalls

Basel III – Market Discipline Disclosure Requirement Under Pillar III

TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH

Credit Risk Exposures and Credit Risk Mitigation Effects (Bank)

Item	Exposures Before CCF and CRM			Exposures After CCF and CRM			Risk weighted Assets	RWA Density (%)
	Exposures On Balance Sheet	Exposures Off Balance Sheet	Total	Exposures On Balance Sheet	Exposures Off Balance Sheet	Total		
Total Risk-weighted amount for Credit Risk	2,866,561,237	221,911,956	3,088,473,194	2,410,937,033	50,555,687	2,461,492,719	901,646,691	37%
Claims on Central Government and Central Bank of Sri Lanka	1,193,737,126	30,000,000	1,223,737,126	1,193,737,126	75,610	1,193,812,736	47,995,325	4%
Claims on Foreign sovereigns and their Central Banks	-	-	0	0	0	0	0	0%
Claims on Public Sector Entities (PSEs)	518,548,179	26,508,689	545,056,868	109,949,416	3,339,797	113,289,213	155,041,167	137%
Claims on BIS,IMF and Multilateral Development Banks(MDBs)	-	-	0	0	0	0	0	0%
Claims on Banks Exposures	74,776,309	-	74,776,309	74,776,309	0	74,776,309	41,111,205	55%
Claims on Financial Institutions	4,874,079	-	4,874,079	4,874,079	0	4,874,079	2,586,989	53%
Claims on Corporates	51,854,559	112,036,691	163,891,250	51,854,559	36,466,964	88,321,523	85,966,654	97%
Retail claims	523,511,650	53,366,577	576,878,227	476,486,209	10,673,315	487,159,525	394,447,443	81%
Claims Secured by Gold	260,366,719	-	260,366,719	260,366,719	0	260,366,719	3,607,839	1%
Claims Secured by Residential Property	56,187,375	-	56,187,375	56,187,375	0	56,187,375	19,665,581	35%
Claims Secured by Commercial real Estate	-	-	0	0	0	0	0	0%
Non Performing Assets (NPAs)	55,272,290	-	55,272,290	55,272,290	0	55,272,290	76,047,711	138%
Higher-risk Categories	1,253,821	-	1,253,821	1,253,821	0	1,253,821	3,134,552	250%
Cash Items	54,336,057	-	54,336,057	54,336,057	0	54,336,057	199,152	0%
Other Assets	71,843,074	-	71,843,074	71,843,074	0	71,843,074	71,843,074	100%

TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH

Credit Risk Exposures and Credit Risk Mitigation Effects (Group)

Item	Exposures Before CCF and CRM			Exposures After CCF and CRM			Risk weighted Assets	RWA Density (%)
	Exposures On Balance Sheet	Exposures Off Balance Sheet	Total	Exposures On Balance Sheet	Exposures Off Balance Sheet	Total		
Total Risk-weighted amount for Credit Risk	3,037,728,982	221,911,956	3,259,640,939	2,582,104,778	50,555,687	2,632,660,465	1,017,828,564	39%
Claims on Central Government and Central Bank of Sri Lanka	1,225,420,471	30,000,000	1,255,420,471	1,225,420,471	75,610	1,225,496,081	47,995,325	4%
Claims on Foreign sovereigns and their Central Banks	0	0	0	0	0	0	0	0%
Claims on Public Sector Entities (PSEs)	518,548,179	26,508,689	545,056,868	109,949,416	3,339,797	113,289,213	155,101,147	137%
Claims on BIS,IMF and Multilateral Development Banks(MDBs)	0	0	0	0	0	0	0	0%
Claims on Banks Exposures	85,788,707	0	85,788,707	85,788,707	0	85,788,707	46,446,557	54%
Claims on Financial Institutions	4,874,079	0	4,874,079	4,874,079	0	4,874,079	2,586,989	53%
Claims on Corporates	51,854,559	112,036,691	163,891,250	51,854,559	36,466,964	88,321,523	85,966,654	97%
Retail claims	619,653,781	53,366,577	673,020,358	572,628,340	10,673,315	583,301,656	466,554,042	80%
Claims Secured by Gold	260,366,719	0	260,366,719	260,366,719	0	260,366,719	3,607,839	1%
Claims Secured by Residential Property	56,187,375	0	56,187,375	56,187,375	0	56,187,375	19,665,581	35%
Claims Secured by Commercial real Estate	-	0	0	0	0	0	0	0%
Non Performing Assets (NPAs)	73,835,245	0	73,835,245	73,835,245	0	73,835,245	103,892,143	141%
Higher-risk Categories	0	0	0	0	0	0	0	0%
Cash Items	55,386,732	0	55,386,732	55,386,732	0	55,386,732	199,152	0%
Other Assets	85,813,136	0	85,813,136	85,813,136	0	85,813,136	85,813,136	100%

Basel III – Market Discipline Disclosure Requirement Under Pillar III

BASEL III DISCLOSURE REQUIREMENT

Template 8 : Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights - Bank

Description Asset Classes	Risk Weight	Amount (LKR'000) as at 31.12.2023 (Post CCF & CRM)				
		0%	20%	35%	50%	60%
Claims on Central Government and Central Bank of Sri Lanka		953,836,109	239,976,627		-	
Claims on Foreign Sovereigns and their Central Banks		-	-		-	
Claims on Public Sector Entities		-	-		3,897,702	
Claims on Official Entities and Multilateral Development Banks		-	-		-	
Claims on Banks Exposures		-	42,151,400		-	
Claims on Financial Institutions		-	-		4,574,181	
Claims on Corporates		-	1,632,962		2,096,998	
SME Exposures						1,250,635
Retail Claims		242,327,522	18,039,197		-	
Claims Secured by Residential Property		-	-	56,187,375		
Claims Secured by Commercial Real Estate		-	-		-	
Non- Performing Assets (NPAs)		-	-		531,399	
Higher-risk Categories		-	-		-	
Cash Items and Other Assets		53,340,299	995,758		-	
Total		1,249,503,930	302,795,944	56,187,375	11,100,280	1,250,635

Template 8 : Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights - Group

Description Asset Classes	Risk Weight	Amount (LKR'000) as at 31.12.2023 (Post CCF & CRM)				
		0%	20%	35%	50%	60%
Claims on Central Government and Central Bank of Sri Lanka		985,519,454	239,976,627		-	
Claims on Foreign Sovereigns and their Central Banks		-	-		-	
Claims on Public Sector Entities		-	299,898		3,897,702	
Claims on Official Entities and Multilateral Development Banks		-	-		-	
Claims on Banks Exposures		-	49,247,708		-	
Claims on Financial Institutions		-	-		4,574,181	
Claims on Corporates		-	1,632,962		2,096,998	
SME Exposures						1,250,635
Retail Claims		242,327,522	18,039,197		-	
Claims Secured by Residential Property		-	-	56,187,375		
Claims Secured by Commercial Real Estate		-	-		-	
Non- Performing Assets (NPAs)		-	-		531,399	
Higher-risk Categories		-	-		-	
Cash Items and Other Assets		54,390,974	995,758		-	
Total		1,282,237,950	310,192,150		11,100,280	1,250,635

	75%	100%	150%	>150%	Total Credit Exposures Amount
	-	-	-	-	1,193,812,736
	-	-	-	-	-
	-	21,989,901	87,401,610	-	113,289,213
	-	-	-	-	-
	-	32,512,876	112,032	-	74,776,309
	-	299,898	-	-	4,874,079
	-	84,591,562	-	-	88,321,523
					1,250,635
	368,847,309	117,061,581	-	-	746,275,608
	-	-	-	-	56,187,375
	-	-	-	-	-
	-	12,658,652	42,082,240	-	55,272,290
	-	-	-	1,253,821	1,253,821
	-	71,843,074	-	-	126,179,131
	368,847,309	340,957,544	129,595,882	1,253,821	2,461,492,719

	75%	100%	150%	>150%	Total Credit Exposures Amount
	-	-	-	-	1,225,496,081
	-	-	-	-	-
	-	21,989,901	87,401,610	-	113,589,111
	-	-	-	-	-
	-	36,428,967	112,032	-	85,788,707
	-	299,898	-	-	4,874,079
	-	84,591,562	-	-	88,321,523
					1,250,635
	464,989,440	117,061,581	-	-	842,417,739
	-	-	-	-	56,187,375
	-	-	-	-	-
	-	12,658,652	60,645,195	-	73,835,245
	-	-	-	-	-
	-	85,813,136	-	-	141,199,868
	464,989,440	358,843,696	148,158,837	-	2,632,960,363

Basel III – Market Discipline Disclosure Requirement Under Pillar III

Template 9 : Market Risk under Standardised Measurement Method

	Bank		Group	
	As at 31st December 2023	As at 31st December 2022	As at 31st December 2023	As at 31st December 2022
(a) RWA for Interest Rate Risk	1,474,711	703,158	1,474,711	748,043
General Interest Rate Risk	751,616	343,458	751,616	387,643
(i) Net Long or short Position	751,616	343,458	751,616	387,643
(ii) Horizontal Disallowance			-	-
(iii) Vertical Disallowance			-	-
(iv) Options			-	-
Specific Interest Rate Risk	723,095	359,700	723,095	360,400
(b) RWA for Equity	568,158	424,187	1,407,566	859,631
(i) General Equity Risk	286,205	213,567	705,909	432,375
(ii) Specific Equity Risk	281,953	210,620	701,657	427,256
© RWA for foreign exchange & gold	1,068,995	1,847,912	1,068,995	1,847,912
(d) Capital charge for Market Risk (a)+(b)+c	3,111,864	2,975,256	3,951,272	3,455,586
RWA for Market risk (d) *100/13.5 (2023) , *100 /13.5 (2022)"	23,050,844	22,038,936	29,268,677	27,644,686

TEMPLATE 10 : OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

	Bank				Group			
	Gross Income				Gross Income			
	1st Year	2nd Year	3rd Year	Average	1st Year	2nd Year	3rd Year	Average
The Basic Indicator Approach	92,272,637	110,714,085	80,127,906	94,371,543	117,305,076	140,164,838	96,044,356	117,838,090
Capital Charges for Operational Risk (LKR'000)								
The Basic Indicator Approach	13,840,896	16,607,113	12,019,186	14,155,731	17,595,761	21,024,726	14,406,653	17,675,714
Risk Weighted Amount for Operational Risk (LKR'000)								
The Basic Indicator Approach	102,525,152	123,015,650	89,031,007	104,857,270	130,338,973	155,738,709	106,715,951	130,931,211

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

	Carrying value as reported in published Financial statements	Carrying value under scope of regulatory reporting	Subject to Credit Risk framework	Subject to Market Risk framework	Subject to deduction from Capital
Assets					
Assets	3,038,195,018	3,038,195,018	2,875,931,261	152,328,791	9,934,966
Cash and Cash Equivalents	61,889,582	61,889,582	61,889,582	-	-
Balances with Central Bank of Sri Lanka	31,003,219	31,003,219	31,003,219	-	-
Placements with Banks	66,227,025	66,227,025	66,227,025	-	-
Derivative Financial Instruments	11,259,451	11,259,451	11,259,451	-	-
Financial Assets - At Fair Value through Profit or Loss	144,184,748	144,184,748	-	144,184,748	-
Financial Assets - At Amortised Cost	-	-	-	-	-
Loans and Receivables to Banks	54,022,123	54,022,123	54,022,123	-	-
Loans and Receivables to Other Customers	1,709,457,735	1,709,457,735	1,709,457,735	-	-
Debt instruments measured at amortised cost	831,747,923	831,747,923	831,747,923	-	-
Financial Assets - At Fair Value through Other Comprehensive Income [OCI]	-	-	-	-	-
Equity instruments at fair value through OCI	1,894,023	1,894,023	-	1,894,023	-
Debt instruments at fair value through OCI	8,286,626.00	8,286,626	2,036,606	6,250,020	-
Investments in Subsidiaries	4,280,522.00	4,280,522	1,262,684	-	3,017,838
Investments in Associates	0	-	-	-	-
Goodwill and Intangible Assets	1,763,287	1,763,287	-	-	1,763,287
Property, Plant and Equipment	56,174,042	56,174,042	56,174,042	-	-
Other Assets	56,004,712	56,004,712	50,850,871	-	5,153,841
Liabilities	2,878,172,902	2,878,172,902	-	-	-
Due to Banks	77,224,139	77,224,139	-	-	-
Derivative Financial Instruments	36,049	36,049	-	-	-
Due to Other Customers	2,653,105,546	2,653,105,546	-	-	-
Other Borrowings	64,278,443	64,278,443	-	-	-
Current Tax Liabilities	1,184,872	1,184,872	-	-	-
Net Deferred Tax Liabilities	5,014,288	5,014,288	-	-	-
Other Liabilities	30,332,274	30,332,274	-	-	-
Subordinated Term Debts	46,997,291	46,997,291	-	-	-
Shareholders' Equity	160,022,116	160,022,116	-	-	-
Stated Capital/Assigned Capital	12,201,998	12,201,998	-	-	-
Statutory Reserve Fund	10,574,271	10,574,271	-	-	-
Other Reserves	42,084,584	42,084,584	-	-	-
Retained Earnings	95,161,263	95,161,263	-	-	-
Total Equity and Liabilities	3,038,195,018	3,038,195,018	-	-	-
Off-Balance Sheet Liabilities	221,405,708	221,405,708	221,405,708	-	-
Acceptances	2,867,067	2,867,067	2,867,067	-	-
Documentary Credit	24,304,456	24,304,456	24,304,456	-	-
Guarantees	53,221,051	53,221,051	53,221,051	-	-
Forward Exchange Contracts	46,039,737	46,039,737	46,039,737	-	-
Undrawn overdrafts & loans	95,479,645	95,479,645	95,479,645	-	-
(-) Allowance for ECL/impairment losses	(506,248)	(506,248)	(506,248)	-	-

Basel III – Market Discipline Disclosure Requirement Under Pillar III

TEMPLATE 12 : GROUP ASSESMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS) AS AT 31ST DECEMBER 2023

	Rs. (LKR) Group
Size Indicator	
Section 1 - Total Exposures	
Total exposures measure	3,206,384,410
Interconnectedness Indicators	
Section 2 - Intra-Financial System Assets	
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)	20,112,603
(i) Funds deposited	17,536,873
(ii) Lending	2,575,730
b. Holdings of securities issued by other financial institutions	1,007,802
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	6,940,635
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	12,304,390
Intra-financial system assets	40,365,431
Section 3 - Intra-Financial System Liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	103,988,894
(i) Funds deposited	16,271,168
(ii) Borrowings	87,717,726
b. Net negative current exposure of securities financing transactions with other financial institutions	5,690,087
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	309,988
Intra-financial system liabilities	109,988,969
Section 4 - Securities Outstanding	
Securities outstanding	57,806,483
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 - Payments made in the reporting year (excluding intragroup payments)	
Payments activity	4,778,220,688
Section 6 - Assets Under Custody	
Assets under custody	-
Section 7 - Underwritten Transactions in Debt and Equity Markets	
Underwriting activity	-

Section 8 - Trading Volume

a. number of shares or securities	313
b. value of the transactions	-87,583

Complexity indicators**Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives**

OTC derivatives	56,554,104
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Section 10 - Level 2 Assets

Level 2 assets	2,563,845
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Section 11 - Trading and available for sale (AFS) securities

a. debt instruments	9,060,216
b. equity instruments	3,786,870
c. government securities	144,584,727
d. derivatives	11,259,451

Section 12 - Cross-Jurisdictional Liabilities

Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	211,272,908
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Section 13 - Cross-Jurisdictional Claims

Cross-jurisdictional claims (excluding derivatives and intragroup claims)	75,472,118
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External Assurance on Sustainability Report



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Independent practitioner's assurance report to the Board of Directors of People's Bank on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2023.

Scope

We have been engaged by **People's Bank** to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on **People's Bank's Economic, Environment, Social and Governance (EESG) indicators** (the "Subject Matter") contained in **People's Bank's** (the "Entity's") **Integrated Annual Report for the year ended 31 December 2023** (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by People's Bank

In preparing the Subject Matter, **People's Bank** applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

People's Bank's responsibilities

People's Bank management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the **Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised))**, and the terms of reference for this engagement as agreed with the **People's Bank on 04 March 2024** standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the **Institute of**

Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on *Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited



A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/ frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to **the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of People's Bank for the year ended 31 December 2023**, in order for it to be in accordance with the Criteria.

**08 April 2024
Colombo**

GRI Content Index

Statement of use		People's Bank has reported in accordance with the GRI Standards for the period 1st January 2023 to 31st December 2023			
GRI 1 used		GRI 1: Foundation 2021			
GRI Standard/ Other Source	Disclosure	Location	Omission		Remarks
			Requirement(S) Omitted	Reason Explanation	
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	8, 365			
	2-2 Entities included in the organization's sustainability reporting	4			
	2-3 Reporting period, frequency and contact point	4			
	2-4 Restatements of information	4			
	2-5 External assurance	4, 340 - 341			
	2-6 Activities, value chain and other business relationships	9 -11, 95, 122 -123, 219			
	2-7 Employees	105 - 106			
	2-8 Workers who are not employees	106			
	2-9 Governance structure and composition	30 - 31, 176 - 178, 183			
	2-10 Nomination and selection of the highest governance body	181, 200			
	2-11 Chair of the highest governance body	180 - 181			
	2-12 Role of the highest governance body in overseeing the management of impacts	179 -181, 183			
	2-13 Delegation of responsibility for managing impacts	183			
	2-14 Role of the highest governance body in sustainability reporting	20 -23, 183			
	2-15 Conflicts of interest	194 - 195, 292 - 296			
	2-16 Communication of critical concerns	107			There were no incidents reported for the year.
	2-17 Collective knowledge of the highest governance body	176, 180			
	2-18 Evaluation of the performance of the highest governance body	181			
	2-19 Remuneration policies	182, 192			
	2-20 Process to determine remuneration	182, 192			

GRI Standard/ Other Source	Disclosure	Location	Omission		Remarks
			Requirement(S) Omitted	Reason Explanation	
GRI 2: General Disclosures 2021	2-21 Annual total compensation ratio	-	2-21	Confidentiality constraints	Bank does not disclose this due to confidentiality reasons
	2-22 Statement on sustainable development strategy	20 - 23, 60 - 63			
	2-23 Policy commitments	62 - 63, 107			
	2-24 Embedding policy commitments	66, 107			
	2-25 Processes to remediate negative impacts	66			
	2-26 Mechanisms for seeking advice and raising concerns	66			
	2-27 Compliance with laws and regulations	66			
	2-28 Membership associations	66			
	2-29 Approach to stakeholder engagement	53 - 55			
	2-30 Collective bargaining agreements	106			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	56			
	3-2 List of material topics	57 - 59			
	3-3 Management of material topics	57 - 59			
Economic performance					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	127 - 128			
	201-2 Financial implications and other risks and opportunities due to climate change	142			
	201-3 Defined benefit plan obligations and other retirement plans	227			
	201-4 Financial assistance received from government	-			No exceptional relief received during the year
Market presence					
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	106			
	202-2 Proportion of senior management hired from the local community	107			

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
Indirect economic impacts						
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	131				
	203-2 Significant indirect economic impacts	133				
Procurement practices						
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	121, 122				
Anti-corruption						
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	-				The Bank evaluates the potential impact of operational risk on all product, processes and activities on an ongoing basis.
	205-2 Communication and training about anti-corruption policies and procedures	107				
	205-3 Confirmed incidents of corruption and actions taken	107				
Anti-competitive behavior						
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-				There were no incidents reported for the year.
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	128				
	207-2 Tax governance, control, and risk management	128				
	207-3 Stakeholder engagement and management of concerns related to tax	54, 128				
	207-4 Country-by-country reporting	-	207-4	Not applicable	Bank does not operate in other countries	
Energy						
GRI 302: Energy 2016	302-1 Energy consumption within the organization	141				
	302-2 Energy consumption outside of the organization	-	302-2	Not applicable	Not applicable to the Banks operations	
	302-3 Energy intensity	141				
	302-4 Reduction of energy consumption	141				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GRI 302: Energy 2016	302-5 Reductions in energy requirements of products and services	-	302 - 5	Not applicable	Not applicable to the Banks operations	
Water and effluents						
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	140, 141				
	303-2 Management of water discharge-related impacts	-	303 - 2	Information unavailable/incomplete	Bank does not track these	
	303-3 Water withdrawal	-	303 - 3	Information unavailable/incomplete	Bank does not track these	
	303-4 Water discharge	-	303 - 4	Information unavailable/incomplete	Bank does not track these	
	303-5 Water consumption	140				
Emissions						
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	139 - 140				
	305-2 Energy indirect (Scope 2) GHG emissions	139 - 140				
	305-3 Other indirect (Scope 3) GHG emissions	139				
	305-4 GHG emissions intensity	139				
	305-5 Reduction of GHG emissions	139				
	305-6 Emissions of ozone-depleting substances (ODS)	-	305 - 6	Not applicable	Not applicable to the Banks operations	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	305 - 7	Not applicable	Not applicable to the Banks operations	
Supplier environmental assessment						
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	122 - 123				
	308-2 Negative environmental impacts in the supply chain and actions taken	-				There were no incidents reported for the year
Employment						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	108				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	109				
	401-3 Parental leave	109				

GRI Content Index

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
Labor/management relations						
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	109				
Occupational health and safety						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	-	403 - 1	Not applicable	Bank does not have a Management system for Occupational health and safety	
	403-2 Hazard identification, risk assessment, and incident investigation	109				
	403-3 Occupational health services	109				
	403-4 Worker participation, consultation, and communication on occupational health and safety	109				
	403-5 Worker training on occupational health and safety	109				
	403-6 Promotion of worker health	109				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	109				
	403-8 Workers covered by an occupational health and safety management system	-	403 - 8	Not applicable	Bank does not have a Management system for Occupational health and safety	
	403-9 Work-related injuries	109				
	403-10 Work-related ill health	109				
Training and education						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	111				
	404-2 Programs for upgrading employee skills and transition assistance programs	112				
	404-3 Percentage of employees receiving regular performance and career development reviews	112				

GRI Standard/ Other Source	Disclosure	Location	Omission		Remarks
			Requirement(S) Omitted	Reason Explanation	
Diversity and equal opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	112, 176			
	405-2 Ratio of basic salary and remuneration of women to men	113			
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	113			
Local communities					
Rights of indigenous peoples					
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	131			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	131 - 133			
	413-2 Operations with significant actual and potential negative impacts on local communities	-			No instance were reported for the year
Supplier social assessment					
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	122			
	414-2 Negative social impacts in the supply chain and actions taken	-			No instance were reported for the year
Customer health and safety					
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	119			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-			No instances were reported for the year
Marketing and labeling					
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	119			
	417-2 Incidents of non-compliance concerning product and service information and labeling	119			
	417-3 Incidents of non-compliance concerning marketing communications	89			
Customer privacy					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	119			

Senior Managers

- | | | |
|--|---|--|
| 1 Ms. T N Vijayakumar
Law Officer
RHO Batticaloa | 15 Ms. H G N Pragathi
Law Officer
RHO Gampaha R | 29 Ms. K V I K Dayananda
Assistant Regional Manager
RHO Kegalle |
| 2 Ms. L M Narangoda
Law Officer
RHO Colombo Outer | 16 Mr. P H I Jayathilaka
Law Officer
RHO Kandy | 30 Ms. R P S Dangalla
Assistant Regional Manager
RHO Gampaha |
| 3 Ms. B M D Kumudini
Law Officer
RHO Hambanthota | 17 Ms. Sirisena Asd De S
Law Officer
RHO Kalutara | 31 Mr. D H N Wijemanna
Senior Manager
Internal Audit Dept |
| 4 Ms. P P K Attanayaka
Law Officer
RHO Kurunegala | 18 Ms. S W Dewanarayana
Senior Manager
Digitalization Department | 32 Ms. I S Kirindegedara
Assistant Regional Manager
RHO Anuradhapura |
| 5 Ms. D G S G Dayarathna
Law Officer
RHO Kandy | 19 Ms. S Sivananthawerl
Assistant Regional Manager
RHO Kandy | 33 Ms. S A D H Wimalasena
Senior Manager
Investigation & Inquiries Dept |
| 6 Mr. K W R R C Siiriwardena
Senior Manager Technical Services
RHO Gampaha | 20 Ms. W A P M J Wickramaarachchi
Assistant Regional Manager
RHO Gampaha | 34 Ms. S A M L Sirimanna
Assistant Regional Manager
RHO Puttalam |
| 7 Ms. W T I Ambepitiya
Law Officer
RHO Colombo South | 21 Ms. H Raguraman
Law Officer
RHO Ampara | 35 Ms. K D Jayathissa
Assistant Regional Manager
RHO Gampaha |
| 8 Ms. T D M Shanthikumara
Senior Finance Officer
Finance & Mgmt. Accounting Dpt | 22 Ms. D D N A Aluthge
Law Officer
RHO Colombo Outer | 36 Ms. N S Rambodagedara
Assistant Regional Manager
RHO Kegalle |
| 9 Mr. D M G M Dasanayaka
Senior Manager Technical Services
RHO Kandy | 23 Ms. W M N H Weerakoon
Law Officer
RHO Kurunegala | 37 Ms. H P K S Gunawardhana
Deputy Board Secretary
Chairman'S Off. & Scr'S Dept |
| 10 Ms. P M K A Priyadharshanie
Law Officer
RHO Matara | 24 Ms. R A S R Ranasinghe
Law Officer
Legal Department | 38 Ms. E K G I Gajadeera
Law Officer
Legal Department |
| 11 Ms. M G C Aroshini
Law Officer
RHO Galle | 25 Mr. K P Vithana
Assistant Regional Manager
RHO Kalutara | 39 Ms. W M D S Nisansala
Law Officer
Legal Department |
| 12 Ms. I B Illangasinghe
Law Officer
RHO Matale | 26 Mr. S P Sooriyakumaran
Assistant Regional Manager
RHO Wannu | 40 Ms. L C Shiromi
Law Officer
RHO Kalutara |
| 13 Ms. W G G I Gunaratne
Law Officer
RHO Galle | 27 Ms. U A L Srimathie
Assistant Regional Manager
RHO Gampaha | 41 Ms. D S Mahawatta
Law Officer
Corporate & Inst. Banking Div |
| 14 Ms. M S W R Wimalagunaratna
Law Officer
RHO Colombo Outer | 28 Ms. W K S Kumarasinghe
Assistant Regional Manager
RHO Matara | 42 Ms. R G S A Randeniya
Law Officer
Legal Department |

- 43 Ms. K M A Wijesinghe**
Law Officer
RHO Badulla
- 44 Ms. P D S R Joseph**
Law Officer
RHO Puttalam
- 45 Ms. W O K A W K Wijesinghe**
Law Officer
Legal Department
- 46 Ms. M D S K Dasanayaka**
Law Officer
RHO Ratnapura
- 47 Ms. M D M I Saparamadu**
Law Officer
RHO Gampaha
- 48 Ms. M D Dharmaratne**
Law Officer
RHO Colombo North
- 49 Ms. E M Lohanathan**
Law Officer
RHO Batticaloa
- 50 Ms. W G P Damayanthi**
Senior Manager
Internal Audit Dept
- 51 Ms. K S S Subhashini**
Assistant Regional Manager
RHO Galle
- 52 Mr. T Sudagar**
Assistant Regional Manager
RHO Colombo South
- 53 Ms. D Athulathmudali**
Senior Manager
Human Resources Dept
- 54 Mr. J D R Gnanathilaka**
Assistant Regional Manager
RHO Gampaha
- 55 Mr. K M P P Kulathunga**
Assistant Regional Manager
RHO Kandy
- 56 Mr. R M Gamini**
Assistant Regional Manager
RHO Galle
- 57 Mr. M M A P Ratnayake**
Senior Manager
Staff Welfare & Stf.Loans Dpt
- 58 Ms. M P W Kodippili**
Senior Manager
Credit Recoveries Department
- 59 Mr. A L C P Abesinghe**
Assistant Regional Manager
RHO Hambanthota
- 60 Ms. K S C Rohini**
Assistant Regional Manager
RHO Kalutara
- 61 Ms. T S Nammuniarachchi**
Assistant Regional Manager
RHO Galle
- 62 Ms. G D K Perera**
Senior Manager
Internal Audit Dept
- 63 Ms. D S Atigala**
Assistant Regional Manager
RHO Colombo South
- 64 Ms. L I Namalie**
Senior Manager
Internal Audit Dept
- 65 Ms. N H N Thushari**
Assistant Regional Manager
RHO Hambanthota
- 66 Ms. D R M Disanayaka**
Senior Manager
Finance & Mgmt.Accounting Dpt
- 67 Ms. W J A Fernando**
Senior Manager
Supplies & Stores Department
- 68 Ms. S P K Ekanayaka**
Assistant Regional Manager
RHO Anuradhapura
- 69 Ms. R M P Rathnayaka**
Assistant Regional Manager
RHO Badulla
- 70 Ms. K A U I Dharmasiri**
Assistant Regional Manager
RHO Colombo South
- 71 Ms. S G T Udayani**
Assistant Regional Manager
Internal Audit Dept
- 72 Ms. U A R P Amarasinghe**
Assistant Regional Manager
RHO Galle
- 73 Ms. W N D Priyanath**
Assistant Regional Manager
RHO Matara
- 74 Ms. D D K Hettiarachchi**
Assistant Regional Manager
RHO Colombo North
- 75 Ms. A K Alahakoon**
Assistant Regional Manager
RHO Kandy
- 76 Ms. K A M N Perera**
Assistant Regional Manager
RHO Moneragala
- 77 Ms. S D W Rajapaksha**
Assistant Regional Manager
RHO Colombo North
- 78 Mr. T B Liyanage**
Senior Manager
Internal Audit Dept
- 79 Ms. H W S Hathnagoda**
Assistant Regional Manager
RHO Kandy
- 80 Ms. L P W M Damayanthi**
Assistant Regional Manager
RHO Puttalam
- 81 Mr. S B S K Priyadarshana**
Assistant Regional Manager
RHO Matale
- 82 Ms. H M Karuna Herath**
Assistant Regional Manager
RHO Kurunegala
- 83 Ms. N S W Pathirana**
Assistant Regional Manager
RHO Matara
- 84 Ms. H Abayawickrama**
Assistant Regional Manager
RHO Colombo Outer

Senior Managers

- | | | |
|--|---|--|
| 85 Ms. U I Rodrigo
Senior Manager
Internal Audit Dept | 99 Ms. Y Sureshkumar
Assistant Regional Manager
RHO Jaffna | 113 Mr. L R De Silva
Senior Manager - IT
Information Technology Dept |
| 86 Mr. K A S I Kumarapeli
Assistant Regional Manager
RHO Kandy | 100 Mr. D M V K Dissanayake
Assistant Regional Manager
RHO Kurunegala | 114 Mr. E A V Warnakula
Senior Manager - IT
Information Technology Dept |
| 87 Ms. B N S Bollegala
Senior Manager
Supplies & Stores Department | 101 Mr. M Mathiyalagan
Assistant Regional Manager
RHO Batticaloa | 115 Ms. S E Wickramaratna
Senior Manager - IT
Information Technology Dept |
| 88 Ms. K C S Perera
Senior Manager
Small & Medium Enterprises Dpt | 102 Ms. J A D T A Uduwawala
Assistant Regional Manager
RHO Kurunegala | 116 Mr. J M G I C Jayasundara
Senior Manager - IT
Information Technology Dept |
| 89 Ms. W M D Ganga
Senior Manager
Salaries & Pensions Dept | 103 Ms. S S Jumat
Senior Manager
Personal Banking Dept | 117 Mr. S Kariyawasam
Senior Manager - IT
Information Technology Dept |
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Senior Manager
Internal Audit Dept | 104 Ms. P G C Chandramali
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RHO Colombo Outer | 118 Mr. K S J Kodippili
Senior Manager - IT
Information Technology Dept |
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Assistant Regional Manager
RHO Kalutara | 105 Ms. M A K L Menik Arachchi
Assistant Regional Manager
RHO Matale | 119 Mr. D H M T L Karunaratne
Senior Dealer
Treasury Unit |
| 92 Mr. W G I P C Kosgollawaththa
Senior Manager
Treasury Unit | 106 Mr. G K R R Perera
Senior Manager
Personal Banking Dept | 120 Ms. T M T K K Abeynayake
Law Officer
RHO Kurunegala |
| 93 Ms. K T S Perera
Senior Manager
Overseas Customer Services | 107 Mr. S M A P K Samarakoon
Assistant Regional Manager
RHO Badulla | 121 Ms. K S A Arachchige
Law Officer
RHO Hambanthota |
| 94 Mr. W Muthugala
Assistant Regional Manager
RHO Ampara | 108 Ms. L A S Sajeewani
Assistant Regional Manager
RHO Kegalle | 122 Ms. M A O V Dias
Senior Finance Officer
Finance & Mgmt.Accounting Dpt |
| 95 Mr. W M U Wijekoon
Assistant Regional Manager
RHO Nuwara-Eliya | 109 Ms. W R D D Ranathunga
Law Officer
RHO Kegalle | 123 Mr. S D Jayasinghe
Senior Finance Officer
Finance & Mgmt.Accounting Dpt |
| 96 Ms. P N Kahangamage
Senior Manager
Develpmnt.& Micro Finance Dpt | 110 Mr. U M De Silva
Senior Manager - IT
Information Technology Dept | 124 Ms. S M C C Subasinghe
Senior Manager
Internal Audit Dept |
| 97 Mr. P M J J Jayasinghe
Assistant Regional Manager
RHO Nuwara-Eliya | 111 Mr. A D R Priyantha
Senior Manager - IT
Information Technology Dept | 125 Ms. C S K Wickramarathna
Senior Manager
Internal Audit Dept |
| 98 Ms. W U M Gamage
Assistant Regional Manager
RHO Kurunegala | 112 Mr. T K Hinguralaarchchi
Senior Manager - IT
Information Technology Dept | 126 Mr. W M Meril
Assistant Regional Manager
RHO Moneragala |

- 127 Ms. M W S P Gunawardhana Mwsp**
Assistant Regional Manager
RHO Ratnapura
- 128 Mr. L K P Amarasinghe**
Assistant Regional Manager
RHO Polonnaruwa
- 129 Ms. W D S Jayanthika**
Assistant Regional Manager
RHO Colombo South
- 130 Mr. M G T P Karunarathna**
Senior Manager Branch
Kandy
- 131 Mr. M T A C Fernando**
Assistant Regional Manager
RHO Ratnapura
- 132 Ms. S V G J Chelliah**
Assistant Regional Manager
RHO Wannai
- 133 Ms. S D V Lakshmi**
Senior Manager
Documentation Unit
- 134 Mr. N Thineskumar**
Senior Manager
Internal Audit Dept
- 135 Ms. R H T S Ranepura**
Senior Manager
Corporate & Inst. Banking Div
- 136 Ms. U H C N Wijesekara**
Senior Manager
Channel Management Department
- 137 Mr. D S P Jayasinghe**
Assistant Regional Manager
RHO Anuradhapura
- 138 Ms. K H Hemamala**
Senior Manager
Internal Audit Dept
- 139 Ms. H C K Wickramasinghe**
Senior Manager
Corporate & Inst. Banking Div
- 140 Mr. T M M H Tennakoon**
Assistant Regional Manager
RHO Trincomalee
- 141 Ms. W K P Wickrama**
Senior Manager
Risk Management & Credit Contr
- 142 Ms. W A C P Weerasiri**
Senior Manager
Channel Management Department
- 143 Ms. W I R Ekanayake**
Senior Manager
Process Mgmt & Quali.Assur.Dpt
- 144 Mr. K Pratheep**
Assistant Regional Manager
RHO Batticaloa
- 145 Mr. M A Raban**
Senior Manager
Internal Audit Dept
- 146 Mr. A M T T Amarapathy**
Senior Manager
RHO Polonnaruwa
- 147 Ms. K Beeshman**
Assistant Regional Manager
RHO Trincomalee
- 148 Mr. T Bharathramana**
Assistant Regional Manager
RHO Jaffna
- 149 Mr. G M U S Abayakoon**
Senior Manager Branch
Kurunegala
- 150 Mr. A K C J Amarasekara**
Senior Manager
Corporate & Inst. Banking Div
- 151 Mr. K K S P Deshapriya**
Assistant Regional Manager
RHO Colombo Outer
- 152 Ms. D U Cooray Du**
Senior Manager
Risk Management & Credit Contr
- 153 Ms. S K Udagearachchi**
Senior Manager
Branch Credit Department
- 154 Mr. L D T P Mihiraj**
Senior Manager
Head Quarters Branch
- 155 Ms. W A K C P Jayawardena**
Senior Manager
Risk Management & Credit Contr
- 156 Ms. P M P Fernando**
Senior Manager
Personal Banking Dept
- 157 Mr. U B D A Danapala**
Assistant Regional Manager
RHO Badulla
- 158 Ms. D L S Perera**
Senior Manager
Digitalization Department
- 159 Ms. R M P S Rathnayake**
Assistant Regional Manager
RHO Colombo North
- 160 Ms. P M S Sri Wimukthi**
Assistant Regional Manager
RHO Kalutara
- 161 Ms. D J A B P Wimaladharma**
Senior Manager
Staff Training College
- 162 Ms. D D Wijayathilaka**
Senior Manager
Salaries & Pensions Dept.
- 163 Ms. Y V A D Mihirani**
Senior Manager
Off-Shore Unit
- 164 Ms. A W Jayasooriya**
Senior Dealer
Treasury Unit
- 165 Mr. K N W P Perera**
Senior Dealer
Treasury Unit
- 166 Ms. S P Kumaranayaka**
Law Officer
RHO Ratnapura
- 167 Ms. G G K M Ratnawardhana**
Law Officer
RHO Colombo South
- 168 Ms. W M A P Manel**
Law Officer
RHO Kurunegala

Branch Managers

1	Mr W K Weerasinghe Duke Street Manager	17	Mr K A D S Kuruppuarachchi Balangoda Manager	32	Mr K Y R Manawansa Matara - Uyanwatte Manager
2	Mr N G D B K Jayathissa Matale Manager	18	Mr K M I S Dissanayake Gampola Manager	34	Mr M A D N Prasanna Negombo Manager
3	Mr M G T P Karunarathna Kandy Senior Manager	19	Ms C Matharage Dehiwala Manager	35	Ms M H De Silva Ambalangoda Manager
5	Ms P H C Peiris Polonnaruwa Manager	20	Mr S Gobikrishna Mullatiivu Manager	36	Mr W D N Kumara Ragala Manager
6	Ms H P R Srimalee Hinguraggoda Deputy Manager	21	Ms A T Nishanthi Minuwangoda Manager	37	Mr B L Pushpa Kumara Bandarawela Manager
7	Ms M A S Sanura Hambantota Manager	22	Ms I M I P K Ilanganthilake Hanguranketha Manager	38	Mr H A A S Hettiarachchi Talawakelle Deputy Manager
8	Mr E A C Edirisinghe Anuradapura Manager	23	Mr V Saravanabavan V Kalmunai Manager	39	Mr G A D Rasajeewa Kalutara Manager
9	Ms W M S K Wanninayake Puttalam Manager	24	Mr P L S R Fernando Chilaw Manager	40	Mr M Kalistus Vavuniya Manager
10	Ms A S Kaluarachchi Badulla Manager	25	Ms Y C Edirisooriya Hyde Park Manager	41	Mr C M Wickramaarachchi Horana Manager
11	Ms H M A Chulangani Bibile Manager	26	Mr N R A L K Ranathunga Gampaha Manager	42	Mr A B Gunawardena Kekirawa Manager
12	Mr G M U S Abayakoon Kurunegala Senior Manager	27	Ms C I Gamage Kegalle Manager	43	Mr R M S N Wijerathna Padaviya Deputy Manager
13	Mr H Vidanapathirana Galle-Fort Manager	28	Mr U K D M Priyantha Kuliyapitiya Manager	44	Mr S C A Rajakumar Mannar Deputy Manager
14	Ms E A A I K Bogamuwa Union Place Manager	29	Ms M I L Mendis Avissawella Manager	45	Mr R T Nishantha Embilipitiya Manager
15	Mr R K S P Rajapaksha Ampara Manager	30	Mr P Partheepan Jafna Stanly Road Manager	46	Ms D M B P Jayaweera First City Manager
16	Mr D M U P Dissanayaka Welimada Manager	31	Ms K Pushpanayagam Kankasanthurai Manager	47	Ms L P G N Amarasooriya Yatiantot Manager

The names have been arranged in branch order.

- 48 Mr A Harikesan**
Kilinochch
Manager
- 49 Mr K S Kalubowila**
Homagama
Manager
- 51 Mr S L Algewatta**
Kahatagasdigiliya
Deputy Manager
- 52 Mr S M C Wijayarathne**
Maho
Manager
- 53 Ms G A Suhood**
Nawalapitiya
Manager
- 54 Ms S S K Mallawarachchi**
Warakapola
Manager
- 55 Mr E P A P De Silva**
Kelaniya
Manager
- 56 Ms J C Palathanthri**
Sangaraja
Manager
- 57 Ms N S Kulasekara**
Peradeniya
Manager
- 58 Mr W M M I B Weerapana**
Mahiyangana
Manager
- 59 Ms H M M H Seneviratna**
Polgahawela
Manager
- 60 Ms G Chandrika**
Morawaka
Manager
- 61 Ms S H W Rohini**
Tissamaharama
Manager
- 62 Mr W P M Ruwanpathirana**
Wellawaya
Manager
- 63 Mr M A C M Shafeek**
Akkaraipattu
Manager
- 64 Mr S MA Jawath**
Samanthura
Deputy Manager
- 65 Mr R M Vishnuvarthanan**
Kattankudy
Deputy Manager
- 66 Mr K Mathyvathanan**
Trincomale
Manager
- 67 Mr H S Keembiye Hettige**
Tangalle
Manager
- 68 Mr J K Kalubowila**
Monaragala
Manager
- 69 Ms K A U Seneviratna**
Mawanella
Manager
- 70 Ms M D Ranasinghe**
Matugama
Manager
- 71 Ms D R T Janaki Kumari**
Dematagoda
Manager
- 72 Mr I R Thenabadu**
Ambalantot
Manager
- 73 Mr I D G S Kumara**
Elpitiya
Manager
- 74 Ms W A G N H Jayathilake**
Wattegama
Manager
- 75 Mr N M Santhan**
Batticaloa
Manager
- 76 Mr M P W Kurera**
Wennappuwa
Manager
- 77 Ms T A R Chandrika**
Weligama
Manager
- 78 Ms W A N Udayangani**
Borella
Manager
- 79 Ms G K D P S Gunarathna**
Veyangoda
Manager
- 80 Ms H D S Perera**
Ratmalana
Manager
- 81 Ms A Samarasinghe**
Ruwanwella
Manager
- 82 Ms A M T Abeyasinghe**
Narammala
Manager
- 83 Ms M M S Perera**
Nattandiya
Manager
- 84 Mr W S S Rupasiri**
Alutgama
Manager
- 85 Mr D H Nawagamuwa**
Eheliyagoda
Manager
- 86 Ms W I P D Perera**
Thimbirigasyaya
Manager
- 87 Mr W J Weerakkody**
Baddegama
Manager
- 88 Mr B A L Jayatissa**
Ratnapura
Manager
- 89 Mr P W B Tennakoon**
Katugastota
Manager
- 90 Mr K A C J Wijayarathne**
Kantalai
Manager
- 91 Ms A C Konara**
Moratuwa
Manager
- 92 Mr K A C Kasthuri**
Giriulla
Manager
- 93 Ms D G G K Dahanayaka**
Pugoda
Manager

The names have been arranged in branch order.

Branch Managers

94 Mr K M Ameerdeen Kinniya Manager	111 Mr A Francis Paranthan Manager	127 Ms L Y N Sandamali Nildandahinna Manager
95 Mr M B Jawfer Muttur Manager	112 Ms H G R Suranji Theldeniya Manager	128 Ms A M U N D K Amarakoon Rattota Manager
96 Mr S M N Samarakoon Medawachch Manager	113 Mr M Premkumar Batticalo Town Manager	129 Mr P D S K Pathirana Rakwana Manager
97 Mr A U W Weeraratne Gangodawila Manager	114 Mr I M P Ilankoon Imp Galagedara Manager	130 Mr W W M Nawaratne Hakmana Manager
98 Ms W A I Nimali Kotikawatta Manager	115 Mr L W M G De Silva Galewela Manager	131 Ms B A K Darshika Udugama Deputy Manager
100 Mr D M J Dissanayaka Marandankadawala Manager	116 Ms W N Kumari Passara Manager	132 Mr A P Mahesha Deniyaya Manager
101 Mr K A U K Devapriya Rambukkana Manager	117 Ms C Kodisinghe Akuressa Manager	133 Mr R D Pathma Kamburupitiya Manager
102 Mr E G P Pragash Valachenai Manager	118 Ms G K P D Alahakoon Delgoda Manager	134 Mr K L P Kithsiri Nuwara Eliya Manager
103 Ms W B L D Fernando Piliyandala Manager	119 Ms W A N Piyasili Narahenpita Manager	135 Ms E B C M Bandara Dikwella Manager
104 Ms N Sathiyaseelan JafnaMain Street Manager	120 Ms S H C A N Senevirathna Walasmulla Manager	136 Ms P M K G Jinadasa Hikkaduwa Manager
105 Mr K Rameshnesan Kayts Manager	121 Ms B G Ruwani Bandaragama Manager	137 Ms T A D Jayathilaka Makandura Manager
106 Ms G Pirathakshi Nelliady Manager	122 Mr R R M S B Bambaradeniya Wilgamuwa Manager	138 Mr K M P Pushpakumara Dambulla Manager
107 Ms K Sasikala Atchuvvely Manager	123 Ms R C Suthaharan Eravur Deputy Manager	139 Mr A J C S Perera Pettah Manager
108 Mr N Thanesh Chankanai Manager	124 Mr W H M T S Wijekoon Nikawaratiya Manager	140 Mr A B Kulasekara Hasalaka Deputy Manager
109 Mr S Mohanachselvan Chunnakam Manager	125 Mr M A D Chinthaka Kalpitiya Deputy Manager	141 Mr A S Antonippillai Valvettiturai Manager
110 Mr K Venkadesh Chavakachcheri Manager	126 Mr A V D Thushan Grandpass Manager	142 Ms H H A S Jayasekara Kochikade Manager

The names have been arranged in branch order.

- 143 Ms M M N S Gunasekara**
Suduwella
Manager
- 144 Mr R M S P Rathnayaka**
Hettipola
Manager
- 145 Ms S Suhanthan**
Wellawatte
Manager
- 146 Mr K P C S Kularathne**
Naula
Manager
- 147 Ms P H I P Siriwardhana**
Buttala
Manager
- 148 Ms M D S Fernando**
Panadura
Manager
- 149 Ms M M C A Badullewa**
Alawwa
Manager
- 150 Mr S D N J Christopher**
Kebitigollawa
Manager
- 151 Mr T B A G Silva**
Diyatalawa
Manager
- 152 Ms P S Karanayaka**
Matara - Dharmapala Mawatha
Deputy Manager
- 153 Ms P M Wijesundara**
Akurana
Manager
- 154 Ms I D Nilushika**
Balapitiya
Manager
- 155 Mr A B M Rizwan**
Kahawatta
Manager
- 156 Ms H M N W K Herath**
Uva-P'Gama
Manager
- 157 Ms S Siriwardana**
Menikhinna
Manager
- 158 Mr E O Udayapriya**
Senkadagal
Manager
- 159 Ms I D Pandithaarachchi**
Kadugannawa
Manager
- 160 Ms B P C Basnayaka**
Pelmadulla
Manager
- 161 Ms K G T D Malkanthi**
Bulathsinhala
Manager
- 162 Ms R Jeyachandra**
Jaffna Univercity
Manager
- 163 Mr K R S B Kulasuriya**
Wariyapola
Manager
- 164 Ms H B C C Rajahewa**
Pottuvil
Deputy Manager
- 165 Mr B Seeralan**
Mankulam
Manager
- 166 Mr C E Dabarera**
Murunkan
Deputy Manager
- 167 Mr M T Pradeep**
Town Hall
Manager
- 168 Mr Y L C Dhanawardana**
Kataragama
Manager
- 169 Mr H G S Diluksha**
Galle Bazaar
Manager
- 170 Mr S A A I R Suraweera**
Eppawela
Deputy Manager
- 171 Mr S T Dissanayake**
Nochiyagama
Manager
- 172 Mr R M D M Rajaguru**
Bingiriya
Manager
- 173 Ms V N Gunasekara**
Pundaluoya
Manager
- 174 Ms H P K Samanmali**
Nugegoda
Manager
- 175 Ms S K Nawagamuwa**
Kandana
Manager
- 176 Ms S A H M P Bandara**
Mid City
Deputy Manager
- 177 Ms H M D Herath**
Galenbindunuwewa
Manager
- 178 Mr M Jegadeesen**
Maskeliya
Manager
- 179 Mr H M N M Dissanayaka**
Galnewa
Manager
- 180 Mr G B E M K R Ekanayake**
Deraniyagala
Manager
- 181 Mr R G A R Ananda**
Maha-Oya
Deputy Manager
- 183 Ms T K Ekanayake**
Ankumbura
Manager
- 184 Ms M M C Rathnayaka**
Galgamuwa
Manager
- 185 Ms N A W M R P L K Dehigama**
Kg/Galgamuwa
Manager
- 186 Mr S M U Asanga**
Hatton
Manager
- 188 Ms N S B Yapa**
Ahangama
Manager
- 189 Mr A G Anusha**
Uhana
Manager
- 190 Mr D Thanashakaran**
Kaluwanchikudy
Manager

The names have been arranged in branch order.

Branch Managers

191 Ms K K D R T Karunathilaka Malwana Manager	201 Ms. S N C W M I S K Hulugalla Ibbagamuwa Manager	219 Mr V M B Senanayake Thambuttegama Manager
192 Ms K M P P Rathnayake Nivithigal Manager	202 Ms W R D Kumudini Kirindiwela Manager	220 Ms A M M U Adhikari Anuradhapura - Nuwara Wewa Manager
193 Mr W D S K Chandratilake Ridigama Manager	203 Ms S H H Sikurajapathi Habarana Deputy Manager	221 Ms S Wickramasooriya Hemmathagama Manager
194 Ms K D T Dilrukshi Kolonnawa Manager	204 Mr L D T P Mihiraj Head Quarters Senior Manager	222 Mr W G W B Wedagedara Wattala Manager
195 Ms D M M Gunarathna Haldumulla Manager	205 Mr AP D J Pushpakumara Angunakolapalessa Manager	223 Mr T Karikalan Karativu Deputy Manager
196 Mr S A C R Suriyapperuma Kaduwela Manager	206 Ms B J Dissanayaka Davulagala Manager	224 Mr T Umaashankaran Thirukovil Deputy Manager
197 Ms L N G De Silva Uragasmanhandiya Manager	207 Ms S N C W M I S K Hulugalla Ibbagamuwa Manager	225 Ms D P Wijayarathna Hali-Ela Manager
198 Mr M A P N Mallawaarachchi Mirigama Manager	208 Mr V T R Wasantha Kumara Battaramulla Manager	226 Mr H D A Srilal Kurunegala - Maliyadeva St. Manager
199 Ms U V S M Premathunga Mawatagama Manager	209 Mr H M T N Herath Boralanda Deputy Manager	227 Ms N Rajanayagam Chengalady Manager
200 Ms D M N P Gunaratne Majestic City Manager	210 Mr S D Vidanapathirana Kollupitiya - Co-Op. Bldg Deputy Manager	228 Mr A L Abdussalam Addalachchai Manager
201 Ms P AP Dayananda Ukuwela Manager	211 Ms Y M C K Yapa Panwila Manager	229 Ms R Illanperuma Hanwella Manager
202 Ms W R D Kumudini Kirindiwel Manager	214 Ms S P N Ramar Mutwal Manager	230 Mr W P K Gunawardana Thanamalwila Deputy Manager
197 Ms. S H H Sikurajapathi Habarana Manager	215 Ms D M S D Dissanayaka Hemmathagama Manager	231 Mr R M P S Ranasinghe Medirigiriya Manager
198 Mr. L D T P Mihiraj Head Quarters Senior Manager	216 Ms B D T M De Silva Haputale Manager	232 Ms V J K Botheju Polonnaruwa Town Manager
199 Mr. A P D J Pushpakumara Angunakola Manager	217 Ms E K K Udumullage Mahara Deputy Manager	233 Mr H D W Udayakumara Serunuwara Manager
200 Ms. B J Dissanayaka Davulagala Manager	218 Mr K N Jayatissa Horowpothana Deputy Manager	234 Ms W L Ranaweera Batapola Manager

The names have been arranged in branch order.

235 Mr N Y P S Piyasiri Kalawana Deputy Manager	251 Ms S D Umadevi Lunugala Deputy Manager	266 Mr C Malalasekara Kiriella Manager
236 Ms E P M Rajakaruna Maradana Manager	252 Mr C D Undugodage Bulathkohupitiya Deputy Manager	267 Mr T D W Ekanayake Anamaduwa Manager
237 Ms C S Gamage Kiribathgoda Manager	253 Mr K T A R Wickramarathne Aralaganwila Deputy Manager	268 Mr H Y W W M C K Wijesekara Giradurukotte Deputy Manager
238 Ms H G C N Kumari Gonagaldeniya Manager	254 Ms M V K Imbuldeniya Welikanda Deputy Manager	269 Ms A I Suriyapperuma Muthiyanga Manager
239 Mr R N Jeewamal Ja-Ela Manager	255 Mr M M M Niyas Trincomalee - Town Manager	270 Mr J A P Jayasinghe Thulhiriya Manager
240 Ms M H P S De Silva Keppetipola Deputy Manager	256 Ms M G R M Madakumbura Pilmathalawa Manager	271 Ms N H Weerasingha Urubokka Manager
241 Mr G H Malwaththage Pallepola Manager	257 Ms J M D L Peiris Deltota Deputy Manager	272 Mr G D S Gamage Thalgaswala Manager
242 Mr R A A CRanasinghe Bakamuna Manager	258 Ms B M N D K Balasooriya Medagama Manager	273 Ms A K P A Attanagoda Kadawatha Manager
243 Mr P Rathnayaka Devinuwara Deputy Manager	259 Ms J M N T Sandareka Kehelwatta Manager	274 Ms D S Hettiarachchi Pussellewa Manager
244 Ms W B M R Weeraratna Beliatta Manager	260 Mr A R Amarasiri Koslanda Deputy Manager	275 Ms Velrane K Olcott Mawatha Manager
245 Mr P Dencil Godakawela Deputy Manager	261 Mr P R Silva Pelawatta Manager	276 Mr J W K K NJayasunadara Katunayake Manager
246 Mr W W P M D Weerasooriya Meegalewa Deputy Manager	262 Ms H D T R Siriwardena Wadduwa Deputy Manager	277 Ms S Satkkuneswaran Sea Street Manager
247 Ms W H D S Wimalajeewa Imaduwa Deputy Manager	263 Ms U K N Siripala Kuruwita Deputy Manager	278 Mr R D R S Kumara Nittambuwa Manager
248 Ms H P A D Rathnakumara Aranayake Deputy Manager	264 Mr K H A G Pamuditha Suriyawewa Manager	279 Ms M N P Perera Pitakotte Manager
249 Mr M P Chandana Neboda Manager	265 Ms P W Gunasekara Middeniya Manager	280 Ms N L Wanigasekara Pothuhera Deputy Manager
250 Ms T H K S Somathilaka Kandeketiya Deputy Manager		

The names have been arranged in branch order.

Branch Managers

281 Ms G P G M E Palliyaguru Kobeigane Manager	296 Mr N L F Rifai Nintavur Deputy Manager	311 Mr O D N L Vithanage Beruwala Manager
280 Ms. N C Dahanayake Moratumull Manager	297 Ms R A S H Ranasinghe Dam Street Manager	312 Ms N K Munasinghe Malwatta Road Manager
281 Mr. H A M Perera Dankotuwa Manager	298 Mr P H J Tilakaratne Central Rd Manager	313 Ms W G K M Wickremasinghe Katubedda Manager
282 Ms H D S Fernando n Maggona Manager	299 Ms E D A P Hettiarachchi Kegalle Bazaar Manager	315 Ms P D N Subhashini Thalawa Deputy Manager
283 Ms M A C A Premadasa Maca Baduraliya Manager	300 Ms L C Gorokgoda Ingiriya Manager	316 Mr A S Athulasiri Ragama Manager
284 Ms R Paramthaman Kannathidy Manager	301 Mr D M N Dissanayake Galkiriyagama Deputy Manager	317 Mr H S M De Silva Ratnapura - Town Manager
285 Mr S Sarvananthan Point Pedro Manager	302 Ms K A S W Amarathilake Ginigathhena Manager	318 Ms T N Peiris Pamunugama Deputy Manager
288 Mr S D D U S Singhapura Kudawella Deputy Manager	303 Mr M Ranjith Mahawewa Manager	319 Mr S Manimaran Kirulapone Manager
289 Mr H G I P H Gamage Kaltota Deputy Manager	304 Ms T P Karunasena Walasgala Deputy Manager	320 Ms D Kalatuwawa Golden Jubilee Manager
290 Ms N C Dahanayake Moratumulla Manager	303 Ms. P D N Subhashini Thalawa Deputy Manager	321 Ms D C Jayasinghe Panadura - Town Manager
291 Mr H A M Perera Dankotuwa Manager	306 Ms M D M Pushpakumari Maharagama Manager	322 Mr H J P A Jayasinghe Marawila Manager
292 Mr M P Wijekoon Udupussellawa Manager	307 Ms D C Mallikarachchi Gandara Manager	324 Ms S W G C Swarnamali Seeduwa Manager
293 Mr W A V E Kulathunga Dehiowita Deputy Manager	308 Mr R P C N Rajapaksha Kotahena Manager	325 Ms W A P Chandranganie Wanduramba Manager
294 Ms M M I D Manthilake Alawathugoda Deputy Manager	309 Ms N R Ramanayaka Librty Plaza Manager	327 Ms I N K Jayawardena Kesbewa Manager
295 Mr P N Shantha Udawalawa Manager	310 Ms C J Gunawardena Bambalapitiya Manager	328 Ms P G U Sandamali Kottawa Manager

The names have been arranged in branch order.

- 329 Ms K G N Dushyanthi**
Koggala
Deputy Manager
- 330 Mr J S Chandradasa**
Dehiattakandiya
Deputy Manager
- 331 Ms T H J Hettiarachchi**
Lucky Plaza
Deputy Manager
- 332 Mr S Nimal**
Ganemulla
Manager
- 333 Ms S A B Jaffeer**
Yakkala
Deputy Manager
- 334 Ms I L T N Ihalagedara**
Ethugalpura
Manager
- 335 Ms W A U S Samaranayaka**
Nugegoda City
Manager
- 336 Ms A T N Perera**
Mt.Lavinia
Deputy Manager
- 337 Ms R I Jayaweera**
Dehiwala (Galle Road)
Manager
- 338 Mr M I Yahiya**
Sainthamarathu
Deputy Manager
- 339 Mr S Pavanantharajah**
Kallar
Deputy Manager
- 340 Mr P S Christy**
Oddamavadi
Deputy Manager
- 341 Ms S P Jayawardena**
Hataraliyadda
Manager
- 342 Mr P Vigneswararajah**
Kokkadicholai
Deputy Manager
- 343 Ms V M Erandani**
Karapitiya
Deputy Manager
- 344 Ms K M I K P Kuruppu**
Melsiripura
Manager
- 345 Mr H G S L Sumanadasa**
Ranna
Deputy Manager
- 346 Mr M Satheeq**
Maruthamunai
Deputy Manager
- 347 Ms G H W W M M N Samanmali**
Badalkumbura
Deputy Manager
- 348 Ms M A S Himali**
Boralesgamuwa
Manager
- 349 Mr W R E I B Ekiriya gala**
Pallebedda
Deputy Manager
- 350 Mr K H S Chandralal**
Weeraketiya
Deputy Manager
- 351 Ms S P C M Sudasinghe**
Thambala
Deputy Manager
- 352 Mr N Mohamed Shiyam**
Pulmudai
Deputy Manager
- 353 Ms B M N T Bandara**
Rikillagaskada
Manager
- 354 Ms V N Kodieswary**
Bagawanthalawa
Manager
- 355 Ms K M K Pushpa Kumari**
Kotiyakumbura
Manager
- 356 Mr E K Feldano**
Chetikulam
Deputy Manager
- 357 Ms F N Zuhair**
KCC
Manager
- 358 Mr T M R B Tennakoon**
Poojapitiy
Deputy Manager
- 359 Ms M H M P A Weerasinghe**
Piliyandala City
Manager
- 360 Mr R M N Rathnayaka**
Polpithigama
Deputy Manager
- 361 Ms P Visakan**
Kodikamam
Manager
- 362 Ms W N V Botheju**
Elegance
Manager
- 363 Mr R M R M Rathnayaka**
Gelioya
Manager
- 364 Mr S S P Arumapperuma**
Athurugiriya
Deputy Manager
- 365 Ms R M A D Rathnayake**
Siyambalanduwa
Deputy Manager

The names have been arranged in branch order.

Glossary of Financial/Banking Terms

A

Accounting policies

Principles, rules and procedures selected and consistently followed by the management of an entity in preparing and reporting the Financial Statements.

Accrual basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Amortization

Systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation and amortization both have the same meaning.

Actuarial valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets and other relevant costs and values.

Amortized cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Associate company

A company other than a subsidiary in which a holding company has a participating interest and exercise a significant influence over its operating and financial policies.

Available-for-sale financial asset

Those financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss.

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Bill discounted

A Promissory Note or Bill of Exchange that has been purchased for less than face value, the difference representing interest on the unexpired term of the bill. At maturity, the holder collects the face value of the bill for its own account.

Bill of exchange

A signed, written, unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bill of exchange and draft are often used interchangeably.

Business Continuity Plan

A document that consists of the critical information an organization needs to continue operating during an unplanned event.

The BCP should state the essential functions of the business, identify which systems and processes must be sustained, and detail how to maintain them. It should take into account any possible business disruption.

C

Call deposits or call money

Deposits or funds lent out which are repayable on demand.

Capital adequacy

The ability of a Bank to meet the needs of their depositors and other creditors in terms of available funds. As per requirement of Bank for International Settlements (SIBS) and Central Bank of Sri Lanka, local banks should maintain a stipulated minimum capital.

Capital adequacy ratio

The percentage of the risk-adjusted assets supported by capital, as defined under the framework of risk based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Cash equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Certificate of deposit (CD)

A certificate issued by a Bank against funds deposited with it that specifies the rate of interest payable and the date when the deposit will be repaid to the bearer. CDs are often negotiable.

Commercial paper

Unsecured short-term Promissory Notes issued by banks and creditworthy corporate borrowed.

Commitments

Credit facilities approved but not yet utilized by the clients as at the balance sheet date.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent banks

A bank that acts as an agent for another bank. The correspondent Bank will generally provide a wide variety of banking services on behalf of the other banks in the region in which the correspondent bank is located.

Collectively Assessed Loan Impairment Provisions

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

Cost income ratio

Operating expenses as a percentage of net income.

Counterparty

The other party (including a bank) with whom a deal is made or closed.

Country risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Cross rate

The calculated foreign exchange rate from two separate quotations involving the same currency.

Currency swap

A current exchange of principal amounts in two currencies combined with an agreement to re-exchange the currencies at a later date and to make interest payments, until the re-exchange, on the currency is received.

D

Deferred tax

Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current financial year.

Depreciation

The systematic allocations of the depreciable amount of the assets over its useful life.

Derivative

A financial instrument with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable (sometimes called the "underlying"). (b) It requires no initial net investment that is smaller than would be required for other types. (c) It is settled at a future date.

Dealing securities

Securities acquired and held with the intention of reselling them in the short-term.

Defined benefit plan

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and/or years of service.

Disintermediation

The term often used to describe borrowers raising funds directly from the capital markets rather than from the banking sector. This is usually only undertaken by borrowers with the strongest credit ratings.

Documentary bill

A bill of exchange that is accompanied by various documents, such as a Bill of Lading, an invoice and an insurance policy.

Documentary credit

A letter of credit that stipulates the documents that must be produced in order for payment to be made.

Draft

A term generally synonymous with bill of exchange but sometimes used specifically in the context of interbank bills. A banker's draft, payable on demand, drawn by or on behalf of a Bank.

E

Effective interest method

The method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

Effective Tax Rate (ETR)

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity instrument

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected credit loss

The weighted average of credit losses with the respective risks of a default occurring as the weights.

F

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fixed charge

A charge on specific property, usually freehold or leasehold property or plant and machinery, given under a legal mortgage.

Financial instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.

Glossary of Financial/Banking Terms

Floating charge

A charge, taken by a lender to secure an advance upon property, such as stock, debtors, or cash, that permits the Company to continue using and disposing of those assets in connection with its ordinary business. Such a charge becomes fixed in the event of the Company's default.

Foreclosed properties

Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

Foreign exchange income

The realized gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan rupees on the balance sheet date at prevailing rates which differ from those rates in force at inception or on the previous balance sheet date. Foreign exchange income also arises from trading in foreign currencies.

Forward contract

A contract that commits two parties to an exchange at a specific future date under terms set out at the contract date.

Forward rate

The price of currency with a maturity beyond the spot date. Forward rates may be either the same in price as spot rates or different. In the first case, the forward rate is flat. In the second case, the price is either higher, at a premium, or lower, at a discount.

Forward rate agreement (FRA)

An agreement to exchange payments at a specified future date based on the difference between a particular interest rate index (e.g. LIBOR) and an agreed fixed rate.

G

Group

A group is a parent and all its subsidiaries.

Guarantees

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent nonfinancial undertakings such as bid and performance bonds.

Global Reporting Initiatives (GRI)

The GRI is an international independent standards organization that helps businesses, governments and other organizations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

H

Hedging

A methodology used to cover against risk of unfavorable price movements (interest rates, prices, commodities, etc.)

Held-to-maturity investments

A financial asset with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, other than those that the entity on initial recognition elects to designate as held-for-trading or available-for-sale, or that meet the definition of loans and receivables.

I

Impairment

This arises due to decline in recoverable amount below carrying amount.

Impairment Charge/ (Reversal)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Indemnity

An agreement whereby a person agrees to bear any loss that is suffered by a party to a contract to which he himself is not a party. The person giving the indemnity assumes primary liability, unlike a guarantor who assumes secondary liability.

Intangible assets

An identifiable non-monetary asset without a physical substance.

Interest rate risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest in suspense

The interest due on non-performing assets.

Interest margin

Net interest income as a percentage of average interest-earning assets.

Investment property

A property (land or a building) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the supply of goods or services or for administrative purposes; or (b) sale in the Ordinary course of business.

K

Key management personnel

Those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity.

Key Performance Indicators (KPIs)

KPIs are quantifiable measurements, agreed beforehand that reflects the critical success factors of a company.

L

Lease

A contract, or part of contract that conveys the right to use as asset (the underline asset) for a period of time in exchange for consideration.

Letter of credit (LC)

A document issued by a bank, requesting another bank or banks to advance money to a third person, up to a certain amount, in accordance with the terms and conditions set out in the document.

Leverage Ratio

A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet its financial obligations.

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquid assets ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Liquidity Coverage Ratio – LCR

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loan-to-value ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss allowance

The allowance for expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and the provision for expected credit losses on loan commitments and financial guarantee contracts.

M

Mark to market

The policy to periodically revaluing positions up or down to their current market or fair value.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk, and other price risk.

Minority interest

The proportion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the Parent.

Mortgage

A lien on real property used to secure a borrowing.

N

Negotiable instrument

A security or other financial instrument which can be freely sold to a third party (i.e. negotiated). Bank notes, bearer bonds, Bills of Exchange and cheques are normally negotiable instruments.

Net interest margin

Interest income as a percentage of Average Interest Earning Assets.

Net Interest Income (NII)

The difference between the amounts a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, finance funds and interbank borrowings.

Net Stable Funding Ratio (NSFR)

Measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Non-performing loan

A loan where principal or interest payments are not being made on the due dates or where the borrower is failing to meet some other term or condition of the loan. Non-performing loans are frequently allocated nonaccrual status.

Nostro account

A foreign currency current account maintained with another Bank, usually but not necessarily a foreign correspondent Bank. At the other Bank, the deposit is called a nostro account.

O

Objective evidence

Information based on facts that can be proved through analysis, measurement, observation and other such means of research.

Off-balance sheet transactions

Transactions not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Position

The netted total commitments in a given currency or interest rate. A position can be either flat or square (no exposure), long (more currency bought than sold overbought) or short (more currency sold than bought oversold).

Prime rate

The interest rate which a bank charges its most creditworthy corporate customers.

Promissory note

An unconditional promise in writing made by one person to another, signed by the promisor, engaging to pay on demand or at a fixed or determinable future time a fixed sum to or to the order of, a specified person or to bearer.

R

Related parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repo

Jargon for sale and repurchase agreement.

Reserve assets

Assets of a financial institution which form part of its reserve requirements with the Central Bank.

Reverse repo

The opposite of a repo, i.e. a purchase and resale agreement.

Revolving credit

A line credit that has terms permitting successive drawings and payments at the borrower's discretion. The funds available to the borrower are replenished by any repayments of principal.

Risk Appetite

It can be described as an organization's risk capacity, or the maximum amount of residual risk it will accept after controls and other measures have been put in place.

Glossary of Financial/Banking Terms

Right of use asset

An asset that represents a lessee's right to use an underlying asset for the lease term

Risk-weighted assets

On-balance sheet assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Securitization

This involves the transfer of a block of income producing assets to a vehicle company that finances the purchase through the issue of debt (usually notes of commercial paper).

Segmental analysis

Analysis of financial information by segments of an enterprise specifically, the different geographical areas in which it operates. Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealings, property and insurance.

Settlement date

The date on which a securities transaction is completed by actual exchange of securities for cash.

Short position

An excess of liabilities (and/or forward sale contracts) over assets (and/or forward purchase contracts). A dealer's position when the net of purchases and sales leaves a net sold or oversold position.

Subsidiary company

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Suspense account

An account used to record items temporarily which are held subject to clarification and transfer to the appropriate account.

Syndication loan

A loan arrangement in which a number of banks, in a form of joint venture, provides funds which they would individually be unwilling or unable to provide. Syndications are used for customers whose scale of financing is too great for any single Bank to accommodate without distorting its loan portfolio.

T

Time deposit

An interest bearing deposit account which is subject to withdrawal only after a fixed term.

Tier 1 capital (Common Equity Tier 1 – CET I)

Common Equity Tier 1 (CET I) is a component of Tier 1 Capital that consists mostly of stated capital. It is a capital measure that was introduced as precautionary measure to protect the economy from a financial crisis.

Tier 1 capital (Additional Tier 1 Capital – AT I)

Additional Tier 1 Capital (AT I) is a component of Tier 1 Capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividends can be cancelled at any time.

Tier 2 capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total capital

The sum of Tier 1 capital and Tier 2 capital. Trading Financial Assets and Liabilities A financial asset or financial liability is classified as held-for-trading if it is: (a) Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (b) Part of a portfolio of identified financial instruments that are managed together for which there is evidence of a recent actual pattern of short-term profit taking; or (c) A derivative (except for a derivative that is designated and effective hedging instrument).

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Treasury bonds (T-Bond)

A long-dated security issued by the Central Bank of Sri Lanka. T-Bonds carry a coupon rate of interest.

V

Value added

Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital to Government by way of taxes and retained for expression and growth.

Value at risk (VAR)

A risk management methodology that estimates the potential loss arising from adverse movement in market interest or exchange rates over a defined holding period.

Vostro account

A local currency current account maintained with a bank by another bank (compare with Nostro account).

Y

Yield curve

A graph showing market interest rates as a function of maturity. Normally, the yield curve is upward sloping: interest rates increase with the term of the instrument.

Yield to Maturity (YTM)

Discount rate at which the present value of future cash flows would equal the security's current price.

NAME OF THE BANK

People's Bank

LEGAL STATUS

A licensed commercial bank under the Banking Act No. 30 of 1988 incorporated as a commercial bank by People's Bank Act No. 29 of 1961.

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