



Parliamentary Series No. 476

Tenth Parliament of
The Democratic Socialist Republic of Sri Lanka
(First Session)

**Seventeenth Report of
The Committee on Public Enterprises**

(The investigations conducted
on 19.11.2025 and 26.11.2025
regarding the National Savings Bank)

Presented by Hon. (Dr.) Nishantha Samaraweera
Chairman of the Committee on Public Enterprises
On 19 February 2026

Ordered by Parliament of Sri Lanka to be printed on 19 February 2026.

First Session of the Tenth Parliament
Composition of the Committee on Public Enterprises

1. Hon. (Dr.) Nishantha Samaraweera, M.P., (Chairman)
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3. Hon. Mano Ganesan, M.P., (w.e.f. 21 March 2025)
4. Hon. Dayasiri Jayasekara, Attorney at Law, M.P., (w.e.f. 20 May 2025)
5. Hon. Arjuna Sujeewa Senasinghe, Attorney at Law, M.P., (w.e.f. 21 March 2025)
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20. Hon. (Dr.) S. Sri Bavanandarajah, M.P.,
21. Hon. Lieutenant Commander (Rtd.) Prageeth Madhuranga, M.P., (w.e.f. 21 March 2025)
22. Hon. Jagath Manuwarna, M.P.,
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27. Hon. (Dr.) Pathmanathan Sathyalingam, M.P., (w.e.f. 21 March 2025)
28. Hon. Thilina Samarakoon, M.P.,
29. Hon. Chandima Hettiaratchi, M.P.,
30. Hon. Lakmali Hemachandra, Attorney at Law, M.P.,
31. Hon. Dinesh Hemantha, M.P., (w.e.f. 21 March 2025)

Consultants to the Committee

- ❖ Consultant to the COPE and COPA – Mr. Sarath Mayadunne
- ❖ Consultant to the COPE – Mr. Piyasena Ranasinghe

Staff of the Committee Secretariat

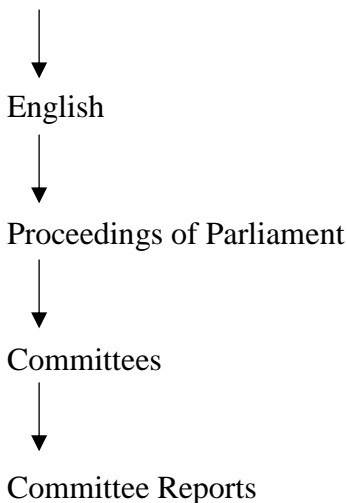
The present Staff of the Committee on Public Enterprises is as follows;

- ❖ Principal Officer - Ms. H. Rupani. De Zoysa
- ❖ Deputy Principal Officer - Mr. S. Lakshan Wickrema
- ❖ Parliamentary Officer - Ms. G. V. S. K. Kumari
- ❖ Parliamentary Officer - Ms. I. S. Gomes
- ❖ Parliamentary Officer - Ms. G.L.D. Fernando
- ❖ Parliamentary Officer - Ms. M.N.P. Perera

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Chair's Note

The Committee on Public Enterprises, established under the Parliamentary Committees for Special Purposes, conducted an examination on 19.11.2025 and 26.11.2025 of the Auditor General's Reports for the years 2022 and 2023 and the current performance of the National Savings Bank, which falls under the purview of the Ministry of Finance, Planning and Economic Development, and I hereby submit the report of the investigation carried out in this regard.

The National Savings Bank was established under the National Savings Bank Act No. 30 of 1971 as a licensed specialised bank and the attention of the Committee was drawn to the matters related to the Bank's vision, mission, goals, composition of the Board of Directors, staff, performance and loan portfolio.

The Committee drew attention to the fact that a number of officers attached to the staff of the National Savings Bank had been recruited on a contract basis, including executive positions such as the General Manager, Chief Financial Officer, and Chief Information Officer. The Committee discussed the necessity of preparing an appropriate succession plan and a manpower plan for the Bank's staff. Also emphasized the importance of maintaining a stable permanent staff structure, without making annual revisions that could weaken the Bank's stability. The Committee further discussed the importance of establishing a centralized banking system in order to minimize technical issues and ensure the smooth and continuous operation of the system.

Furthermore, the Committee drew attention, in reviewing the loan portfolio, to the manner in which the Bank had acted with regard to the recovery of the syndicated loan amounting to USD 9 million granted to RPI Private Limited, a Maldivian company, which represents one of the Bank's major corporate loans. The Committee also focused on the performance of the Bank's Legal Division in this regard. The Committee recommended that a complaint be lodged with the Criminal Investigation Department to investigate the information relating to the said Maldivian company, the procedure followed in granting the loan, and the officers involved in the loan approval process, and that appropriate action be taken, while also recommending that the relevant line Ministry take necessary measures in terms of Financial Regulation 104 in this regard. In addition, the Committee drew attention to the steps taken by the Bank to recover the loans granted to Bimpuh Finance PLC and to the General Sir John Kotelawala Defence University (KDU).

In order to successfully discharge the functions of the Committee on Public Enterprises, I appreciate the support extended by the Hon. Members of Parliament serving on the Committee, the staff of Parliament led by the Hon. Speaker, the two consultants to the Committee, the officials of the Treasury, and in particular the support rendered by the National Audit Office under the leadership of the Auditor General.

Dr. Nishantha Samaraweera
Chair
Committee on Public Enterprises

Executive Summary

Investigations were carried out by the Committee on Public Enterprises (CoPE) on 19.11.2025 and 26.11.2025 into the Auditor General's Reports for the years 2022 and 2023 and current performance of the National Savings Bank, and focused its attention on the following issues.

- Vision, Mission and the goals of the National Savings Bank
- Composition of the Board of Directors
- Tabling of the Annual Reports in Parliament
- Preparing an appropriate succession plan and a manpower plan for the Bank's staff
- Issues relating to the recruitment of officers on a contract basis
- Establishing a centralized banking system, minimizing technical issues, and maintaining the system effectively
- The Bank's performance and ratio analysis
- Analysis of the loan portfolio and recovery of non-performing loans
- Recovery of the loan granted to RPI Private Limited, a Maldivian company
- Review of the loan granted to Bimpu Finance PLC
- Loan granted to General Sir John Kotelawala Defence University (KDU)
- Information regarding other corporate and individual loans
- Actions relating to the Bank's misplaced loan files

First Session of the Tenth Parliament
Seventeenth Report of the Committee on Public Enterprises (COPE)

The institutions examined during the first session of the Tenth Parliament up to 26.11.2025 are as follows:

No.	Institution	Committee Meeting Date
1.	The National Youth Services Council	18.02.2025
2.	The National Youth Services Council	20.02.2025
3.	Sri Lanka Bureau of Foreign Employment	27.02.2025
4.	National Gem and Jewellery Authority	05.03.2025
5.	National Medicines Regulatory Authority	12.03.2025/ 26.03.2025
6.	National Gem and Jewellery Authority	27.03.2025
7.	Airport and Aviation Services (Sri Lanka) (Private) Limited	02.04.2025
8.	Land Reforms Commission	08.05.2025
9.	Airport and Aviation Services (Sri Lanka) (Private) Limited	09.05.2025
10.	Sri Jayewardenepura General Hospital	15.05.2025
11.	Sri Lanka Bureau of Foreign Employment	23.05.2025
12.	Sabaragamuwa University of Sri Lanka	04.06.2025
13.	The University of Sri Jayewardenepura	20.06.2025
14.	Mahapola Higher Education Scholarship Trust Fund	09.07.2025
15.	Lands Reforms Commission	17.07.2025
16.	State Timber Corporation	23.07.2025
17.	Civil Aviation Authority	20.08.2025
18.	Sri Lanka Ports Authority	10.09.2025

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19.	Geological Survey and Mines Bureau	12.09.2025
20.	Ceylon Electricity Board	24.09.2025
21.	Construction Industry Development Authority	08.10.2025
22.	Lanka Sathosa	10.10.2025
23.	LTL Holdings in relation to the inquiry of the Ceylon Electricity Board	24.10.2025
24.	National Savings Bank	19.11.2025
25.	National Savings Bank	26.11.2025

At present, there are 462 public enterprises, which fall under the supervision of the Committee on Public Enterprises and are regulated by the Department of Public Enterprises and the Department of National Budget. (Source: Department of Public Enterprises – as of 04.09.2025)

Among them, on 19.11.2025 and 26.11.2025, the Committee on Public Enterprises examined the Auditor General's reports for the years 2022 and 2023 of the National Savings Bank which falls under the purview of the Ministry of Finance, Planning and Economic Development, as well as the current performance and the observations and recommendations of the Committee had been included in this report.

Auditor's Opinion on the Financial Statements

Auditor's opinions on the financial statements presented by the National Savings Bank the years 2022 and 2023 are given below.

<u>Instituton</u>	<u>Year</u>	
	2022	2023
National Savings Bank	Unqualified Opinion	Unqualified Opinion

Types of Audit Opinions

01 Unqualified Opinion

The financial position of the institution has been presented fairly in the financial statements.

02 Qualified Opinion

Except for the effects of the matters mentioned in the report, the financial position, financial performance and cash flows of the institution give a true and fair view in accordance with Sri Lanka Accounting Standards.

03 Disclaimer of Opinion

That an opinion cannot be expressed on the accounts due to the inability to identify sufficient or appropriate audit evidence.

04 Adverse Opinion

That the financial position, financial performance and cash flows of the entity do not present a true and fair view in accordance with Sri Lanka Accounting Standards.

National Savings Bank

(Ministry of Finance, Planning and Economic Development)

Dates of examined – 19.11.2025 and 26.11.2025

Matters Discussed

01. Distinctive Features of the Bank

The Committee on Public Enterprises focused its attention on the distinctive features of the National Savings Bank.

Under the National Savings Bank Act No. 30 of 1971, the National Savings Bank is a licensed specialized bank. Therefore, types of loans that can be granted by a commercial bank cannot be provided by this bank. At least 60% of the bank's deposits must be invested in Treasury bills and bonds, and only the remaining portion can be used for lending or other investments.

Although retail lendings, such as housing loans and personal loans, can be provided by the bank, personal loans must not be used for business purposes. The bank may also provide loans to the private sector through syndicated arrangements in collaboration with other banks. Additionally, institutional loans can be extended to government institutions.

02. General facts relating to the bank

The Committee focused its attention on the establishment, vision, mission and the goals of the National Savings Bank.

2.1 Board Meetings and the Composition of the Board of Directors

The Committee which discussed about the Board of Directors of the National Savings Bank, observed that the Board Meetings had been conducted properly

2.2 Tabling of the Annual Reports in Parliament

It was revealed to the Committee that the annual reports for 2022 and 2023 were tabled in Parliament on 29.11.2023 and 08.04.2025,

respectively, and that the annual report for 2024 was tabled on 08 November 2025.

2.3 Composition of the Staff

The Committee observed that the General Manager, who is appointed by the Board of Directors with the approval of the Ministry of Finance, Planning, and Economic Development, serves as the Chief Executive Officer of the Bank, a Senior Deputy General Manager (SDGM) assists the General Manager in the discharge of his duties, eleven (11) Deputy General Managers have been appointed as heads of the respective divisions and the staff information as at 30.09.2025 are as below.

Staff Category	Approved Cadre	Existing Cadre		Vacancies	Surplus
		Permanent	Contract		
General Manager	1		1		
Executive (Grade III and above)	1503	1354	7	145	(3)
Junior Executive (Grade IV)	684	527	-	157	-
Staff Assistant (Grade V/VI)	1946	1716	22	353	(145)
Minor Employees (Grade VII)	- -----	592 -----	- ----	- ----	(592) -----
Total	<u>4134</u>	<u>4189</u>	<u>30</u>	<u>655</u>	<u>(740)</u>

2.3.1 Post of General Manager

The Committee focused its attention on the position of General Manager and Deputy General Managers of the institution.

The Accounting Officer informed that although the most senior officer of the institution was nominated for the position of General Manager, the Central Bank of Sri Lanka had not granted approval, considering that the

officer was not “fit and proper.” Thereafter, as instructions were given to select and appoint a suitable candidate from outside the institution for the said position, the officer currently serving was selected and appointed on a three-year contract basis.

The Committee also focused its attention on the establishment of the centralized core banking system (T-24) in 2018 and on the recruitment procedure for the position of Chief Information Officer (CIO) of the Bank.

The Committee observed that, in terms of General Manager Circular No. 922/2017, provisions exist for making an internal appointment to this permanent position instead of recruiting externally on a contract basis. Therefore, the Bank had the opportunity to appoint a suitable internal officer prior to publishing a newspaper advertisement. The Committee further observed that, since the officer who previously held the position had remained in office for several additional months, sufficient time had been available to carry out a new recruitment process.

2.3.2 Surplus Staff in the Bank

The Committee focused its attention on the surplus in the staff of the National Savings Bank and observed that at the Board of Directors meeting held on 22 March 2024, only the staff positions from Grade I to Grade VI had been approved. It was further observed that 592 minor staff members and 148 stenographers/ confidential secretaries/ typists (including 03 executive officers and 145 in the management assistant category) had not been included in the approved cadre for the year 2024. Although these staff categories had not been included in the approved cadre for 2024 as an interim measure until certain provisions were amended, promotions were finalized, and core banking was implemented, the Committee further observed that these two categories had been included in the approved cadre in the year 2022.

2.3.3 Recruitment of two officers on contract basis

It was disclosed to the Committee that in October 2024, the National Savings Bank had recruited two officers on a contract basis for credit administration and credit control, and that they had resigned in October

2025 (approximately one year later). It was further revealed that the proper recruitment procedure had not been followed in making these appointments, and that one of the officers had been paid a high monthly salary of Rs. 630,000. Accordingly, the Committee observed that problematic conditions existed within the Bank's credit and legal divisions, and that no new officers had been recruited to fill those positions after the resigning of the said two officers.

As agreed, the Chief Accounting Officer submitted a report dated 15.12.2025 to the Committee regarding the staff required for the operational activities of the National Savings Bank and the staff currently in service.

Recommendation of the Committee

- i. To submit a report to the Committee on the recruitment process of the two officers appointed on a contract basis in 2024 and on the services rendered to the Bank through those appointments.

2.4 Performance of the Bank (Ratio Analysis)

The Committee observed that, in accordance with the objectives of the Bank, the National Savings Bank Act No. 30 of 1971 specifies that a minimum of 60% of investments should be made in Treasury bills and Treasury bonds.

The Committee also focused its attention on the income growth rate (%) for 2024 compared to 2023, which stood at (10.5%), and noted that this represented a negative value. It was observed that 67.54% of the Bank's investments had been made in Treasury bills and bonds, and that the decline in interest rates paid on Treasury bills had contributed to the negative income growth rate. Although the General Manager informed the Committee that this situation would change when Treasury bills and bonds are re-priced, at present the Bank is managing only the Net Interest Margin (NIM).

2.5 Analysis of the loan portfolio

The Committee observed that, as at 30 September 2025, the Bank's loan portfolio comprised the categories of vehicle loans, corporate loans,

housing loans, loans against fixed deposits, and personal loans, and that the amount recoverable under the personal loan category as at 30.09.2025 was Rs. 202 million.

It was further revealed that the total outstanding balance of all loan categories amounted to Rs. 365,314.81 million, of which 9.44% had been classified as non-performing loans (NPLs). The total outstanding balance of personal loans was Rs. 201,951.29 million, of which 11.82% had been classified as non-performing. The total outstanding balance of corporate loans amounted to Rs. 67,979 million, of which 8% had been classified as non-performing loans. Of the total non-performing loan balance, 78% represented a loan granted to a foreign company, RPI (Private) Limited, while 20% represented a loan granted to Technopark Development Company, a government-affiliated company secured by a Treasury guarantee. The Committee also observed that, as at 30 September 2025, the total outstanding balance of motor vehicle loans amounted to Rs. 17.20 million, of which 91.22% had been classified as non-performing loans.

The Committee also focused its attention on loans exceeding Rs. 5 million granted by the Bank as at 30 September 2025, observing that the total outstanding balance of such loans amounted to Rs. 96,046 million, of which Rs. 7,972.28 million had been classified as non-performing loans. It was further revealed that, out of the total outstanding non-performing loans, 84 loan facilities valued at Rs. 7,001.18 million had been classified under the highest risk category, namely “Loss.”

The Committee further focused on the corporate loans granted to the following institutions and on the process of recovering those loans.

- Granting an amount of USD 9 million to RPI (Pvt) Ltd.
- Granting an amount of Rs. 750 million to Technopark Development Company.
- Granting amounts of Rs. 200 million on 17.06.2016 and Rs. 100 million on 24.04.2019 to Bimputh Finance PLC.
- Granting an amount of Rs. 150 million to the Mount Lavinia Hotel.

2.5.1 Loan granted to Bimpuh Finance PLC

The committee inquired that, since Bimpuh Finance Company is an institution that provides microfinance loans, whether this bank is legally permitted to grant loans to such an institution; whether Bimpuh Finance Company is currently in operation; whether, when granting the second loan in 2019 after providing an initial loan of Rs. 200 million in 2016, consideration had been given to whether the first loan had been settled; and what collateral had been provided for the said Rs. 200 million loans.

The General Manager informed the Committee that Bimpuh Finance Company is an institution to which the National Savings Bank is authorized to grant loans, and that the company could obtain loans from this bank to refinance its own borrowings.

The Deputy General Manager (Legal) of the bank informed that a corporate guarantee had been provided by the Daya Group of Companies for the granting of this loan.

The Committee emphasized that there had been a delay in taking action to recover the loan granted by the bank to this institution, that the Daya Group of Companies had provided a corporate guarantee to enable a company under its group to obtain the loan; that granting this loan to an institution engaged in microfinance was problematic in terms of the objectives of this bank and that both the bank and its Board of Directors should be held responsible for the negligence shown in this matter. The Committee further inquired whether the bank would receive any portion of funds in the event of the liquidation of this institution.

Expressing ideas in this regard, the Chief Accounting Officer informed the Committee that the bank should have intervened without delay at the time the company was being liquidated, but that the opportunity to do so has now been lost.

Acting Auditor General informed that, despite prior reports highlighting the company's financial distress and the large volume of non-performing

loans it had, the loan had been granted, and that risks in the institution's cash flow would lead to difficulties in recovering the loan.

2.5.2 Loans against Fixed Deposits

The Committee noted that there have been instances of default in the repayment of loans granted by the Bank against fixed deposits, resulting in non-performing loans amounting to Rs. 69.23 million under this category.

The General Manager explained that, although these loans are classified as non-performing loans, they are not high-risk loans.

2.5.3 Loans Granted to Technopark Development Company

The Committee observed that Rs. 750 million had been granted to the Technopark Development Company. According to the 2021 budget proposal, projects had been approved to establish Technoparks branches for the provision of IT services in several locations in Sri Lanka (Kurunegala, Galle, Kandy, and Nuwara Eliya). However, these projects had been halted by 2022, and the Board of Directors of Technopark had resigned. The company, which was under the Ministry of Technology at that time, is now under the Ministry of Finance. The Treasury has undertaken responsibility for its settlement, as the loan had been provided under a sovereign guarantee.

03. Progress on the Implementation of the Recommendations of the Committee on Public Enterprises meeting held on 06 August 2021

3.1 Recommendation No. 13

Loan granted to General Sir John Kotelawala Defence University (KDU)

A bond of 750 million US dollars obtained by the Bank in 2013 had reached its maturity on 17 September 2018 and was due for repayment upon its maturity on 17 September 2018. A sum of 201 million US dollars had been granted as a loan to the General Sir John Kotelawala Defence University. The committee observed, the Bank had to obtain an additional foreign loan of 100 million US dollars from Commerz bank, Germany, for

a period of 03 years at a variable interest rate of 2%, as the University was unable to settle the loan at the time of maturity

It was noted that the Bank had paid the relevant interest amount without any default. The Committee further observed that the loan facility extended to the KDU had been restructured on three occasions, in 2018, 2020, and 2024.

The Committee observed that KDU has made payments amounting to Rs. 4,137.32 million and Rs. 3,917.39 million on 17 March 2025 and 17 September 2025, respectively. It was noted that the loan concerned is classified under the performing loan category and that the foreign loan obtained from Commerz bank had been fully settled by the Bank. The Committee also inquired into the measures taken after KDU defaulted on this loan.

The Committee observed that since a guarantee has been provided by the Treasury for this loan, the Treasury is obligated to make the full payment. It was further noted that a debt restructuring plan has been requested in this regard.

3.2 Recommendation No. 21

Annual revisions to the permanent cadre of the bank

The Committee observed that the permanent cadre of the bank has been revised annually with the approval of the Board of Directors. The reasons for these revisions were inquired during the Committee on Public Enterprises meeting held on 06 August 2021. The Committee further noted the audit observations indicating that the frequent revision of staff positions, and the fact that they were repeatedly approved by the Board of Directors, is detrimental to the stability of the bank and undermines the implementation of good governance practices. Accordingly, the Committee emphasized that the Bank should act in a manner that does not affect its continuity or institutional stability.

The Acting Auditor General emphasized that the Bank has been exempted from the circulars issued by the Department of Management Services with the expectation of ensuring efficient administration and that recommendations in this regard had also been made at the Committee on

Public Enterprises meeting held on 06.08.2021. However, the Bank has still not implemented those recommendations. He further noted that the Bank does not have a proper recruitment procedure in place, and that although a suitable succession plan has been prepared for the staff of the bank, there is no succession plan that can be practically implemented. He emphasized that measures should be taken to prevent the continuation of this situation in the future.

Centralized co-banking system

The Committee drew attention to the establishment of the Centralized Co-Banking System of the Bank.

The Committee inquired into the fact that the Bank had entered into an agreement to spend 12.5 million US dollars for the development of this data system, of which approximately 9 million US dollars has been paid. In addition, that a fine of Rs. 35 million had been imposed by the Financial Intelligence Unit due to a delay of 06 months in submitting the biannual reports required to be furnished to the Central Bank of Sri Lanka.

In response to this matter, the Head of the Compliance Division stated that the fine had been imposed on the Bank by the Financial Intelligence Unit based on 03 reasons.

The Committee focused on whether user acceptance of this computer system had been tested and whether any failure of the servers of the system could be resolved without delay. It was noted that the first payment of 500,000 US dollars for user acceptance testing of the system had been made on 10.04.2023, the second payment of 200,000 US dollars had been made on 23.10.2024, and the remaining balance had been settled on 09.11.2024. It was further observed that an amount of 61,518 US dollars had been paid in 2023 for the Loan Originating System. The Committee also noted that, despite these payments had been made; a policy decision had been taken by the Board of Directors to assign this to another company.

The Committee emphasized that certain technical issues appeared to have arisen during the selection of this system, and noted that although the Bank

has been in operation for 51 years, a suitable computer data system had not been developed for the institution, and that this situation must be rectified.

Recommendations of the Committee

- i. To urgently develop a suitable computerized system for the Bank.

04. Matters discussed in relation to the Auditor General's Reports for the years 2022 and 2023

4.1 Joint Property Loan of Rs. 164.73 million granted to two individuals on 23 December 2020

The Committee made the following observations regarding the provision of a Joint Property Loan amounting to Rs. 164.73 million by the Bank to two individuals on 23 December 2020.

- The Bank had not conducted a proper transaction assessment to verify the income sources of the borrowers, which is necessary to ensure the recoverability of the loan.
- Although, at the initial stage, the Board of Directors and the Credit Committee had not agreed to grant the loan due to adverse conditions in the businesses of the borrowers and the information provided in the report of the Credit Information Bureau, subsequently, without considering the outstanding amount mentioned in the report and without obtaining DTA insurance coverage from the borrowers, approval was granted at the Special Board of Directors meeting held on 09 September 2020 to extend the repayment period from 15 years to 20 years and to provide the loan amount, exceeding a Loan-to-Value (LTV) ratio of 75%.
- Two members of the Board of Directors, including the Treasury Representative, who had opposed the approval of the said loan amount, were not invited to the aforementioned special meeting. Nevertheless, the meeting was conducted with the participation of one of the borrowers. Therefore, the transparency of the decisions of the Board of Directors is questionable.
- The borrower had paid only two installments, while 27 installments, totaling Rs. 39.36 million, remained as outstanding.

- The total outstanding credit balance receivable as at 31 May 2023 was Rs. 164.01 million.
- At the meeting of the Board of Directors held on 24 July 2023, approval was granted for the sale of the property mortgaged as security for the loan through a public auction. The Board had appointed the Assistant General Manager (Recoveries) to handle the auction process. However, by a letter dated 05 February 2024, the Assistant General Manager (Recoveries) delegated this authority to the Chief Manager (Recoveries), thereby disregarding the decision of the Board of Directors.
- The Bank had held a public auction to sell the property on 06.02.2024.
- However, as no prospective buyers were present, the property was taken over by the Bank. The Bank issued a tender notice on 23.08.2024 for the resale of the property, and the tender submission period closed on 02.08.2024 at 2:30 p.m. Although only one bid was received, the bidder declined to purchase the land. Therefore, the property remains under the name of the Bank.
- The total outstanding balance receivable of the loan was Rs. 220.755 million as at 30 September 2025. However, as per the valuation report dated 04 July 2024, the market value of the land is Rs. 197.4 million.

The Assistant General Manager (Recoveries) informed that the valuation conducted on 14.10.2020 indicated a market value of Rs. 195 million and a sales value of Rs. 190 million. The subsequent valuation conducted on 10.11.2020 reflected a market value of Rs. 218 million and a sales value of Rs. 210 million. Both valuations had been carried out by two separate valuers. She further explained that, although the valuation carried out in 2024 should have been higher than the valuations conducted in 2020, the second valuation done in 2020 showed a higher value. Although a loan is not typically subjected to two separate valuations, a second valuation may have been conducted with the intention of increasing the loan amount that could be granted. While the loan amount that can be granted to the borrower should generally be limited to a maximum of 75% of the asset value based on repayment capacity, the relevant Board paper indicated that the loan had been granted at 82% of the asset value. She also

mentioned that, following an evaluation of the pool of the valuers after 2020, the valuer who conducted the second valuation had been removed from the pool.

The Committee, having reviewed the minutes of the Board meeting which determined that the second valuation should be carried out at the expense of the bank, emphasized that due to the illegal interference involved, merely recovering the debt would not be sufficient.

Recommendations of the Committee

- i. To conduct an internal investigation into the illegal interference in the loan granting process and the procedures related to property valuation, and to submit a report to the Committee.

4.2 Granting a loan of Rs. 12.6 million to a borrower without considering the irregular repayment of the 10 credit facilities indicated in the report of the Credit Information Bureau

The Committee observed that the bank had granted a loan of Rs. 12.6 million to a borrower on 23 September 2019, and that balance receivable and the total outstanding amount as at 31 May 2024 were Rs. 12.930 million and Rs. 7.664 million respectively. It was noted that this loan had been granted for the purchase of a house and property.

It was observed that the Assistant General Manager (Loans) had approved this loan amount without considering the irregularity of the repayment of any of the 10 credit facilities indicated in the report of the Credit Information Bureau related to the borrower, and that the borrower had paid only one instalment. It was also noted that the Assistant General Manager (Recoveries) had issued the final notice of auction of the property to the borrower on 19 July 2022. When the bank initiated parate action, the borrower had obtained a restraining order on 18 January 2023 to prevent the auction. The Committee further observed that the bank had failed to take appropriate recovery action regarding this loan.

05. Matters discussed regarding current performance

5.1 Syndicate Loan of 9 million US dollars provided by the Bank to a Maldivian company named RPI Private Limited

The Committee observed that the Bank (NSB), together with the People's Bank, had provided a Syndicate Loan facility of 10 million US dollars to a Maldivian company on 14 June 2018. It was further noted that the Bank had contributed 9 million US dollars, representing 90% of the total loan amount. The borrower had not made principal repayment, and as at 30 September 2025, the outstanding interest amounted to 5.73 million US dollars. Accordingly, the total balance receivable as at that date was 14.73 million US dollars (equivalent to Rs. 4,455.81 million). The Committee then drew attention to the following observations.

- The Bank had failed to conduct a review of the loan facility within three months of its approval, as per the Circular No. 1641/2015 on the Post Loan Review Mechanism.
- An initial grace period of one year for principal repayment was granted from 21 June 2018, when the first loan was released. However, this grace period was repeatedly extended for repayment of the principal amount and interest, spanning from June 2018 to June 2022, stating various reasons.

The Committee observed that, according to the data as at 03.11.2025, only 0.82 million dollars had been recovered from the loan amount obtained under the first phase, while 1.96 million dollars had been received as interest.

The Committee drew attention to the following information regarding the progress of the villa construction under this project.

Villa Type	Completion Percentage	
	As per the Bills of Quantities (BOQs) of the Company's Chartered Surveyor (as at 31 st December 2018)	As per the Independent Valuation conducted on 02 nd and 03 rd January 2023
Garden Villas	99%	90%
Semi Water Villas	78%	30%
Beach Villas	78%	10%
Water Villas	72%	0%
Front of House	23% - 93%	0% - 60%
Back of House	79% - 100%	0% - 90%

It was observed that the comparison between the Bills of Quantities (BOQs) prepared by the Company's Chartered Surveyor, and the report of the Independent Examiner conducted 05 years later, indicated a low level of construction progress. It was also noted that the site inspections had been conducted on 01 June 2018 by the Deputy General Manager (Loans) and a Senior Manager of the Corporate Finance Division, and subsequently on 13 November 2018 by two Senior Managers of the same division, and that these inspections indicated progress ranging from 50% to 100% under various categories. However, the Committee was informed that a bank engineer with the necessary technical expertise, which was essential for accurately assessing the progress of the construction work, had not been included in the site inspection team.

The Accounting Officer stated the following in this regard.

- That Rs. 9 million has been paid to Pricewaterhouse Coopers (PwC), which had conducted an independent inspection in this regard.
- The Attorney General has been informed regarding the 04 loans in question, including this loan, and has requested that all related documents be submitted.
- The Central Bank of Sri Lanka and the Secretary to the Ministry of Finance have been informed in this regard.
- It was noted that only the interest of this loan has been paid for a certain period, and that the matter has been addressed solely through re-negotiations.
- This matter was also discussed with the Minister of Finance of the new government.
- Since the Minister stated that a comprehensive investigation is required in this regard, all relevant documents have been submitted.
- The Attorney General's Department, after examining this matter, stated that since the project is being undertaken in the islands belonging to Maldives, Maldivian law is applicable, and therefore the matter should be referred to a Maldivian legal expert.
- As this loan is a Syndicate loan, the Deputy General Manager has been informed to conduct discussions with other banks.
- These debts should be restructured or recovered.

The Committee observed the following matters:

- Although the borrower was required to submit a renewal certificate of the insurance policy in accordance with section F 30(r) of the loan agreement, at least thirty days prior to its expiry, where applicable, or in any event within seven days after the date of expiry, no evidence of insurance coverage for the period after July 2021 had been submitted to the Bank.
- The borrower was required to open and maintain a Debt Service Reserve Account (DSRA) with a minimum balance of 270,000 US

dollars as per the loan agreement. However, the borrower failed to maintain the required minimum balance, and, the Debt Service Reserve Account held a balance of only 27,987.69 US dollars as at 30 September 2025

The Acting Auditor General stated that no post review was conducted within three months of the loan issuance, and that, had such a review been carried out, the subsequent loan issuance of 2.25 million US dollars would not have been made.

The Committee inquired as to whether RPI Private Limited was registered in Sri Lanka, whether a Sri Lankan national was appointed to represent the transaction, and whether granting a loan to such a company was in accordance with the Banking Act. Furthermore, they questioned how the loan was granted to a company without a branch or local representative in Sri Lanka, and what guarantees were obtained in this regard.

The Assistant General Manager (Corporate Loans) stated that the only guarantee obtained was the right to withhold taxes, and that no property guarantee had been obtained.

The Committee emphasized that the Chief Risk Officer of the Bank had pointed out on 23 January 2018 that granting this loan involved a high level of risk, and that the Board of Directors had erred in approving it despite such significant risk. The Committee further emphasized the need to examine whether those who approved this transaction had any affiliations, and to implement measures to prevent similar occurrences in the future.

The Chief Accounting Officer stated that a letter had been sent to the Ministry in October 2025 seeking advice regarding this loan, and that Treasury approval had not been obtained at the time the loan was granted. He further noted that, instructions had been given to expedite the recovery of the loan, since this was the responsibility of the Board of Directors. He emphasized that generally, in the event of any loss, an internal inquiry must be conducted in accordance with Financial Regulation (FR) 104, and that the Ministry would proceed with an investigation as recommended by the Committee. Accordingly, he stated that a complaint could be lodged with the Criminal Investigation Department.

The Committee highlighted that there are concerns about the extent and accuracy of the involvement of the Legal Department in loan related matters.

Recommendations of the Committee

- i. To file a case, in accordance with the instructions of the Attorney General, to recover the loan amount.
- ii. To draw attention to the negligence and irresponsibility on the part of bank officials during the process of granting this Syndicate loan to the Maldivian company RPI Private Limited, and to conduct an investigation into the matter.
- iii. To focus on assessing whether the Legal Department of the Bank is effectively performing the required functions in the relevant management decision making processes.
- iv. To ensure that new recruitments planned for the Legal Department of the Bank are conducted properly and in compliance with legal requirements.
- v. Complaint referred to the Commission to Investigate Allegations of Bribery or Corruption / Criminal Investigation Department regarding the unrecoverable Syndicate loan granted by the National Savings Bank to RPI Private Limited in the Maldives, including the following matters:
 - Information regarding the existence of the Maldivian company RPI Private Limited that obtained this loan.
 - Information regarding the individuals who applied for the credit facility.
 - Complete information on the issues arising during the loan granting process.
 - Information regarding the affiliations between the company and the parties who approved the loan.
- vi. Conduct an internal investigation into the granting of this Syndicate Loan in accordance with Financial Regulation 104.

5.2 Misplacement of loan files

According to the confirmations from the Regional Managers, the Committee was informed that, 297 loan files pertaining to loans totaling Rs. 244.647 million had been misplaced, as of 30 June 2025.

The Senior General Manager stated that a report has been obtained in this regard, confirming that 264 loan files have been misplaced, of which approximately 178 were lost due to the flooding at the Kaduwela branch of the bank in 2017. Out of these 264 files, 194 are property mortgage loans and housing loans. Since they contain security documents and mortgage bonds, it was stated that no difficulty would arise in the loan recovery process. Out of these, payments for approximately 147 accounts are currently being made. Furthermore, some files in other branches were also affected by flooding, and appropriate recovery measures are being implemented for each. The information pertaining to these files has been migrated to the new information system, and the Kaduwela branch has been relocated.

*Seventeenth Report of the Committee on Public Enterprises of the First Session of the
Tenth Parliament of the Democratic Socialist Republic of Sri Lanka*
