



**PEOPLE'S
BANK**

...frontier

ANNUAL REPORT 2019



The People's Bank today has refined and honed its 'frontier forging' and pioneering status in the banking industry in Sri Lanka. While leveraging on its rich legacy, the Bank has evolved and transformed into a technologically forward and innovative solutions provider which has won many prestigious awards and accolades both locally and internationally.

With an unrivalled branch network, and a portfolio of customers unlike any other, People's Bank remains ahead of changing times, constantly forging new frontiers in pursuit of pushing the boundaries of sustainable value creation and always having its customers at the forefront of its decision making. Not complacent with its successes, People's Bank is your Frontier Bank in Sri Lanka.

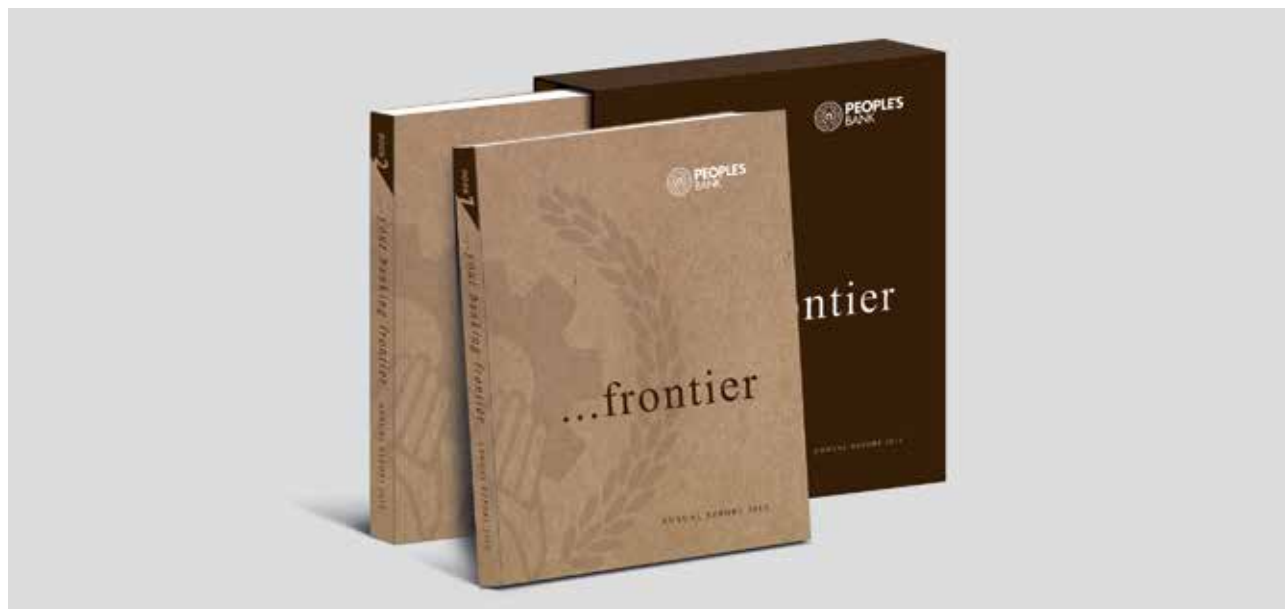


**PEOPLE'S
BANK**



ABOUT THE REPORT

HOW TO READ THE REPORT



This is our fifth Integrated Annual Report. It is a detailed discussion on the Bank's performance in the economic, environmental and social context we operate in. It builds on our previous Integrated Annual Report that we published in 2018.

With this Report, we aim to bridge the mandatory standards applicable to People's Bank for financial reporting with generally accepted frameworks and standards, such as those from the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI).

The Report is presented in two parts.

Book 1

The Integrated Annual Report begins with the Letter from the Chairman followed by the review from the Chief Executive Officer/General Manager. The section "Business Model" sets out the integration of our six capitals into the business, our interactions with our key stakeholder groups, the context we operate in and the matters that are material to the Bank. This is followed by a comprehensive discussion on our strategy, its implementation and achievements. This sets the tone to the heart of the Report, the value creation story of the Bank in the short, medium and,

long term. The "Performance Reports" highlight the contribution of the business units to the strategic direction of the Bank, followed by a detailed review of the Bank's corporate governance and risk management practices. It is an overview of our governance structure, how we have embedded our policies on ethics and integrity and the manner in which we manage our risks.

Book 2

The financial reports and supplementary reports sections include the detailed financial performance of the Bank and the Group for the financial year and a snapshot of the financial position as at 31 December 2019, along with other ancillary information.

▼ GRI 102-51

Our most recent integrated report for the year ended 31 December 2018, as well as the reports for the past four years are available on our website: <https://www.peoplesbank.lk>

ABOUT THE REPORT

SIX CAPITALS

According to the The International <IR> Framework, we have defined our six capitals as Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural Capital. The icons below serve as an identifiable visual reference to these six capitals within this Report.



Financial Capital



Human Capital



Manufactured Capital



Social and Relationship Capital



Intellectual Capital



Natural Capital

STRATEGY

Our strategic themes have been developed in response to stakeholder engagement and are linked to the material topics that significantly impact our business and stakeholders. A review of how we have performed in respect of our Key Performance Indicators (KPIs) is given under the “Strategic Direction” section on page 55.

Our key strategic objectives are:



Delivering innovative market-leading client experiences



Maintaining a steady growth momentum and building resilience



Being operationally excellent in everything we do



Always do business the right way

▼ GRI 102-45, 102-46, 102-48, 102-49, 102-50, 102-52

SCOPE AND BOUNDARY

This Report covers the period 1 January 2019 to 31 December 2019, which coincides with our financial reporting cycle. The Report provides an overview of the entire operations of People's Bank and two subsidiaries, People's Leasing & Finance PLC and People's Travels (Pvt) Ltd. These are collectively referred to as “Group” in this Annual Report and are included in the Consolidated Financial Statements. The human capital, environmental aspects, customer and infrastructure related aspects are discussed in the context of the Bank.

There were no significant changes from previous reporting periods in the scope and aspect boundaries, neither were there any restatements as compared to the Annual Report issued in the previous reporting year.

MATERIALITY

In determining materiality, we consider material issues to be those that have the potential to substantially impact our ability to create and sustain value for our stakeholders over the short, medium, and long term. In conformity with GRI Standards and The International <IR> Framework referred to in this section, we have defined the material themes for this Integrated Annual Report using input provided by our stakeholders, as well as based on the analysis of the external environment. The relevant details are given in the “Stakeholder Engagement” section on pages 60 to 62 and “Materiality” section on pages 50 to 54.

▼ GRI 102-12, 102-54

REPORTING FRAMEWORKS

In preparing this Report we drew on concepts, principles, and guidance from –

- The International Integrated Reporting Council (IIRC) Framework
- The Global Reporting Initiative (GRI) – (GRI Standards: In Accordance – Core option)
- The Institute of Chartered Accountants of Sri Lanka
- The Central Bank of Sri Lanka
- The United Nations Sustainable Development Goals (SDGs)

▼ GRI 102-11

PRECAUTIONARY PRINCIPLE

The precautionary principle is applied in relation to our social and environmental sustainability.

We understand that our operations exert a direct and an indirect impact on the society and the environment. Although, as a bank, our operations do not directly create a negative impact on the society and the environment, we have taken measures to reduce our carbon footprint through our initiatives to manage waste and reduce energy consumption.

We strive to avoid or minimise the negative indirect impact resulting from business activities of our customers to whom we lend, by credit policies, risk management, and dedicated green products. These are detailed under Community Capital and Natural Capital on pages 101 to 109.

▼ GRI 102-56

ASSURANCE

We value the accuracy and reliability of all information and data contained in this Report, both financial and non-financial. By adopting a combined assurance model, we have assessed and assured various aspects of our business operations.

Aspect	Internal assurance	External assurance
Financial Reporting	Board of Directors, Internal Audit	The Auditor General
Sustainability Reporting	Board of Directors, Internal Audit, Business Heads	Messrs KPMG
Corporate Governance	Board of Directors, Internal Audit	The Auditor General
Internal Control	Board of Directors, Internal Audit	The Auditor General

QUALITY ASSURANCE

Every effort has been taken by us to provide credible information using visual elements such as graphs, tables, and infography to facilitate clarity and comparability. We have incorporated performance of the current period and previous period to facilitate comparability. Through inbuilt internal controls that enable traceability and verifiability, assurance and consistency of the information has been facilitated. By the aid of visual elements, the readability and brevity of the Report have been enhanced. Completeness of the Report is assured by incorporating direct and indirect material impacts of the Bank. Finally, every effort has been taken to present a balanced review of material relevant information and we have assured the credibility and reliability of the information by obtaining external assurance.

FORWARD-LOOKING STATEMENTS

The statements relating to future events and the financial projections contained in the Report, are based on the current available information. People's Bank does not give any assurance on the probabilities of achieving these future events due to the risk and uncertainty related to the circumstances on which these events depend on, especially the macroeconomic conditions. The Bank has not updated this information to reflect any changes that may be warranted, post-publication of this Report.

▼ GRI 102-53



QUERIES AND FEEDBACK

We welcome your comments and queries on this Report and we invite you to direct them to:

Management Information Department
People's Bank,
No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

 +94 11 232 7841, +94 11 244 6315, +94 11 248 1481

 info@peoplesbank.lk

 www.peoplesbank.lk

CONTENTS



LEADERSHIP

Letter from the Chairman	16
Chief Executive Officer/ General Manager's Review	20
Board of Directors	24
Corporate Management	28
Executive Management	36
Chief Managers	38



ABOUT US

Our Bank	06
Our Group	08
Our Journey	09



BUSINESS MODEL

Our Value Creation Model	40
Operating Environment	44
Materiality	50
Strategic Direction	55
Contribution to SDGs	56



HIGHLIGHTS

14



VALUE CREATION AND CAPITAL FORMATION

Stakeholder Engagement	60
Financial Capital	63
Manufactured Capital	69
Intellectual Capital	73
Human Capital	78
Social and Relationship Capital	89
Customer Capital –	89
Business Partner Capital –	96
Investor Capital –	99
Community Capital –	101
Natural Capital	106

RISK MANAGEMENT

110

PERFORMANCE REPORTS

Retail Banking	140
Enterprise Banking	144
Corporate Banking	146
Treasury Unit	148
Overseas Customer Services and International Banking	150

GOVERNANCE REPORTS

Corporate Governance	153
Board Subcommittee Reports	172
Directors' Statement on Internal Control Over Financial Reporting	177
Auditor General's Assurance Report on Internal Controls	179

FINANCIAL REPORTS

Directors' Responsibilities for Financial Reporting	182
Auditor General's Report on Financial Statements	183
Income Statement	185
Statement of Comprehensive Income	186
Statement of Financial Position	187
Statement of Changes in Equity – Bank	188
Statement of Changes in Equity – Group	190
Statement of Cash Flows	192
Notes to the Financial Statements	193

SUPPLEMENTARY REPORTS

Income Statement US\$	298
Statement of Financial Position US\$	299
Ten Year Summary – Bank	300
Ten Year Summary – Group	301
Basel III – Market Discipline Disclosure Requirement	302
External Assurance on Sustainability Report	315
GRI Content Index	
"In accordance with Core" Criteria	317
Glossary of Financial/Banking Terms	321
Corporate Information	324

OUR BANK

PEOPLE'S BANK – SRI LANKA'S PREMIER DIGITAL FINANCIAL SERVICES PROVIDER

People's Bank is a premiere State bank with the largest footprint of 739 branches across Sri Lanka. Claiming an asset base of LKR 1.873 Tn. as at 31 December 2019, we are the second largest commercial bank in the island in terms of the volume of assets of the banking sector. Our dedicated staff counting close to 8,000 serves our large customer base of more than 14 million customers across the island.

Established as a licensed commercial bank under the People's Bank Act No. 29 of 1961, we are a systemically important bank in Sri Lanka. Serving the nation for nearly six decades, we have pioneered a host of banking solutions to customers from all walks of life, making us truly the "Bank of the People."

OUR DIGITALISATION DRIVE

To bring the benefits of digitalisation to the entire nation, we embarked on a digital transformation journey in 2015, by taking a pioneering role in digitisation and customer engagement. Since then a host of diversified digital banking solutions have been launched that deliver ease, speed, efficiency, and convenience to customers at every point in their interaction. We are the first and only Bank in Sri Lanka to be accredited the ISO/IEC 27001:2013 certification; the highest international accreditation for information, protection, and security.

Read more on pages 76 and 77.

OUR COMMITMENT TO SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Recognising our efforts for taking responsibility for our operations and setting an example of good practices in the financial services industry, we were awarded with Carbon Conscious® certification by Sustainable Future Group (SFG), thereby making us, Asia's First State-owned bank to achieve this distinction. The "People's Green Pulse" showcases our commitment towards environmental sustainability and our pledge towards a green future.

Read more on pages 106 to 109.

HIGH RATING

We have received a high National Long-Term Rating of "AA+(lka)"; by Fitch Ratings Lanka Ltd. This stems from our high systemic importance, quasi-sovereign status, our role as one of the key lenders to the Government and full State-ownership.

CAPITALISATION

Capital adequacy is one of the key financial indicators which illustrate the soundness and the stability of the Bank. This measures the Bank's ability to withstand in an unexpected loss scenario due to various activities carried out by the Bank.

Read more on pages 302 to 314.

KEY DIFFERENTIATORS

- Our high performance people
- Our digitalisation leadership
- Our innovative drive
- Our widest geographical footprint
- Our diversified customer base
- Our technology
- Our operational excellence
- Our integrity and values
- Our commitment to sustainability
- Our diversified portfolio

▼ GRI 102-16

► OUR VISION

To be recognised as Sri Lanka's undisputed market leader for financial services.

► OUR 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

► OUR VALUES

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



OUR GROUP

The People's Bank Group comprises the People's Bank and its subsidiaries, People's Leasing & Finance PLC and People's Travels (Pvt) Ltd. People's Bank is the largest contributor to the Group, accounting for over 90% of the assets and 80% of the profit after tax.

	People's Bank 	People's Leasing & Finance PLC 	People's Travels (Pvt) Ltd. 
Ownership		75%	99%
Year of incorporation	1961	1995	1993
Customer segments	• Individuals • Micro Enterprises • Small and Medium-sized Businesses • Corporate, Government, and State-owned Enterprises	• Individuals • Micro Enterprises • Small and Medium-sized Businesses	• Individuals • Micro Enterprises • Small and Medium-sized Businesses
Main products and services	• Retail banking • Enterprise banking • Corporate banking • International banking	• Leasing and hire purchases • Microfinance • Deposits • Loans	• Inbound travels • Outbound travels • Destination management
Performance highlights	Assets: LKR 1,873 Bn. Profit before tax: LKR 19.7 Bn.	Assets: LKR 187 Bn. Profit before tax: LKR 6.9 Bn.	Assets: LKR 106 Mn. Profit before tax: LKR 6.7 Mn.
Number of branches	739	103	3
Staff strength	7,836	3,374	27

1961



People's Bank was inaugurated on 1 July 1961. The first branch was opened at Duke Street, Colombo. During the year, eight more branches were opened in Polonnaruwa, Hingurakgoda, Hambantota, Anuradhapura, Puttalam, Matale and Kandy in addition to the Foreign Branch in Colombo. The total number of employees stood at 169.

1962

The Head Office was relocated to Ratnam's Building in Union Place, Colombo 2 and 17 more branches were opened.

1963

The Bank commenced its pawning services.

1964

The Co-operative Rural Banking Scheme was inaugurated.

1965

Some departments of the Bank were relocated to the Government Clerical Service Union (GCSU) building in Sir Chittampalam A. Gardiner Mawatha, Colombo 2. The total number of branches increased to 48, including new branches in Horana, Kekirawa, Padaviya, Mannar, Embilipitiya, Kahatagasdigiliya, Ragala and Talawakelle.

1967

The Bank commenced a new Agriculture Credit Scheme becoming the pioneer lender to the small farm sector.

1970

The "Athamaru" loan scheme was introduced to finance economic activities of the informal sector. The Investment Savings Scheme, a credit linked savings scheme was launched to attract regular savers.



1971

The Bank's hundredth branch was opened at Marandagahamula.

1973

A comprehensive rural credit scheme was launched to provide both production and consumption credit facilities.

The Bank initiated the "Ganu- Denu" practice, identifying itself with the traditions of the Sinhala and Tamil New Year and encouraging customers to transact with the Bank at the auspicious time.

1975

An aggressive branch expansion programme brought our total branch count to 158.

OUR JOURNEY

1977

Our 200th branch opened at Kollupitiya. The Head Office was relocated to a building in Fort. The total number of employees reached 5,000. The first fisheries bank was opened at Koralawella.

1981

Our branch network increased to 290. The Extended Minors' Savings Scheme was launched.

1982

The 300th branch of the Bank opened at Ingiriya. The total number of employees reached 10,000.

1984

The People's Merchant Bank, a subsidiary of the Bank, was established. Our branch at Slave Island was merged with the International Division and the Fort Foreign Branch.

1986

The process of computerisation began at our Head Office and selected city branches and a Black Light System was introduced. Customer turnaround time was thereby significantly reduced.

1987

Our Headquarters Branch became the Bank's first fully-automated branch. A special loan scheme for rural electrification was implemented in collaboration with the CEB.

1989

The Bank participated in a loan scheme sponsored by the Ministry of Labour to provide for housing against EPF balances. A scheme was launched in association with the Sri Lanka Foreign Employment Bureau to provide loans for job seekers abroad. The Bank participated

in a loan scheme launched by REPIA to provide credit to those affected by civil unrest in 1983. A *Janasaviya* associated loan scheme was introduced during the year. The Bank also commenced issuing Negotiable Savings Certificates during the year.

1990

An Endowment Savings Deposit Scheme was introduced. The People's Visa Card was introduced in association with Visa International and 24 branches were fully-computerised.

1991

The first ATM was installed at our Headquarters Branch.

1992

The Bank supported the Government's 200 Garment Factory Programme. "People's Automated Banking System" (PABS) a banking application developed in-house, commenced live operations.



1993

Three hundred and thirty bank branches were operating throughout the country and 35 main branches were fully automated. "Vanitha Vasana", a savings scheme for women was introduced.

1994

Eight new ATMs were installed and 160 branches were computerised under the automation programme.

1995

"Gurusetha", a new deposit mobilisation and loan scheme catering to Government teachers was launched with the co-operation of the Ministry of Education.

1996

"Suwa Sevana", a credit package for Government sector health personnel was launched. "Sisu Udana", a new deposit scheme for schoolchildren was introduced. The Bank participated in two ADB-funded credit schemes – the Tea Small Holdings Development Project and the Perennial Crops Development Project. The Bank's fully owned subsidiaries, People's Leasing Co. Ltd. and People's Travels (Pvt) Ltd., commenced operations. Zonal offices were opened to strengthen decentralised administration and to facilitate better customer service.

1997

The "Surathura" Loan Scheme was launched to assist self-employment projects. The Bank extended its credit facilities to small and medium scale enterprises and industries under the NDB-funded Small and Medium Enterprises Assistance Project (SMEAP).

1998

The total number of ATMs increased to 36, serving over 125,000 PET cardholders. One hundred and seventy-five branches were fully-automated and the number of pawning centres increased to 188. A special credit cum deposit scheme known as "Videshika" was introduced in collaboration with the Sri Lanka Foreign Employment Bureau to assist migrant workers.



1999

The Bank launched “*Isuru Udana*”, a deposit scheme that encourages parents and guardians to save for the benefit of their young charges.

2000

The “*Jana Jaya*”, savings cum loan scheme was launched. The newly introduced “*Jaya Sri*” draw offered attractive prizes for depositors. The ATM network expanded to 74 machines throughout the country. The Central ATM Switch was introduced to connect the PABS branches and the ATMs.



2001

The Bank's Corporate Management team was strengthened by the recruitment of certain heads of divisions from the private banking sector. Restructuring of the Bank was initiated through the launch of a Strategic Plan. The total number of ATM machines grew to 90.

2002

The number of PABS automated branches increased to 218 and 119 branches were connected to the Central ATM Switch. A Treasury automation package was implemented.

2003

The 11th CEO/General Manager of the Bank, Mr Asoka de Silva assumed duties on 1 February 2003. The Young Executive Saver's (YES) Account was launched. The Bank signed up with Silver Lake System SDV BUD Malaysia to install a state-of-the-art core banking package and trade services solutions which will initially be operational in 60 selected branches including Head Office.

2004

The second phase of the restructuring plan for 2004-2008 launched and approved by the Government of Sri Lanka was based on the recapitalisation support of ADB. The Bank obtained the first ever public rating of BBB+ from Fitch Ratings Lanka. The core banking project was implemented successfully.

2005

The 15th Chairman of the Bank Dr P A Kiriwandeniya assumed duties at the beginning of December 2005. This was followed immediately thereafter with a receipt of LKR 2 Bn. as the first tranche of 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. The core banking project was further extended across the branch network. The Bank was also a major intermediary in bringing Government-granted financial assistance for rebuilding, after the December 2004 tsunami.

2006

The Bank obtained an A-rating from Fitch Ratings Lanka Ltd., indicating progress from its earlier rating level. People's Bank was awarded the POP Award for 2006 in the banking and financial services sector by the Sri Lanka Institute of Marketing. The second tranche of capital of LKR 1 Bn. was received from the Government of Sri Lanka.

2007

The 16th Chairman of the Bank Mr. W. Karunajeewa assumed duties in May 2007. The rating level of A - from Fitch Ratings was maintained during the year. The Government of Sri Lanka injected the third capital tranche of LKR 1.5 Bn. into People's Bank. People's Bank won the People's Award for the Banking and Financial Services Brand of the Year for the second consecutive year. The Bank surpassed the LKR 300 Bn. mark in total deposits during the year 2007.

2008

Mr M Wickremasinghe assumed office as the 12th CEO/General Manager of the Bank. The Government of Sri Lanka released the fourth capital tranche of LKR 1.5 Bn. The Bank reached the Capital Adequacy Level of 10.5% by the end of the year. Further, the Bank's first Debenture issue of LKR 2.5 Bn. was made in the year. A notable advancement in the Bank's remittance service with the introduction of “People's e-remittance”, a web-based remittance product supported by latest technology to remit money from overseas within minutes. Two new foreign currency deposit products were launched, viz., “*Doo Daru Ethena Isura*” a foreign currency deposit product for children and “Special Foreign Investment Deposit Account” [SFIDA].

OUR JOURNEY

2009

The 13th CEO/General Manager of the Bank, Mr P V Pathirana assumed duties in January 2009. The Bank issued its second Debenture for LKR 2.5 Bn. during the year. 214 branches and 236 service centres were connected online. The Bank strategically placed over 300 ATMs island-wide. Total deposits reached LKR 400 Bn. The highest recorded profit before tax of LKR 6.1 Bn. was achieved. Received a SAFA (South Asian Federation of Accountants) Award for the 2008 Annual Report for the first time in the Bank's history.

2010

Mr H S Dharmasiri assumed office as the 14th CEO/General Manager of the Bank in October 2010. Branch network and service centres expanded to 679. ATMs increased to 330. People's International VISA Debit Card was launched in July 2010. The Bank obtained AA- from Fitch Ratings Lanka Ltd. and AAA from Ram Ratings. Total deposits surpassed LKR 462 Bn. during the year 2010. The highest recorded profit before tax of LKR 8.7 Bn. was achieved. The People's Bank Annual Report won two Gold Awards at the ARC Awards held in New York. The Bank received the SAFA (South Asian Federation of Accountants) Award, for the 1st Place in the Public Sector Category, for the 2009 Annual Report.

2011

Mr N Vasantha Kumar assumed office as the 15th CEO/General Manager of the Bank on 22 February 2011. The Bank celebrated the Golden Jubilee on 1 July 2011. Total branch network reached 714 whilst ATM locations increased to 382 covering almost all parts of the island. The Bank obtained an upgraded rating of AA (stable) from Fitch Ratings Lanka Ltd. The Bank's total assets, total deposits and total loans and receivables surpassed LKR 663 Bn., LKR 539 Bn. and LKR 478 Bn. respectively. The highest recorded profit before tax of LKR 15.3 Bn. and a profit after tax of LKR 10.2 Bn. were achieved. People's Bank won the SLIM-Nielsen People's Award for the Most Popular Bank in the Sri Lankan Banking

and Financial Services Sector, the SLIM-Nielsen People's Awards – Service Brand of the Year, and also won the Bronze Award for the Service Category at the SLIM Brand Excellence Awards 2011.

2012

The total branch network reached 728, whilst ATM locations increased to 420 covering almost all parts of the island. The Bank obtained an upgraded rating of AA + (stable) from Fitch Ratings Lanka Ltd. The Bank's total assets, total deposits and total loans and receivables surpassed LKR 873 Bn., LKR 683 Bn. and LKR 660 Bn. respectively. The Bank's 2011 Annual Report won one Grand Award and three Gold Awards in the National Category at the 2012 International ARC Awards.



2013

Mr Gamini S Senarath assumed duties as the 17th Chairman of the Bank in February 2013. Twenty-three SME centres were established across the island. Surpassed one million cards milestone during the year with access to over 30 million Visa accredited merchants globally. Corporate customers were provided with an on line real time payment facility for EPF, ETF and Customs Duty Payments. People's Bank became the first bank to be connected to the National Common ATM Switch. ATM locations increased to 460 with the branch network expanding to 735. LKR 5 Bn. worth Debentures issued during the year at the Bank's fourth Debenture issue.

2014

In 2014 the Bank's asset base crossed one trillion rupees, as the second largest bank in the industry. 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.

2015

The Bank commenced an ambitious digitisation initiative with the objective of enhancing its customer value proposition, generating operational efficiencies and strengthening risk management capabilities. Accordingly, the Bank upgraded its ATM network to an enterprise strength hardware platform to increase security and reliability to customers. Investments were also made in upgrading the Core Banking System, data warehousing capabilities and POS infrastructure.

The Bank launched a Green Banking Concept in demonstrating its sustainability commitments. Successfully rolled out to the Bank's Strategic Plan for 2016-2020, which is expected to further fortify the Bank's market position and deliver long-term value to its stakeholders.

2016

The Group achieved the rupees one trillion milestones in both deposits and advances during the year, the only financial services group to achieve two trillion rupee feats in a single year. The Bank was awarded the "Best Banking Group in Sri Lanka" and the "Most Sustainable Bank in Sri Lanka" by World Finance Banking Awards for the third consecutive year. It was also adjudged the 387th largest Bank in Asia. In line with its digitisation drive, the Bank launched self-banking centres comprising cash deposit machines (CDM), ATMs and kiosks in seven locations in Colombo, effectively catering to customers' increasing demand for convenient financial solutions and seamless banking. The Bank launched a new logo to reflect the Bank's evolution in keeping pace with new global trends and catering to the fast changing aspirations of customers.

2017

The consolidated contribution towards national economic development via taxation, special levies and dividends over the last ten years surpassed the LKR 150.0 Bn. mark. Additionally, the Bank received a new capital infusion of LKR 5.0 Bn. for the first time in the past eight years.

The Bank witnessed many firsts in the Digital and Information Technology sphere, with the opening of Sri Lanka's first fully-digitalised branch in Colombo and receiving the prestigious ISO/IEC 27001:2013 quality certification for Information Security Management first for any State bank in the nation.

The 400th Largest Bank in Asia as per the Asian Banker Magazine and included in the World's Top 1000 Banks by the Banker Magazine (UK). Locally, People's Bank was crowned "Country's Best Bank in 2017" at the National Business Excellence Awards and was recognised as the second most valuable Sri Lankan brand by the global brand consulting agency, Inter-Brand. For the 11th consecutive year, the Bank was conferred the exclusive "People's Service Brand of the Year" and "People's Banking Service Provider of the Year" Awards at the SLIM-Nielson People's Awards in 2017.

2018

LKR 10.9 Bn. syndicated loan facility extended to Hayleys for the acquisition of Singer Sri Lanka which is the single largest transaction of a listed company in Sri Lanka in recent times.

Six alternative digital channels were launched during 2018 for the benefit and ease of our customers namely People's Wave-mobile banking app, People's Web-internet banking portal, People's Wiz-express banking, People's Wyn-internet banking and mobile app for corporate clients, RLOS-Retail Loan Origination System and CLOS-Corporate Loan Origination System. Among the many finance apps in the country, People's Wave has become the most downloaded finance app in Sri Lanka gaining an impressive 4.7 rating on Google play and is now regularly used by over 300,000 customers across the country.

For the 12th consecutive year, the Bank was awarded the "People's Banking Service Provider of the Year". The Bank also secured the top spot as "The Bank of the Year for Excellence in Customer Convenience" at the LankaPay Technnovation Awards 2018. Further, People's Bank won the "Excellence in Local Market Reach" Award at the National Business Excellence Awards.

On the global level, the Bank was once again ranked amongst the Top 1000 Banks in the World by the Banker Magazine, UK and, adjudged "The Best Bank in Sri Lanka" at the European Global Banking and Finance Awards 2018. Further, as a testament to our relentless commitment to excellence in digitalization, People's Bank clinched the "Best Branch Digitization Initiative Program Award" in Asia Pacific Region at the Asian Banker Business Achievement Awards 2018 for Financial Technology Innovation.

2019

The People's Bank (Amendment) Bill was passed in Parliament in September 2019, enabling the Bank to issue debentures with relative ease to augment its regulatory capital. Post amendment, the Bank successfully raised LKR 10.0 Bn. in Basel III, Tier II compliant Debentures. The rollout of self banking units (SBU's) was accelerated during the past two years to reach 239 at end 2019 – a feat achieved in just three years. People's Wave app surpassed most other similar financial apps in the country, to become one of the most downloaded finance apps in Sri Lanka, gaining an impressive ranking on Google Play Store. The success of the Bank in digital platform, is demonstrated through the numerous awards received internationally which include the Best Digital Bank 2019 by both the Asian Banker Magazine and Asia Money and being the recipient of the Best Mobile Banking Application by the Asian Banker Magazine for 2019. At the Asian Banker Financial Technology Innovation Awards 2018, People's Bank was awarded The Best Digitization Initiative Programme.

People's Bank is also the first and only bank in Sri Lanka to receive the highest international accreditation for information protection and security – the ISO/IEC 27001:2013 certification.

The Bank was recognised as the Best Retail Bank in Sri Lanka and the Most Improved Retail Bank in Asia Pacific, Middle East and Africa by the Asian Banker Magazine during 2019. The Asian Development Bank recognised People's Bank as the Leading Partner Bank in Sri Lanka, for its Trade Finance operations.

Setting the benchmark in raising funds from foreign banks, People's Bank signed the largest ever and the longest tenor bilateral funding facility secured by any commercial bank in Sri Lanka to date. This is a clear reflection of the global recognition and confidence placed in the Bank, its governance structure, expertise and impeccable track record relating to financing complex and nationally significant projects in our Nation.



HIGHLIGHTS

▼ GRI 102-7

	Bank			Group		
	2019	2018	Change %	2019	2018	Change %
Operating performance (LKR Bn.)						
Interest income	184.0	166.4	10.6	217.2	195.6	11.1
Net interest income	58.5	55.4	5.6	75.9	71.2	6.7
Gross income	197.0	181.3	8.7	235.5	214.7	9.7
Operating profit before VAT and tax	28.6	32.0	-10.6	37.2	40.6	-8.5
Profit before tax	19.7	24.4	-19.4	25.7	31.2	-17.7
Taxation	6.7	7.3	-7.8	9.5	9.7	-2.0
Profit after tax	12.9	17.1	-24.4	16.2	21.5	-24.7
Dividends paid to GOSL	2.4	3.4	-29.2	2.4	3.4	-29.2
Retained profit	10.5	13.7	-23.2	13.8	18.1	-23.9
Financial position (LKR Bn.)						
Total assets	1,873.4	1,734.7	8.0	2,049.8	1,908.5	7.4
Gross loans and receivables	1,383.8	1,334.4	3.7	1,541.0	1,489.9	3.4
Total deposits	1,491.4	1,423.0	4.8	1,588.9	1,495.3	6.3
Shareholders' funds	95.0	91.2	4.1	130.0	123.5	5.3
Performance ratios (%)						
Return on average assets (before tax)	1.1	1.5		1.3	1.8	
Return on equity	13.9	20.3		12.8	18.7	
Cost to income ratio	64.2	61.3		63.1	60.7	
Non-performing loans ratio	3.3	2.5		3.7	2.7	
Provision coverage	60.0	72.3		62.0	71.6	
Statutory liquidity ratio – DBU	29.5	23.0				
– OBU	34.6	30.4				
Loans to deposit ratio	92.8	93.8		97.0	99.6	
Capital adequacy ratio – Tier I	10.7	11.0		11.6	11.7	
– Total	14.7	14.5		14.9	14.5	
Shareholder ratios (LKR)						
Earnings per share	12,926	17,095		14,985	19,978	
Net asset value per share	94,964	91,210		130,016	123,513	



CUSTOMER VALUE

Number of new customers added

2019	2018	Change (%)
667,349	659,118	1.2

Interest paid (LKR Bn.)

2019	2018	Change (%)
125.5	111.0	13.0

Number of Internet and mobile banking customers

2019	2018	Change (%)
381,573	194,280	96.4

Self-banking units outside Western Province

2019	2018	Change (%)
154	136	13.2



EMPLOYEE VALUE

Retention rate (%)

2019	2018	Change (%)
96.5	95.5	1.0

Employees outside the Western Province

2019	2018	Change (%)
4,716	4,903	(3.8)

Employees with over 10 year Service

2019	2018	Change (%)
3,131	3,369	(7.1)

Female employees

2019	2018	Change (%)
4,778	4,909	(2.7)



BUSINESS PARTNERS

Number of new suppliers acquired

2019	2018	Change (%)
58	128	(54.7)



NATIONAL CONTRIBUTION

Taxes paid to Government (LKR Mn.)

2019	2018	Change (%)
17,397	16,395	6.1

Dividend paid to Government (LKR Mn.)

2019	2018	Change (%)
2,420	3,420	(29.2)



COMMUNITY

Investment in CSR (LKR '000)

2019	2018	Change (%)
35,683	42,288	(15.6)

Community based loans (LKR Mn.)

2019	2018	Change (%)
71,927	42,511	69.2



ENVIRONMENT

Renewable energy consumption (GJ)

2019	2018	Change (%)
6,499	6,787	(4.2)

Energy intensity per employee (Head Office) (GJ)

2019	2018	Change (%)
12.7	12.5	1.6

Waste paper recycled (kg)

2019	2018	Change (%)
36,117	18,207	98.4

LETTER FROM THE CHAIRMAN



“Whilst being fully aware of the challenges that lie ahead in a post COVID-19 era, we cautiously look to the future with a degree of hope and optimism. Our focus is to optimise on our unrivalled capabilities including our digital investments in order to deliver a superior customer experience whilst reducing structural costs and strengthening the overall resilience of the Bank”.

SUJEEWA RAJAPAKSE
Chairman

▼ GRI 102-14

On behalf of the Board of Directors, I am pleased to present to you the People's Bank Annual Report for the year 2019.

A YEAR OF CONSOLIDATION

Year 2019 was a year of consolidation for People's Bank, where important steps were taken to position the Bank for sustainable growth in the long-term. Our efforts during the year were focused on strengthening resilience through investments in risk management and compliance, augmenting the capital base and capitalising on our investments in digitalisation to deliver a differentiated customer experience, efficiency and quality earnings growth. The amendments relating to the People's Bank Act were finalised, enabling the Bank to augment its regulatory capital with relative ease and operate on a level playing field. Whilst positioning the Bank for sustained growth over the long-term, the momentum has paved the way to focus on credit growth especially in the non-state sector space.

BUILDING A SUSTAINABLE BANK

We made excellent progress in advancing our digitalisation strategy embarked three years ago to transition into the most digitalised and technologically advanced bank in Sri Lanka by 2020. Placing us on a par with some of the most renowned financial institutions in the world, the many recognitions garnered endorse our ambitious digital transformation plan, highlighting that our vision is judicious and our delivery on objectives and targets, timely. The many digital initiatives launched and setting up Sri Lanka's largest self-banking network within a short time span, have positioned us to meet the aspirations of multiple demographics, empowering and raising the bar in terms of tech knowledge and making our customers global citizens in a highly networked world. Our focus is to optimise our digital investments and capabilities to deliver better customer experiences while reducing structural costs; and strengthen the resilience of the Bank to improve outcomes for our stakeholders in the long-term.

Our Board and experienced management team is focused on ensuring that People's Bank remains the leading financial services provider in Sri Lanka; delivering excellent product innovation; and always offering standout customer experience. It's this focus, on the areas that matter most to our customers, that makes our Bank a clear market-leader and the choice for individuals who want the best banking experience.

CHARTING A CHALLENGING OPERATING ENVIRONMENT

The macroeconomic milieu was challenging, characterised by economic, social and, environmental pressures which were far beyond our control, creating an impact which was significant. The situation was further aggravated by the adverse consequences of the Easter Sunday terrorist attacks which had severe repercussions on almost all spheres of economic activity. Consequently, domestic economic activity remained subdued, especially with subpar growth in agriculture and industry related activities.

In such a setting it requires a delicate balance to control expenses while investing heavily in the technology and programmes that would generate future results. We achieved that balance commendably in 2019, and major investments to position the Bank for the future. Focusing on our proven ability to adapt and innovate, we navigated the difficult operating environment successfully. The success built over six decades is proof of our fundamental business agility, and our insights forged by experience which has enabled us to manage challenges and change, to drive and shape it – and to help our stakeholders do the same. We are not complacent with our successes as we believe there is more to be done. Our focus remains to consciously and very diligently challenge the boundaries of success going forward.

The dramatic spread of COVID-19 has disrupted lives, livelihoods, communities and, businesses presenting an unprecedented medical, economic and, human challenge across the world. Whilst being aware of the challenges that lie ahead in a post COVID-19 era, we look to the future with cautious optimism. The expertise we have built over 60 years, our digital investments, solid capital base and prudent cost management have strengthened the resilience of our Bank.

Going forward, the economy is expected to rebound from current levels supported by a subdued inflationary environment, low lending rates and improved investor sentiments.

A PERFORMANCE IN CONTEXT

For the financial year ended 31 December 2019, the Bank on a consolidated basis recorded a modest 9.7% growth in total revenue and a pre-tax profit of LKR 25.7 Bn., reflecting a decline of 17.7% YoY. This was attributable to, amongst other, to the

LETTER FROM THE CHAIRMAN

subdued macroeconomic conditions, decreasing net interest margins and, most notably, increases in impairment allowance reflective of the trend of deteriorating asset quality as also experienced across the industry.

With the increased pressure on customer delinquencies, industry NPL increased from 3.4% in 2018 to 4.7% in 2019. Despite an industry-wide increase, we maintained our NPL at 3.31%, well below the industry average. Compared to a growth of 5.6% in the banking industry, we recorded a growth of 3.1% as at 31 December 2019 much of which from the State sector. The consolidated balance sheet expanded by 7.4% to reach LKR 2,049.8 Bn. whilst shareholders' funds increased by 5.1% YoY to reach LKR 119.2 Bn.

These figures are commendable in the context of challenging and out of the ordinary circumstances which encompassed an economic slowdown, subdued investment and a volatile interest rate environment.

DELIVERING ENDEARING VALUE

Delivering value to all our key stakeholders is integral to our ethos and to our success. We continue to be economically viable, socially accountable and environmentally responsible through our industry leadership, stakeholder engagement and community investment activity.



Our people are at the heart of our commitment and their determination and commitment is behind People's Bank's ability to successfully manage, financial, social and environmental factors.



We have taken every reasonable effort to contribute to inclusive prosperity by enhancing the skills and meaningful employment opportunities for our people in local communities. We continued to invest in our team of employees, to empower the key enablers of our success.

By evaluating the environmental impacts in our lending and investment policy and integrating sustainability into our operations, we contribute towards addressing climate change and reducing our carbon footprint. To deliver an outstanding customer experience many initiatives were taken during the year to enhance customer convenience and meet their evolving financial needs in a proactive manner. Through our investments in digitalisation we have transformed customer experience to be more intuitive and personalised.

As Sri Lanka's premier State bank, we continued to support national development as a key financier to infrastructure development and a key lender to the State and State-owned enterprises. Total consolidated contribution in the form of taxes, dividends and, levies amounted to LKR 25.1 Bn. during the year under review whilst Group contribution over the past ten years amounted to a staggering LKR 181.7 Bn.

A BANK OF REPUTE

Underpinning the success of the Bank is your Board's commitment to having effective corporate governance. Through ongoing, active oversight, transparency and accountability we focused on balancing and protecting the interests of all our key stakeholders over the long-term. We have a strong culture of operating ethically, acting with integrity and effectively managing our risk. We will continue to strengthen our solid foundation in the form of structure and establishing stringent policies and procedures. Every reasonable effort is being made to ensure we comply with governance practices of an international standing. The support received from the Ministry of Finance in this connection is encouraging and noteworthy.

SHAPING A SUCCESSFUL FUTURE

Although the future remains challenging, we are cautiously optimistic that we would navigate the challenges to shape a successful future delivering increased value to all our stakeholders. We remain committed to being the undisputed market leader in financial services in Sri Lanka.

Inspired by that vision, we will continue to leverage our extensive physical and digital network, customer-relevant innovations, digital capabilities, our strong talent pool and strong balance sheet and capital position to generate consistent and sustained earnings growth. We have a second

to none customer reach through our largest branch network in the industry. This has been complimented with our digital capabilities. Going forward, we will capitalise on our extensive physical and digital platform to reach a wider customer base, drive deposit mobilisation, enhance credit growth and empower the lives of many through our services. Optimising the sizable investment on our digital capabilities, we will continue to cater to customers of varying demographic and socio-economic profiles and enterprises of varying nature, size and scope, to drive financial inclusion in Sri Lanka.

Our consistent and disciplined approach to managing risk, our unwavering commitment to regulatory compliance; strong employee engagement; a long-standing investment in recruiting; developing and retaining talented people; and a trusted brand will continue to anchor everything we do.

Greater focus will be given to enhancing credit quality and improving monitoring and collections. We will strengthen the risk management framework and nurture a risk conscious culture which would strengthen the resilience of the Bank further. We will develop cross-selling potential and harness the synergy between our business units and diverse customer segments and capitalise on collaborative working opportunities which exist both externally and within the Group to achieve growth.

By taking every reasonable effort and within our control we will improve the living standard of every Sri Lankan whilst supporting State endeavours of socio-economic development. Furthermore, by placing our customers always at the front and centre of our decision-making we will enhance the value of our services. We will continue to preserve honesty and integrity in every aspect of our conduct without exception.

Our employees are undoubtedly our strongest asset and core to our every success. Whilst nurturing a strong team culture, we will consciously and continuously enhance employee knowledge to improve our efficiency and effectiveness. Our people will be empowered to bring out their creativity through innovative products and services. Our ability to understand and cater to our diverse customers makes us simply stand out amongst our peers.

EXPRESSING APPRECIATION

In conclusion, I wish to express my sincere appreciation to His Excellency the President, the Honourable Prime Minister, the Secretary to the President, the Secretary to Treasury for their valued guidance and assistance and the officials at the Central Bank of Sri Lanka for their counsel on matters of a regulatory nature. I thank my colleagues on the Board for their unstinted support and advice at all times and the outgoing Board for their contributions made to the Institution over the years. Appreciation is also extended to our former Chief Executive Officer/General Manager – Mr Rasitha Gunawardana and our incumbent Acting Chief Executive Officer/General Manager Mr Bonniface Silva and the management team and all staff – who are undoubtedly our biggest asset – for their continued commitment and dedication which is the cornerstone of our success. I am deeply grateful to our customers, and other stakeholders for their unwavering loyalty and whose success is ultimately the Bank's success.

We have great confidence in the long-term success of the Bank. We have laid a firm foundation. Our strategy is clear, employees are engaged and our capital position is sound. We have every reason to feel positive about the future as we continue to consolidate our position as Sri Lanka's Frontier Bank.



SUJEEWA RAJAPAKSE
Chairman

25 March 2020

CHIEF EXECUTIVE OFFICER/ GENERAL MANAGER'S REVIEW



“As the vanguard Bank in Sri Lanka with the largest customer base for any financial services provider, we continue to balance our dual role of supporting State endeavours and national socio-economic development whilst being competitively profitable”.

BONNIFACE SILVA

Acting Chief Executive Officer/General Manager

▼ GRI 102-14

Amidst a myriad of macroeconomic challenges, 2019 was a year of consolidation for People's Bank. Even as challenges present tremendous opportunities for sustained growth, we continued to deliver increased value to all our stakeholders with our strategy of growth. Holding steadfast to our philosophy of providing unparalleled customer experience and breaking new grounds in the banking industry, we refined our core organisational processes, revisited some of our decade old practices and strengthened our overall risk management framework including those relating to credit. Most importantly, we successfully addressed a long-standing issue inhibiting the Bank's growth – its inability to access debt markets for its regulatory capital purposes. Although the benefits of these improvements are not reflected in the numbers during the period under review, the sustainable tangible benefits will continue to accrue over the medium to longer-term.

A KEY SUCCESS

As the vanguard Bank in Sri Lanka with the largest customer base for any financial services provider, we continue to balance our dual role of supporting State endeavours and national socio-economic development whilst being competitively profitable.

Overcoming several obstacles, the People's Bank (Amendment) Bill was passed in Parliament in September 2019, enabling the Bank to issue debentures with relative ease to augment its regulatory capital. Since the amendment, the Bank has successfully raised LKR 10.0 Bn. in Basel III, Tier II compliant Debentures. Following this debenture issue, the Bank's total capital ratio at 31 December 2019 was comfortably above the Basel III minimum requirement.

OUR DIGITAL BANKING LEADERSHIP

Spearheading the digitalisation journey in the banking and financial services space in Sri Lanka, we have been on the vanguard of facilitating digital-financial services penetration into the rural hinterlands of the country having recorded notable success in supporting the Nation's evolution into a digital society. Our comprehensive digital implementation end to end across our many channels by offering an integrated experience has transformed the Bank's operations, giving customers an omni-channel experience with unparalleled convenience and speed. Whilst digitalisation has an underlying green ethos, it has improved our teller efficiency by over 50%, marketing campaigns and cross-selling by 30% and completely automated the Bank's risk management processes.

The rollout of self banking units (SBUs) was accelerated during the past two years reaching 239 at end 2019 – a feat achieved in just three years. These Units have increased efficiency levels significantly instigating around 70% over the counter transactions. I am happy to state that SBUs established in rural areas have shown commendable progress, implying that every demographic is maximising on our digital banking solutions. This is a noteworthy achievement

considering the fact that majority of our customers are low and middle income earners who are naturally tech shy. Our efforts in creating awareness and on boarding customers via digital channels are successful as reflected by one third of our rural customers now using alternate channels of banking. We aim to further increase the utilisation levels and strengthen our existing capabilities.

I am proud to state that our mobile app, "People's Wave" has surpassed most other similar financial apps in the country, to become one of the most downloaded finance apps in Sri Lanka, gaining an impressive ranking on Google Play Store.

Our successes in digital platform, is demonstrated through the numerous awards received internationally which include the Best Digital Bank 2019 by both the Asian Banker Magazine and Asia Money. In addition, the Bank was the recipient of the Best Mobile Banking Application by the Asian Banker Magazine for 2019.

A NOTEWORTHY PERFORMANCE IN A DIFFICULT MARKET ENVIRONMENT

The Bank's consolidated total operating income increased by 4.4% YoY to LKR 93.8 Bn. in 2019 and consolidated profit after tax for the year under review amounted to LKR 16.2 Bn., recording a 24.7% decline from 2018. The reduction was due to the impact of macroeconomic challenges, which curtailed organic growth opportunities, increased impairment charges and squeezed Group's overall net interest margins. The profits were further impacted by a 50% increase in other operating expenses due to a one-off item and substantial increase in debt repayment levy which amounted to LKR 2.7 Bn. in 2019.

At a Bank level, absolute non-performing loans (NPLs) increased during the year to LKR 43.6 Bn. compared to LKR 31.5 Bn. at end 2018. As a result, the Bank's impairment charges rose by 121% YoY. Our NPL coverage of over 60% is the highest in the banking industry and remains well above the industry average of 52.3%, attesting to our prudent provisioning policy.

Despite an industry-wide increase in NPLs during 2019, we maintained our Bank level NPL ratio at 3.3% which was well below industry average of 4.7% as at 31 December 2019. This is a strong testament of our stringent credit evaluation process, effective management of our customer portfolios and the risk conscious culture nurtured across our Organisation. Further, greater focus was given to managing NPLs by linking NPL management to staff performance appraisals and assigning a greater weight. We will continue to manage our NPLs more effectively as we understand that there is always scope for further improvement.

Loan growth slowed down to 3.1% YoY to reach LKR 1,460.2 Bn. in 2019 which had a negative impact on incremental earnings for the year. More emphasis was given to the qualitative aspect of lending and bulk of the loans were granted to State-owned enterprises

CHIEF EXECUTIVE OFFICER/ GENERAL MANAGER'S REVIEW

(SOEs). Excluding SOE loans, Bank's loan portfolio contracted by 0.8% YoY. Total assets base increased to LKR 2,049.8 Bn. and customer deposits swelled by 6.3% to LKR 1,588.9 Bn.

The Group's Current and Savings Account (CASA) ratio was 35.9% at 31 December 2019 which was below Bank's target. A number of initiatives were undertaken to improve the Bank's current accounts base which will continue to be an area of emphasis going forward. Improving CASA from current levels will continue to be a priority.

Our capital structure was strengthened during the year. Consolidated Tier I and Total Capital Adequacy Levels were 11.6% and 14.9% respectively at end 2019.

OPERATIONAL EXCELLENCE IN PURSUIT OF DELIVERING BETTER CUSTOMER EXPERIENCES

Our significant investments in technology and digitalisation are key drivers of value that facilitate better customer experiences and more efficient business processes. Across the Bank, we streamlined our support services with the help of new technology, and took a more frugal approach to discretionary spending delivering notable cost savings in 2019. Our headcount has remained flat over the decade amidst business growth, reflecting our improving productivity levels.

We have made banking easy and sync with our customers' choices and preferences, as evidenced by the increasing number of customers spanning diverse social and economic strata engaging in banking through our SBUs and direct digital channels, both web and mobile, than ever before. We continued to invest in technology and train our staff on Customer Relationship Management (CRM) to offer an exceptional customer experience, every time. The success of these efforts is reflected in our brand ratings, increased customer base and customer satisfaction scores. With the implementation of a CRM software in the ensuing this year, we expect to manage all our relationships and interactions with current and potential customers in a more effective manner.

EMPOWERING OUR STAFF

Overall, the Bank's successes can be accredited to progressive initiatives and our team of talented employees. We continue to believe that the best investment we can make is in our own people. Therefore, substantial investments were made on staff training during the year to support our workforce in acquiring the skills and know-how requisite to support the Bank's evolving requirements and future growth. Whilst improving the transparency in selecting employees for training opportunities, we have built an increasingly powerful combination of deep institutional knowledge and leading-edge capabilities across the People's Bank team, through continuous training. We are focused on being forward-looking in our succession planning in order to adapt with the ever-changing banking environment and to ensure we have the necessary pipeline and bench of capable

and experienced leaders. We continue to create a performance-orientated and inclusive work environment that enables the People's Bank team to reach their full potential.

SUPPORTING A SUSTAINABLE WORLD

We remain committed to corporate social responsibility and to integrating sound environmental, social and governance practices into our operations. We have a long history and strong culture of supporting the communities that we operate in.

We strongly believe that our business performance and our role in society are inextricably linked, and we continue to prioritise and support a number of CSR initiatives, particularly in uplifting education of under-privileged children and developing Sri Lanka's cultural heritage and religious development.

We extended our support to establish "Ayati" the National Centre for children with disabilities during the year. All utility payments done by customers through our SBUs to the Ceylon Electricity Board and the National Water Supply and Drainage Board continue to be free of charge.

By extending finance to promote social progress, creating job opportunities and skills development, we continue to elevate the standard of living of communities. For example to support commitment to the environment, we have launched several initiatives under the "People's Green Pulse" environmental sustainability policy. Over the past three years, we have been making investments in our branch network to make them more environmentally sustainable by decreasing our energy usage as well as our paper dependency. Our first fully environmentally friendly regional head office is being constructed in Jaffna. We have also launched a tree planting project in key areas of the country. Our investment in CSR swelled to LKR 34 Mn. during 2019.

RECOGNITIONS – SEVERAL FIRST'S FOR THE INSTITUTION

We are humbled by the high credentials we have received both locally and globally, which validates our retail and digital thrust which has brought us to the forefront of technology innovation in Sri Lanka. The prestigious awards recognise the achievements that

we've made through the creativity, hard work and commitment of our talented employees across the Bank.

In 2019, the Asian Banker Magazine - a prestigious regional banking and finance publication, recognised People's Bank as the Best Retail Bank in Sri Lanka, the Best Digital Bank in Sri Lanka and the Most Improved Retail Bank across Asia Pacific, Middle East and Africa for the year 2019. All of these for first's for People's Bank. In addition, it was also awarded the Best Mobile Banking Application and the Best Mobile Branding Initiatives in Sri Lanka for 2019.

The Asian Development Bank recognised People's Bank as the Leading Partner Bank in Sri Lanka, for its Trade Finance operations. The Global Banking & Finance Review Awards recognised People's Bank's Investment Banking arm as the Fastest Growing Investment Bank in Sri Lanka 2019 - an award received for the second year in succession.

We set the benchmark in raising funds from foreign banks, by signing the largest ever and the longest tenor bilateral funding facility secured by any commercial bank in Sri Lanka to date. This is a clear reflection of the global recognition and confidence placed in our Bank, our governance structure, expertise and impeccable track record relating to financing complex and nationally significant projects in our Nation.

Locally, for the 13th consecutive year, People's Bank was the recipient of the SLIM Nielson's People's Service Brand of the Year and the People's Banking Service Provider of the Year for 2019 - a feat none other can boast of. The Bank's brand value, as measured by one of world's leading independent brand valuation and strategy consultancy practices Brand Finance, swelled by LKR 10.2 Bn. to reach LKR 45.5 Bn. This was by far the highest mover for any Bank/Financial Services Provider for the said year under review.

OUR CULTURE - OUR PRIDE - OUR ACHIEVEMENT

I am extremely proud of our culture of strong discipline and loyalty towards the Organisation resulting in good business judgement, including strengths in risk management, governance and leadership - all of which reflect the sense of responsibility we have to our stakeholders. By having as shared vision and working as one team we have developed a culture where our people are engaged, motivated and, empowered.

WELL POSITIONED FOR THE FUTURE

We will continue to transform our Bank into a more resilient, agile enterprise that is well placed to deliver industry-leading innovations, drive sustained, profitable growth, and continue to earn the long-term trust of the stakeholders we serve.

We will do this by adopting a customer-centric culture, by deepening our customer relationships and delivering exemplary

customer experiences by capitalising on the growth opportunities in digital banking. We will focus on improving our organisational processes on an ongoing basis and enhance the efficiency of our business operations. Through investments in human resources we will focus on increasing productivity levels across the Bank. Effective management of NPL and growing the CASA base of the Bank will continue to be areas of priority. Measures will be implemented to develop our brand strength and image further.

We are living through a difficult time for society and our economies as the crisis around the COVID-19 pandemic has left no one untouched. We are confident that we will make a positive contribution in this crisis, thanks to our deep risk knowledge, close client relationships and digital investments. Whilst we have prioritised to maintain the safety of the workplace and protect the health of our employees and customers, we remain optimistic about the future.

We will embark on our next phase of growth by developing the Bank's Strategic Plan 2021-2027 focused on capitalising on our digital investments, increasing the non-fund based income and delivering increased value to the corporate sector.

A BIG THANK YOU

People's Bank is an institution with great Sri Lankan traditions and a brand of unparalleled trust. We benefit from an extensive geographic and digital footprint that is valued by our customers and are backed by a strong financial position, loyal employees and a compelling platform as the Bank of the People. I believe that our Bank is exceptionally well positioned for the future.

In closing, I wish to extend my gratitude to our Chairman and the Board of Directors for their invaluable guidance and conscientious stewardship of the Group at all times. My appreciation is extended to the officials of Public Enterprise Development, the Government Treasury and the Central Bank of Sri Lanka for their wise counsel on all matters of a related nature. I take the opportunity to especially mention our outgoing Chief Executive Officer/General Manager Mr Rasitha Gunawardena for his valued contributions to navigate the institution during a difficult 2019. A big thank you to corporate and executive members and all staff for their hard work and dedication and, most importantly, to our shareholder and customers for their continued trust and confidence placed in us.

We look to the future with great expectation than ever before as we consolidate our position as the Frontier Bank in Sri Lanka!



BONNIFACE SILVA
Acting Chief Executive Officer/General Manager

25 March 2020

BOARD OF DIRECTORS

▼ GRI 102-22, 102-23

MR KEERTHI GOONATILLAKE
Director

MR ISURU BALAPATABENDI
Director



MR KUMAR GUNAWARDANA
Director

MR SUJEEWA RAJAPAKSE
Chairman

MR MALINDU RANASINGHE
Director

MR MANJULA WELLALAGE
Director



MR K A VIMALENTHIRARAJAH
Director

MR SUDARSHAN AHANGAMA
Director

BOARD OF DIRECTORS

MR SUJEEWA RAJAPAKSE

Chairman

Mr Sujeewa Rajapakse is a Managing Partner of BDO Partners which is the local representative of BDO - the fifth largest accounting network in the world. A Fellow of The Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of Institute of Chartered Management Accountants of Sri Lanka (FCMA), Mr Rajapakse holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

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) and Council Member of University of Sri Jayewardenepura.

He has also served in the directorates of National Development Bank PLC, Softlogic Insurance PLC, Dipped Products PLC, Haycarb PLC, Development Holdings (Pvt) Ltd., Lanka Holdings (Pvt) Ltd., NDB Capital Ltd. – Bangladesh, The Finance Company PLC and Unidil Packaging.

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 KUMAR GUNAWARDANA

Director

Kumar Gunawardana was appointed to the Board of Directors of People's Bank on 26 December 2019 as a Non-Executive Director. He commands over 40 years of experience in diverse areas of banking. Having started his career with Commercial Bank PLC in 1979, he has moved on to Amsterdam Rotterdam Bank (Amro Bank), ABN Amro Bank and finally to National Development Bank PLC (NDB). He has served in Senior Management positions for over 20 years having first appointed as an Assistant Vice President of ABN AMRO Bank in the year 2000. His areas of expertise is wide and varied and include Branch network management, Institutional banking, Trade finance, Operations, Administration, and services.

He has also served as a Member of the Board of Directors of Development Holdings (Pvt) Ltd. which is an entity jointly owned by National Development Bank PLC (NDB) and Export Development Board (EDB), and Treasurer of Sri Lanka Tennis Association.

MR SUDARSHAN AHANGAMA

Director

Sudarshan Ahangama is a Fellow member of The Institute of Chartered Accountants of Sri Lanka and serves on the Board of MAS Holdings as its Group Finance Director for the past 15 years. He had responsibilities for the finance function in 17 countries across multiple regions. He has experience in mergers and acquisitions, cross border transactions, venture capital investments and organisational restructuring work which he handled in addition to his core role in finance. Prior to that he was a Managing Director of John Keells Stock Brokers and was involved in several of the financial services, boards of the company. He was also responsible for setting up the software out-sourcing activities at John Keells.

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 Hague Conference on 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 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 MALINDU RANASINGHE

Director

Mr Malindu Ranasinghe holds a BSc (Hons) Degree in Business from Manchester Metropolitan University (UK) and is currently the Director/CEO of the award winning private higher education provider, Oxford College of Business. He counts for over 18 years of experience in leading teams and marketing products and services.

Furthermore, Mr Ranasinghe was instrumental in ensuring flexibility in response to an increasingly demanding marketplace and the continued development of strategic reseller and supplier relationships. He has an excellent track record of building and strengthening online services to meet and exceed the high expectations of customers in diversified markets. His unique leadership style and determined effort towards creating sustainable and resilient workplaces that minimise the impact on the environment while addressing climate change through greener more energy efficient materials and innovative ways of conserving precious resources has been recognised by state and private institutions locally and internationally.

MR KEERTHI GOONATILLAKE

Director

Mr Keerthi Goonatillake obtained his Bachelor of Science Degree at University of Colombo and Specialised Computer Hardware Engineering at Cybernetics Department at University of Reading, UK. He has over three decades of extensive experience in Information Technology, Digital Forensics, Infrastructure Consultancy, Project Management, and Human Resource Development.

With a range of internationally recognised professional qualifications that cover Mobile Phone Forensics, Network Investigation, Data Recovery and Analysis at National Policing Improvement Agency, UK, Multimedia Communications Engineering KDDI Corporation Japan, Multimedia Systems Development at Overseas Technical Scholarship, Japan, NEC Mainframe Computer Maintenance NEC, Japan, Mechatronic Systems Technology, Singapore. Mr Goonatillake has played a key role as a Consultant/TEC Member and adviser in projects of national interest that includes; eNIC Project of the Ministry of Defence, Public Transport Bus Tracking System of Ministry of Transport, Sri Lanka Internet Project of University of Moratuwa.

Mr Keerthi Goonatillake has served as an International Advisory Panel Member in International Conference on Cybercrime Forensics and Education Organised by Canterbury Christ Church University, UK and has held the positions of Consultant, Coordinator, Computer Programmer, Computer Instructor, Technical Research Assistant, Committee Member, Board Member, Energy Manager, Indirect Counterpart, and Local Counterpart in various professional committees of University of Colombo. He is a Professional Member of the Computer Society of Sri Lanka since 1991.

He was the Founder of the Digital Forensics Centre and the Initiator of the Engineering Division of the University of Colombo School of Computing (UCSC), and also Founder Member of the Institute of Computer Technology and University of Colombo School of Computing since its inception.

He has been awarded many times in recognition for his dedicated services rendered to the University of Colombo over a period of three decades.

MR MANJULA WELLALAGE

Director

Mr Majula Wellalage is an Attorney-at-Law who has been in practice at the Private Bar Association 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.

MR K A VIMALENTHIRARAJAH

Director

Mr K A Vimalenthirarajah was appointed as the Treasury Representative/the Representative of the Ministry of Finance to the Board of Peoples' Bank in January 2020. He is an officer of Sri Lanka Administrative Service, counting over 25 years of experience in the public service. He is presently working as the Director General, Department of Trade and Investment Policy.

He is an Attorney-at-Law.

Mr Vimalenthirarajah holds a Special Degree in Economics from the University of Jaffna, Master of Philosophy in Economics from the University of Peradeniya, Master of Business Administration from the University of Moratuwa and Bachelor of Laws from the Open University of Sri Lanka. He has a Postgraduate Diploma in Development Studies and Public Policy, Postgraduate Diploma in International Relations, Diploma in Human Resource Management and Diploma in Information Technology.

Prior to his appointment as the Director General, Department of Trade and Investment Policy of the General Treasury, he has held various positions in the public service including the positions of Director General, Department of Fiscal Policy, Senior Assistant Secretary-in-Charge of Administrative Reforms, the Chief Information Officer of the Ministry of Public Administration and Home Affairs, Minister Counsellor of the Sri Lankan Embassy in Beijing, China.

Mr Vimalenthirarajah is the Sri Lanka's Director to the SAARC Development Fund and Ex-Officio Director of the Board of the Sri Lanka Insurance Corporation. He has also represented the General Treasury as Director of the Board of the Bank of Ceylon, the Sri Lanka Tourism Promotion Bureau, the Board of Investment of Sri Lanka, the Ceylon Petroleum Corporation, and the Institute of Human Resource Advancement of the University of Colombo and as Chairman, Sri Lanka Insurance Corporation.

▶ CORPORATE MANAGEMENT



Front row left to right:

Mrs Aruni Goonetilleke, Mr S Wanniarachchi, Mr B M Premanath, Mrs G P R Jayasinghe, Mr K B Rajapakse, Mr M A B Silva

Back row left to right:

Mr M K De S Gunaratne, Mrs N R Wijayarathne, Mrs P S J Kurukulasooriya, Mrs V K Narangoda, Mr E A D J Priyashantha



Front row left to right:

Mr G B R P Gunawardana, Mr R Pathirage, Mr Clive Fonseka, Mr G Lionel, Mr R Kodituwakku, Mr Azzam A Ahamat

Back row left to right:

Mrs M A D Muditha Karunaratne, Mr P R S Jayatissa, Mrs G M R P Wijerathna, Mr Dhammika Dasa

CORPORATE MANAGEMENT

01/ **MR M A B SILVA**

Acting Chief Executive Officer/General Manager

Mr Silva joined the Bank in 1987 and counts over 32 years of experience and deep-rooted knowledge in banking operations.

Being the Senior Deputy General Manager of Banking Operations, Mr Silva oversees the functions of four main divisions presided over by separate heads responsible for the activities of Channel Management Division, the regulatory unit of the branch network of 739 and 500-plus supplementary network composed of ATMs, CDMs and Kiosks, Marketing, Information Technology and Support Services Division.

Mr Silva's career experience encompasses managing branch business banking at all levels starting from Branch Manager, to Regional Manager, to Zonal Assistant General Manager, to Deputy General Manager and his present functions as the Senior Deputy General Manager – Banking Operations.

With extensive local and international training/exposure on the subject matter of his specialty, Mr Silva is a Degree holder (BA) from the University of Peradeniya and has a professional banking qualification AIB-Sri Lanka. He is also an Associate Member of Institute of Bankers of Sri Lanka.

02/ **MR G B R P GUNAWARDANA**

Outgoing Chief Executive Officer/General Manager

Mr Gunawardana was appointed as Chief Executive Officer/General Manager of People's Bank with effect from 15 April 2019.

Prior to his appointment as the Bank's Chief Executive, he served as Senior Deputy General Manager (Business Banking) in which capacity he oversaw the corporate and enterprise loan book. This includes both State-owned enterprises and small and medium scale loans which collectively account for over 50% of the Bank's overall loan book.

Mr Gunawardana joined People's Bank in 1987 and has over four decades serving both private and public sector institutions – of which over three decades were in banking and financial services.

At People's Bank, he has served in multiple functional areas/disciplines in varying capacities covering Finance, Performance Management, Corporate and Commercial Credit, Treasury Operations, Credit Control and Risk Management. He has over 10 years of experience in Corporate and Executive Management positions in the Bank and was its Chief Risk Officer during 2012 to 2017, where he played a key role in shaping the Bank's overall risk management framework and more notably helping it navigate through the 2012/13 pawning crises.

Mr Gunawardana currently also serves as a Board member at People's Leasing & Finance PLC, People's Leasing Fleet Management Ltd., Lankan Alliance Finance Ltd. (Bangladesh), People's Insurance PLC, People's Merchant Finance PLC, People's Travels (Pvt) Ltd., Institute of Bankers of Sri Lanka, Sri Lanka Banks' Association, Credit Information Bureau of Sri Lanka, Lanka Financial Services Bureau Ltd., National Payments Council and Lanka Clear.

Prior to joining People's Bank, he served in the private sector gaining a broad exposure in tourism, plantation and construction sectors.

He has been a member of the Chartered Institute of Management Accountants (UK) since 1985.

03/ **MR K B RAJAPAKSE**

Senior Deputy General Manager – Retail Banking

Mr Rajapakse is the Senior Deputy General Manager to the Retail Banking, Process Management and Quality Assurance and Digitalisation of the Bank. He joined the Bank in 1987 as a Management Trainee and counts over 32 years of experience in the People's Bank.

He has gained extensive exposure in various management level capacities in the branch network of the Bank and Corporate Banking Division. At present he oversees the Bank's main deposit portfolio and retail loan book which accounts for over 40% to the total portfolio. He has 12 years of experience in Corporate and Executive Management positions.

He holds a Second Class Honours Degree (BSc) in Public Administration from the University of Sri Jayewardenepura and has a Master's Degree in Management and IT from the University of Kelaniya. He is a Fellow Member of the Institute of Bankers of Sri Lanka, an Attorney at Law of Sri Lanka and holds a Diploma in Institute of Credit Management of Sri Lanka.

Mr Rajapakse has served as a member of the Governing Board of Institute of Bankers of Sri Lanka, a Director of Regional Development Bank and also served as an Alternate Director of Credit Information Bureau of Sri Lanka up to May 2019. At present, he is the Vice President of the Association of Professional Bankers of Sri Lanka (APB).

04/ MR ROHAN PATHIRAGE
Senior Deputy General Manager –
Human Resources and Legal

Mr Pathirage joined People's Bank in 1995. He counts for over 25 years of experience across Human Resources, Legal and Administration relating to the Bank.

Mr Pathirage is a Master's Degree holder in Bank Management from the Massey University, New Zealand since 2003. He holds a Law Degree from the University of Colombo. He is also a holder of a Postgraduate Diploma in Banking and an Attorney-at-Law.

In his current role, he oversees the Bank's 7,500 plus strong workforce and manages its Senior Executive recruitments in line with its HR requirements. In addition, he also leads the Bank's 75 member legal team. He benefits from over 10 years in Corporate and Executive Management positions.

Previously as Deputy General Manager–Secretary to the Board of Directors, a position held from August 2010 until March 2019, Mr Pathirage provided administrative support to all matters relating to the Bank and also Board of Directors and its various subcommittees. During his tenure, he has played a key role to facilitate best practices in governance and has contributed towards the establishment of several subsidiaries of the Bank including, People's Leasing & Finance PLC., People's Insurance PLC., People's Property Development Ltd., and People's Micro Commerce Ltd., amongst others.

He is a Non-Independent, Non-Executive Director of People's Leasing & Finance PLC, Director in Lankan Alliance Finance Limited Bangladesh, People's Micro Commerce Limited, People's Leasing Fleet Management Ltd., and Chairman in People's Leasing Havelock Properties Limited.

05/ MS G P R JAYASINGHE
Deputy General Manager –
Process Management and Quality Assurance

Ms Renuka Jayasinghe joined the Bank in 1987 as a Management Trainee and counts over 32 years of experience in the field of banking.

During her career, she has covered the branch banking area at the levels of Branch Manager, Zonal Senior Manager, Regional Manager and Asst. General Manager, Deputy General Manager (Business Support Services), Deputy General Manager (Cooperative and Development), and Deputy General Manager (Retail Banking). Presently, she functions as Deputy General Manager for Process Management and Quality Assurance.

She holds a First Class Special Degree in BCom from the University of Sri Jayewardenepura and has a professional banking qualification AIB-Sri Lanka. She is a Life Member of Association of Professional Bankers of Sri Lanka and the Institute of Bankers of Sri Lanka.

06/ MR CLIVE FONSEKA
Head of Treasury and Investment Banking

Mr Fonseka is a Fellow of the Institute of Bankers of Sri Lanka and holds a Master's Degree in Business Administration from the Postgraduate Institute of Management of University of Sri Jayewardenepura. He has received a Distinction for the ACI Dealing Certificate and counts more than 26 years of experience in Treasury Management. He is also a Certified Member (CMA) of the Institute of Certified Management Accountants of Australia. He was appointed as the President of the Association of Primary Dealers in July 2018 and acts in this position at present. He is a member of National Payment Council, Financial System Stability Consultative Committee and the task force to study and design a new alternative benchmark interest rates of Central Bank of Sri Lanka. Furthermore, he has acted as a Chief Examiner for Institute of Bankers of Sri Lanka's IABF/DABF Examinations.

He joined People's Bank in 2002, prior to which he served at American Express Bank and Standard Chartered Bank. He has been a member of the People's Bank's Senior Corporate Management team from November 2011.

07/ MR B M PREMANATH
Deputy General Manager – Banking Support Services

Mr Premanath joined People's Bank as a Management Trainee in 1987 and counts nearly 33 years of service. He holds a Second Class Upper Degree in BCom from the University of Colombo and AIB-Intermediate Sri Lanka.

Since 2011 he holds the position of Deputy General Manager (Banking Support Services) and is in charge of six departments covering Supplies, Transport, Security, Maintenance Engineering, Building Engineering, and Desk Top Publishing where he has gained immense experience in procurement, construction and maintenance, stores and inventory control, transport and security procedure.

During his banking career, he has participated in various exposure programmes both locally and internationally and has vast knowledge in managing business banking.

CORPORATE MANAGEMENT

08/ **MR G LIONEL GALAGEDARA**

Deputy General Manager – Channel Management

Mr Lionel Galagedara is in-charge of the Channel Management Department of the Bank. He joined the Bank as a Management Trainee and counts over 32 years of service at the Bank. His variety of experience covers the areas of Channel Management, Retail Banking, Corporate Banking, Project Financing, Credit Administration and Recoveries.

He holds a BCom (Special) Degree from University of Sri Jayewardenepura and an (LLB) Degree from the Open University of Sri Lanka. He is also an Associate Member of the Institute of Bankers of Sri Lanka and an Attorney-at-Law.

09/ **MR S WANNIARACHCHI**

Deputy General Manager – Recoveries

Mr Sunil Wanniarachchi joined People's Bank in 1987 as a Management Trainee and worked in several areas including Branch Banking, SMI Lending, International Banking, Trade Financing and Leasing. He has gained vast experience in lending and offshore banking activities.

He holds a BSc (Special) Degree from the University of Sri Jayewardenepura and soon after graduating, he worked there as a Demonstrator and Assistant Lecturer in Chemistry. He obtained his Master's Degree in Business Administration from the University of Colombo. He is an Associate of the Institute of Bankers of Sri Lanka. Recently, he held the positions of President and Senior Vice President in professional bodies such as Association of the Institute of Bankers of Sri Lanka and Trade Finance Association of Bankers respectively. He is also a member of the Governing Board of Institute of Bankers of Sri Lanka for a period of three years effective from 1 February 2017 and also holds the position of member of Audit Committee of IBSL therein. He is a member of Technical Committee for purchasing coal by CEB Coal power projects. Internally he holds many positions in the Bank such as Chairman of Grievance Handling Committee, Chairman of District Transfer Appeal Committee, Member of Procurement Committee, Member of Price Negotiation Committee, Member of DGMM Evaluation Committee etc.

10/ **MR R KODITUWAKKU**Deputy General Manager –
Commercial Banking and Digitalisation

Mr Kodituwakku is currently the Deputy General Manager of Commercial Banking and Digitalisation at People's Bank. He has over 37 years of banking experience in a wide spectrum of areas covering Consumer Banking, Commercial Banking, Corporate Banking, Offshore Banking, Branch Banking, International Banking, Project Financing, Recoveries And digitalisation. With extensive

local and international training/exposure and having worked in different capacities at different geographical locations, he is currently spearheading two portfolios; commercial banking and digitalisation of the Bank.

As the Deputy General Manager for the Bank's Digitalisation initiative, his scope of work encompasses primarily on mapping business requirements to a digital platform by adopting best practices in the industry and re-engineering business processes. As the DGM for Digitalisation, the Bank was of recipient of many prestigious awards/recognitions both internationally and locally including namely Best Digital Bank in Sri Lanka by both the Asian Banker and Asia Money Magazines. He also leads the commercial lending portfolio of the Bank.

He also serves as a Director of People's Insurance PLC, Lankan Alliance Finance Ltd. Bangladesh, Regional Development Bank Sri Lanka, and as an Alternate Director of the Credit Information Bureau of Sri Lanka and Board of Financial Ombudsman Sri Lanka (Guarantee) Ltd.

Mr Kodituwakku holds a Master's Degree in Business Administration specialised in Finance from the University of Colombo, Bachelor of Laws (Honours) from the University of New Buckinghamshire, United Kingdom and is an Associate Member of the Institute of Bankers of Sri Lanka.

11/ **MS ARUNI GOONETILLEKE**

Head of Corporate Banking

Ms Aruni Goonetilleke has over 20 years of global experience in Banking and finance. She is currently the Head of Corporate Banking. Immediately prior to joining People's Bank, she was with Standard Chartered Bank, Singapore in global and regional roles which took her to several countries in Asia, Americas, Middle East and Africa. Prior to that, she was the Chief Risk Officer of Standard Chartered Bank, Sri Lanka. During her career with ANZ Grindlays and Standard Chartered Bank, she has covered several areas in senior roles including Retail, Corporate and SME Banking, Branches, Risk, Audit and Special Asset Management.

She has a Master's in Law from Harvard Law School, USA and a Bachelor of Laws (Honours) from the University of Colombo. She was a Lecturer in Law, at the Faculty of Law and Department of Graduate Studies, University of Colombo.

Ms Goonetilleke was a founder member of the Association of Banking Sector Risk Professionals, was an EXCO member of the Women's Chamber of Industry and Commerce and member of the Finance Steering Committee of the Ceylon Chamber of Commerce. She is an Associate Member of the Singapore Institute of Directors, was on the EXCO of the Harvard Club of Singapore and is currently a Board Director of the Overseas School of Colombo.

12/ **MR AZZAM A AHAMAT** Head of Finance

Mr Ahamat joined People's Bank on 3 January 2017 and has over 18 years experience both locally and internationally across strategic financial management, alternate investments and risk. His prior employers include some of the largest multi-national professional service firms and other Tier I service providers across respective market spaces. He is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Fellow Member of the Association of Chartered Certified Accountants (UK) and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He is also a Certified Practicing Accountant (AUST.) and a Certified Member of the Chartered Institute of Securities & Investment (UK), the Chartered Institute of Credit Management (UK) and the Institute of Risk Management (UK).

13/ **MR E A D J PRIYASHANTHA** Group Chief Internal Auditor

Mr Janitha Priyashantha joined the People's Bank in 1994 as a Management Trainee.

He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and an Associate Member of Institute of Bankers of Sri Lanka and a Certified Member of the Institute of Certified Management Accountants Australia and holds a BCom Special Degree with a Second Class Upper Division.

He possesses more than 30 years of experience in banking, finance and auditing both external and internal.

14/ **MS M A D MUDITHA KARUNARATHNE** Additional Chief Law Officer

Ms Muditha Karunarathne is an Attorney-at-Law with over 30 years of experience holding a Post Attorney's Diploma in Banking and Insurance and was the winner of the Banking Law prize (2007). Soon after passing out as an Attorney-at-Law she joined the Chambers of late Mr J E P Deraniyagala President's Counsel and thereafter worked as an Assistant to Chief Law Officer and the Company Secretary to the Browns Group of Companies.

She joined People's Bank as an Assistant Law Officer in 1992 and handled legal work in Kalutara and Galle Regions, Head Office - Legal Department and as the Head of the Land Redemption Department. She was promoted to the position of Senior Law Officer in 2006 and as a Senior Law Officer, supervised the legal work in the Legal Department, Head Office and Northern and North Eastern Provinces.

In 2007, she joined the Petroleum Resources Development Secretariat, the Regulatory Authority of Upstream Oil and Gas Industry in Sri Lanka which functions under the Ministry as the Director Legal and Land and during this era she served as the Secretary to the Petroleum Resources Development Committee. During her 34 years of experience as an Attorney-at-Law she has gained immense exposure by participating in many local and international programmes, events, and forums.

15/ **MRS V K NARANGODA** Deputy General Manager – Enterprise Banking

Ms Krishani Narangoda joined the People's Bank in 1987 as a Management Trainee and counts over 33 years of service in the Bank.

She covered the areas of Branch Banking, Overseas Customer Services, Offshore Banking and Corporate Banking under various management capacities and presently serves as Deputy General Manager and covers the areas of SME, Development Finance and Microfinance.

She holds an Honours Degree (BSc Business Administration with Second Class Upper Division) from the University of Sri Jayewardenepura and Master's Degree in Business Studies from the Faculty of Graduate Studies, University of Colombo. She is also an Associate Member of Institute of Bankers of Sri Lanka and Institute of Credit Management of Sri Lanka. She obtained an Advanced Certificate in Customer Relationship Management from the Postgraduate Institute of Management at University of Sri Jayewardenepura.

During her banking career she has participated in various banking/management programmes both locally and internationally. She is a Council Member of Association of Professional Bankers of Sri Lanka and registered as an examiner of Institute of Bankers of Sri Lanka. She was elected as the President of People's Bank Officers' Association for the year 2019/20.

16/ **MR P R S JAYATISSA** Deputy General Manager – Human Resources

Mr P R S Jayatissa joined the Bank in year 1990 as a Management Trainee and he counts over 29 years of experience in the Bank, covering the branch operations in the branch network and Human Resources aspects. His professional experience, which spans over 19 years specifically in Human Resources with extensive knowledge in Human Resources Administration, including sound industrial relationship management.

CORPORATE MANAGEMENT

He has been exposed to both international and domestic training programmes with relevance to Human Resources. Mr Jayatissa is currently overseeing the duties as the Deputy General Manager – Human Resources of the Bank. He holds a Bachelor of Commerce (Special) Degree offered by the University of Colombo. He has the Professional Banking qualification AIB-Sri Lanka and Associate Membership of Institute of Bankers of Sri Lanka. Mr Jayatissa also possesses an Advanced Diploma in English Language for Administration and Academic purpose from the University of Colombo.

17/ 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 25 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 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, completing examination within two consecutive years and obtaining highest aggregate marks at the Intermediate and Final Examinations, which is still an undefeated record.

18/ MS G M R P WIJERATHNA
Deputy General Manager – Risk Management

Ms Roshini Wijerathna is in charge of Risk Management and Credit Control function of the Bank. She joined the Bank in 1990 as a Management Trainee and counts over 26 years of experience in the Bank's Treasury. She deputised the Primary Dealer Unit of the Bank since 2003 and the Treasury later on prior to moving to the area of Risk Management. She holds a Bachelor of Science (Physical Science) with a Second Class Upper from University of Colombo,

a Master of Business Administration (in Finance) from University of Colombo and a Diploma in Treasury and Risk Management from IBSL. She has obtained a distinction for ACI Dealing Certificate - ACI, Financial Markets Association and is an Associate Member of Institute of Bankers of Sri Lanka.

She is a past President and Secretary of the Association of Primary Dealers and currently a member of the Sri Lanka Forex Association, Association of Professional Bankers and Association of Banking Sector Risk Professionals.

19/ MS N R WIJAYARATNE
Deputy General Manager –
Transaction Banking and Financial Institutions

Ms Nipunika Wijayarathne serves as the Deputy General Manager of Transaction Banking and Financial Institutions, counting over 29 years of experience in banking, having joined the Bank in 1990 as a Management Trainee. She holds a Bsc Degree in Agriculture from University of Peradeniya and an MBA in Finance from University of Colombo.

She has experience in Trade Services and Correspondent Banking and prior to joining the Bank, she served in the private sector. She is an Associate Member of Institute of Bankers of Sri Lanka. She is also an Executive Committee member of International Chamber of Commerce – Sri Lanka.

20/ MR DHAMMIKA DASA
Chief Information Officer

Mr Dhammika Dasa joined People's Bank in August 2019 as the Chief Information Officer.

Mr Dhammika's 24 years of experience in the IT industry consists of Strategic Management, Programme Management, Project Management, Infrastructure Technology Management, Software Development and Implementation Exposure with Financial, Insurance, Banking, Manufacturing, Logistics, Leisure domain in Sri Lanka, Australia, and New Zealand. He has wide knowledge in Information security implementations as well.

He holds a BSc Degree in Mathematics and Computer Science from University of Kelaniya. Prior to joining the Bank, he has held several Senior Management positions in Aitken Spence Group and KPMG Sri Lanka.

21/ **MR M K DE S GUNARATNE**
Acting Deputy General Manager –
Business Analysis and Re-engineering

Mr M K De S Gunaratne, having joined the Bank in 1994 as a Systems Analyst, counts over 25 years of experience in the field of banking mainly in Information Technology. During his tenure in the Bank, he has obtained extensive exposure in IT and banking and moved up the ranks to become the Acting Deputy General Manager of Business Analysis and Re-engineering from AGM - Channel Management and ATM Operations and AGM – IT.

He has a Bachelor of Science (BSc) Degree (1985) from University of Colombo and a Postgraduate Diploma in Computer Technology (1990 - Inaugural Batch) from the same university to his credit.

In the computerisation process of the Bank, Mr Gunaratne has amicably involved in a number of key projects that include the designing and development of the People's Automated Banking System (PABS), Implementing ATM Switch, Connecting People's Bank to the LankaPay National Switch (1st Bank to do so), enhancement of Bank's Data Communication Network Infrastructure, Online-Mobile Branch with an ATM etc. Further, he has contributed to the digital transformation drive of the Bank through the self banking unit (SBU) deployment project and setting up of People's Call Centre. He is also credited with conceptualisation of Portrait Cameras on ATMs to capture still photographs at specific stages of a customer transaction in ATM Security Enhancement Process.

EXECUTIVE MANAGEMENT



Front row left to right:

Mr A U L A Anzar, Mrs H L S S Senanayake, Mr K D Karunatilake, Mr L Withana, Mrs U S Gerty, Mrs K N Senaratne, Mrs N C Mudalige, Mr H C Fernando

Back row left to right:

Mr A Jayaasith, Mr R Ravikaran, Mrs D M D Dasanayake, Mr T G S P Kumarasiri, Mr T M W Chandrakumara, Mrs G S Galappaththi, Mr K A Nihal



Front row left to right:

Mrs P R Madurawala, Mrs A S Liyanarachchi, Mr T D De Z Gunawardena, Mr A S M V Kumarasiri, Mr S N B M W Narayana, Mrs R P N Premalal, Mrs M B A K B Mudduwa, Mr K B N Seelanatha

Back row left to right:

Mrs M S L Perera, Mr W A Wasantha Kumara, Mr W A L P Jayarathne, Mrs W D A B Liyanagunawardena, Mrs K S R S Loku Kaluge, Mr M T Fasal, Mrs D R Beneragama

CHIEF MANAGERS

MS N A C W K NISSANKA

Regional Manager – Anuradhapura

MR R D LEELARATNE

Chief Manager – Information Technology

MR O K D R WASANTHA

Regional Manager – Nuwara Eliya

MR M M A RIZMI

Chief Manager – Internal Audit

MR E M G KARUNARATHNA

Chief Manager – Internal Audit

MS P C K GAMAGE

Chief Manager – Personal Banking

MS A B D M CRISHANTHI

Chief Manager – Personal Banking

MR W M T ROHAN

Chief Manager – Commercial Banking

MS H D S V GUNARATNE

Chief Manager – Supplies

MR E A M DISSANAYAKE

Chief Manager – Internal Audit

MR A S K GANGABADAGE

Chief Manager – Supplies

MR P M ARIYAWANSA

Chief Manager – Salaries and Pensions

MR L U L K ALWIS

Regional Manager – Hambanthota

MS T HEWAWASAM

Regional Manager – Colombo Outer

MR B D E R MENDIS

Chief Manager

Administration and Credit

Administration – Corporate and

Institutional Banking Division

MS W G P SENANAYAKE

Chief Manager – Channel Management

MS N A V MUNASINGHE

Chief Manager – Commercial Credit

MR D M KAPILA

Regional Manager – Ampara

MS K SUBASINGHE

Chief Manager – Trade Services

MR N K WIMALASIRI

Regional Manager – Colombo South

MR S L M A S SAMARATHUNGA

Regional Manager – Galle

MR M S C P T MARASINGHE

Chief Manager – Internal Audit

MS W A L WEERASOORIYA

Chief Manager – Operational Risk

MR I K G C K B IHALAKORALA

Regional Manager – Colombo North

MS V P ABEYRATNE

Chief Manager – Digitalization

MR N D PATHIRANAGE

Regional Manager – Gampaha

MS H M P S K HERATH

Chief Manager

Finance and Management Accounting

MR K K N PRIYANTHA

Chief Manager – Investigation and Inquiries

MR G R S KODAGODA

Regional Manager – Kurunegala

MS V KANAKASABEI

Regional Manager – Wannai

MR N SRISKANTHA

Regional Manager – Batticaloa

MS R ARUNASALAM

Chief Manager

Overseas Customer Services

MR D M D DISSANAYAKA

Regional Manager – Kandy

MR I K INDIKA

Regional Manager – Matara

MS W D PIYASEELI

Chief Manager – Credit Review

MR A M V D L ADIKARI

Regional Manager – Matale

MS I RATNAYAKE

Regional Manager – Polonnaruwa

MR D M M DISSANAYAKA

Regional Manager – Badulla

MR R L J PEIRIS

Regional Manager – Puttalam

MR P G A C PERERA

Regional Manager – Kalutara

MR E P A SISIRA KUMARA

Regional Manager – Trincomalee

MR K G P M KARIYAWASAM

Chief Manager – Digitalization

MR G H U S GUNARATNE

Chief Manager – Human Resources

MS A G JAYASENA

Chief Manager – Risk Management

MR K KODEESSWARAN

Regional Manager – Jaffna

MS L N A N K NISSANKA

Regional Manager – Kegalle

MR W N T PERERA

Regional Manager – Ratnapura

MS S S PERERA

Chief Manager – Corporate Banking II

MS H M L PUSHPAKUMARI

Senior Law Officer

MS T N RUBASINGHA

Senior Law Officer

MS S M D KUMARI

Senior Law Officer

MS Y K ATHAUDA

Senior Law Officer

MS S D N PREMADASA

Senior Law Officer

MS P R K N FERNANDO

Senior Law Officer

MR Y K RAJAPAKSE

Chief Manager – Engineering Services

MR H C K GUNAWARDENA

Maintenance Engineer



PEOPLE'S WAVE

THE REVOLUTIONARY, MOST DOWNLOADED MOBILE APP IN SRI LANKA FACILITATES CUSTOMERS TO CONDUCT OVER 50 FINANCIAL TRANSACTIONS. EQUIPPED WITH A RANGE OF MODERN AND SOPHISTICATED BANKING FEATURES, THE APP HAS GREATLY ENHANCED CUSTOMER EXPERIENCE TO UNPRECEDENTED LEVELS.

Business Model

- 40 Our Value Creation Model
- 44 Operating Environment
- 50 Materiality
- 55 Strategic Direction
- 56 Contribution to SDGs

OUR VALUE CREATION MODEL

BUILDING A RESILIENT AND AGILE BANK

Our long-term success depends on our ability to generate value for our stakeholders by providing services that are relevant and useful to people and the communities in which we operate. Our value creation model is a simplified way of showing how we create value for our

OPERATING ENVIRONMENT

VISION

▼ INPUT



FINANCIAL CAPITAL

We use financial capital – including reserves generated through equity, client deposits, and other funding sources – to invest in our business activities.



MANUFACTURED CAPITAL

Investing in plant and equipment and green buildings allows us to operate efficiently and also reduce our environmental footprint.



INTELLECTUAL CAPITAL

We are investing in digital and innovative propositions and strengthening procedures and systems to support our competitive edge.



HUMAN CAPITAL

To grow and conduct our business operations efficiently, we require high-performing, innovative, and diverse people with the right skills and experience.



SOCIAL AND RELATIONSHIP CAPITAL

We maintain strong relationships with our stakeholders to ascertain what topics matter most to them. Stakeholder management is embedded in our governance model and is carried out in every strata of the Bank. We integrate the needs of our stakeholders into our business and we deliver on our commitments.



NATURAL CAPITAL

By promoting digital channels of banking we contribute towards environmental sustainability. We use energy and other natural resources for our business activities.

GOVERNANCE FRAMEWORK

▼ ACTIVITIES

- ▶ Consumer Banking
- ▶ Enterprise Banking
- ▶ Treasury and Investment Banking
- ▶ Corporate Banking
- ▶ International Operations

SERVICES

SUPPORT SERVICES

- ▶ Human Resources
- ▶ Information Technology
- ▶ Procurement
- ▶ Administration
- ▶ Marketing and Communications
- ▶ Risk Management and Compliance
- ▶ Strategic Planning
- ▶ Capital Management
- ▶ Financial Management

STRATEGIC PILLARS



Innovation

01



Growth and resilience

02

stakeholders using our resources, skills and interactions. Through our business model our inputs such as financial, human, manufactured, intellectual, and social and relationship, community, and natural capitals are transformed into various outputs through our business activities.

MISSION

▼ OUTPUTS AND OUTCOMES

FINANCIAL

We create financial value for our stakeholders. Based on our proposed final dividend, investors are to receive LKR 2.5 Bn. in returns for 2019. Employees receive salaries and other benefits amounting to LKR 19.2 Bn. in 2019. Creating financial value to society as a whole; we paid LKR 6.7 Bn. in corporate income tax in 2019 to support public services. By making a sustainable profit, we manage our capital position more effectively and reinvest in our business for the future

MANUFACTURED

Clients derive value from our services especially our self-banking units which have delivered an unparalleled customer experience.

INTELLECTUAL

We have increased our brand equity by 17.1% YoY and strengthened our corporate culture by embedding ethical values that drive transparency, integrity and, accountability.

HUMAN

By investing LKR 104 Mn. on employee development we have developed a skilled, well-trained workforce that drive value for the society. We have provided a conducive work environment and nurtured a motivated and highly engaged team of employees.

SOCIAL

Our services enable clients to manage their finances efficiently and conveniently. By funding business we help drive economic growth and create jobs for society. By collaborating with local and global partners we promote social and economic development and improve the communities that we impact.

NATURAL

We aim to limit the negative impact on the environment through our operations and create value – by providing more sustainable financing, incorporating environmental considerations into our lending and investment decisions and managing our energy and water consumption efficiently. Electricity consumption reduced by 4.6% YoY and energy consumption has remained stable over the past 3 years, irrespective of business growth.

DELIVERY CHANNELS



Operational excellence

03



Ethical behaviour

04

OUR VALUE CREATION MODEL

SCOREBOARD OF OUR CAPITALS



FINANCIAL CAPITAL

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Operating profit before tax (LKR Mn.)	40,602.4	• Adopting a prudent risk management framework • Strengthening the capital adequacy • Prudent management of discretionary costs	37,168.9
• Shareholders' funds (LKR Mn.)	123,513.4		130,015.7
• Deposits from customers (LKR Mn.)	1,495,326.5		1,588,903.1
• Total liabilities (LKR Mn.)	1,785,026.8		1,919,759.0
• Earnings per share (LKR)	19,978		14,985



MANUFACTURED CAPITAL

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Investment in IT systems (LKR Mn.)	322	• Upgrading the IT infrastructure • Expanding the number of digital branches	430
• Investment in physical infrastructure (LKR Mn.)	2,845		2,561
• Number of SBUs	210		239
• Number of ATMs	715		755
• Number of branches	738		739



INTELLECTUAL CAPITAL

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Brand equity index	3.5	• Investing in digitalisation • Expanding the alternative channels of banking • Launching services that enhance customer convenience • Effecting improvements to processes and systems • Spurring the innovation drive • Enhancing the technological acumen	4.1
• Brand rating	AA		AA+
• Customer satisfaction ratio (%)	91		94
• Credit rating from Fitch Ratings Lanka Ltd.	AA+		AA+
• Number of awards and accolades garnered	12		16

**HUMAN CAPITAL**

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Number of employees	8,093	• Building and maintaining essential skills and capability, that allow employees to deliver high performance	7,836
• Number of new recruitments	13	• Fostering a diverse workforce and creating an enabling environment which promotes a productive workforce	0
• Investment on training and development (LKR Mn.)	74	• Maintaining a workplace that is free from physical and verbal harassment and discrimination	104
• Number of hours of training per employee	19	• Maintain an impartial remuneration structure, rewarding employees based on their performance and retaining high performing employees	22
• Profit per employee (LKR '000)	2,112	• Focusing on leadership development and talent sourcing	1,650
• Employee remuneration and benefits (LKR '000)	22,400		25,145
• Number of employees with over 20 years service	1,890		2,188

**SOCIAL AND RELATIONSHIP CAPITAL**

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Number of correspondent banks	43	• Investing in CSR projects that enhance education and enhance the cultural heritage of Sri Lanka	42
• Number of suppliers	383	• Promoting financial inclusion through expansion of our digital banking network	242
• Number of Vostro agents	73	• Educating customers	71
• Community based development loans (LKR Mn.)	9,018	• Expanding our supplier network	8,383
• Investment on CSR (LKR Mn.)	42		36
• Number of SBUs	210		239
• Number of mobile and internet banking customers	194,280		381,573
• Number of People's Wave mobile app downloads	268,717		573,910

**NATURAL CAPITAL**

Indicator	Value derived as at 1 January 2019	Actions to enhance outcomes	Value derived as at 31 December 2019
• Weight of paper recycled (kg)	18,207	• Improving energy consumption and water conservation across the network	36,117
• Consumption of renewable energy (GJ)	6,786.6	• Investing in green buildings	6,499.3
• Consumption of non-renewable energy (GJ)	5,559.2	• Contributing towards paper reduction by promoting paperless digital transactions	5,888.0
• Energy intensity per employee (GJ)	12.5		12.7

OPERATING ENVIRONMENT

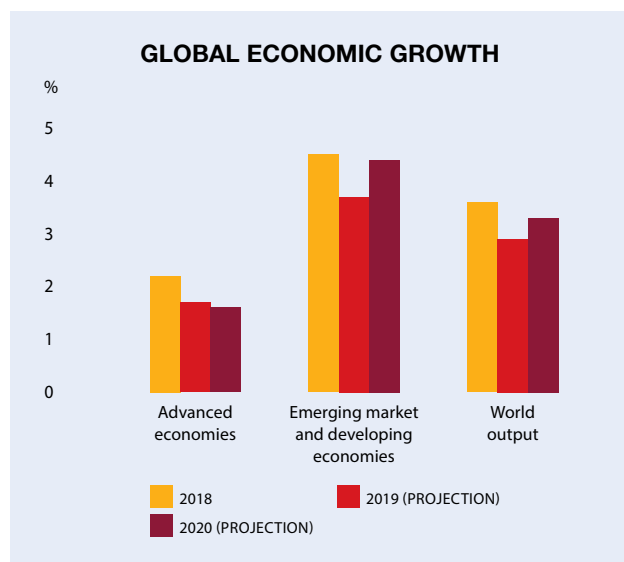
OUR MACRO-ECONOMIC OPERATING CONTEXT

We operate in a complex and dynamic environment, with economic impacts, demographic trends, technological advancements all influencing the global financial services industry. Therefore, our growth during the year under review must be assessed in the context of global economic activity which impacted our local economy and our business operations. The dynamic environment presents us with opportunities to increase our value creation over the longer term, through an innovative and agile strategic approach and effective risk management.

GLOBAL ECONOMY

	2019 (Projection)	2018	2020 (Projection)
World output	2.9	3.6	3.3
Advanced economies	1.7	2.2	1.6
United States	2.3	2.9	2.0
Euroarea	1.2	1.9	1.3
Japan	1.0	0.8	0.7
United Kingdom	1.3	1.3	1.4
Emerging market and developing economies	3.7	4.5	4.4
Russia	1.1	2.3	1.9
China	6.1	6.6	6.0
India	4.8	6.8	5.8
ASEAN	4.7	5.2	4.8

Source: World Economic Outlook – January 2020



Global growth is forecast at 2.9% for 2019, the lowest level since 2008/09. The subdued growth is attributed to the sharp and geographically broad-based slowdown in manufacturing and global trade. This was driven by higher tariffs and prolonged uncertainty surrounding trade policy leading to dented investment and demand for heavily traded capital goods. The automobile industry contracted due to disruptions from new emission standards in the Euro area and China. In the United States, investment remained sluggish but employment and consumption continued to be robust, buoyed by policy stimulus. In the Euro area, weaker growth in foreign demand and a drawdown of inventories kept economic growth subdued since mid-2018 and growth in the United Kingdom weakened due to Brexit-related uncertainty. Growth in India, softened in 2019 as a result of corporate and environmental regulatory uncertainty, together with concerns about the health of the non-bank financial sector, weighing on demand.

Outlook

Global growth is projected to pick up to 3.3% in 2020 due to expected improvement in economic performance in several emerging markets in Latin America, the Middle East and emerging and developing Europe that are under macroeconomic strain. Growth is expected to moderate into 2020 and beyond for United States, Euro area, China, and Japan. Together these nations account for close to half of global GDP.

Growth in Emerging and Developing Asia, which is the main engine of the world economy, is softening gradually with the structural slowdown in China. Growth in China is projected to continue to slow gradually in coming years, reflecting a decline in the growth of the working-age population and gradual convergence in per capita incomes. Growth was downgraded Hong Kong Special Administrative Region, Korea, and Singapore, due to their exposure to slowing growth in China and spillovers from US-China trade tensions.

SRI LANKAN ECONOMY

The Sri Lankan economy faced a challenging year in 2019 with GDP growing by an estimated 3.0%. The spillover effects of the Easter Sunday attacks were felt across almost all spheres of economic activity, especially in the second quarter of the year. Below potential economic growth performance continued through 2019. Economic growth slowed down to 2.6% in the first half of 2019 compared to 3.9% growth recorded in the corresponding period of 2018 and accelerated to 2.7% in the third quarter of 2019.

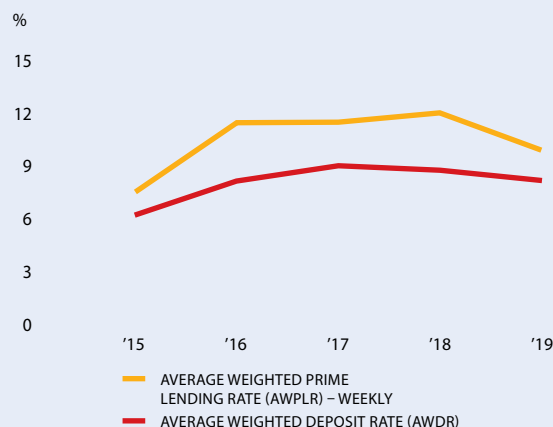
Comparison of quarterly growth rates

	 AGRICULTURE, FISHERIES AND, FORESTRY		 INDUSTRY		 SERVICES	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Q1	5.5	5.1	1.0	5.6	0.4	4.0
Q2	3.0	1.7	1.4	2.8	3.3	3.1
Q3	4.1	5.5	1.6	4.8	2.8	4.3

Growth in agriculture, fisheries and, forestry was buoyed by the substantial recovery in growing of oleaginous fruits such as coconut, king coconut and oil palm, and growth of rice. Services activities was mainly driven by the expansion in financial services, wholesale and retail trade activities and other personal services. Expansion in industry activities was primarily supported by the recovery in construction and mining and quarrying activities. Following the Easter Attacks, accommodation, food and, beverage service activities and, transportation services was affected substantially.

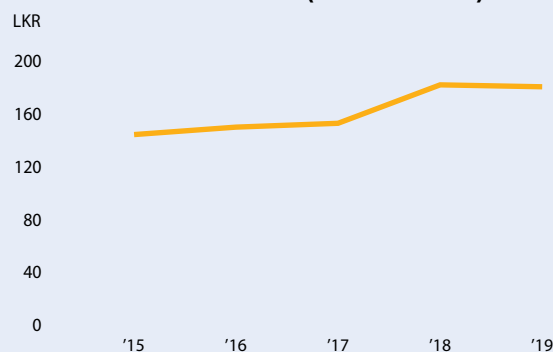
The Central Bank continued to maintain an accommodative monetary policy stance in view of subdued economic growth, muted inflationary pressures and rapidly slowing private sector credit amidst high nominal and real market interest rates. With the objective of providing adequate levels of liquidity to the domestic money market, the Central Bank reduced policy interest rates by a total of 100 basis points in two steps, first in May and then in August 2019. However, in spite of monetary policy easing, market interest rates remained high in both nominal and real terms and private sector credit growth decelerated sharply, particularly during the first half of 2019. Therefore, the Central Bank imposed caps on deposit interest rates of financial institutions. This was supported by eased liquidity conditions and the accommodative monetary policy stance, resulting in a notable decline in deposit rates. Accordingly, the average weighted new deposit rate (AWNDR) moderated notably by 284 basis points to 8.40% in August 2019 from 11.24% at end April 2019. In order to support the revival of economic growth, caps were imposed on lending rates, in September 2019. Consequently, most market interest rates declined, notably during the second half of 2019 increasing the credit flow.

AWPLR AND AWDR



The external sector recovered to a certain extent in 2019 from the significant pressures experienced in 2018. Trade deficit contracted with the rapid decline in imports, in response to measures undertaken in mid-2018 to curb non-essential imports, including personal motor vehicles and gold. Foreign direct investments (FDI) continued to be low whilst Sri Lanka successfully issued International Sovereign Bonds (ISBs) amounting to USD 4.4 Bn. during 2019. Following its significant depreciation in 2018, the Rupee indicated greater stability in foreign exchange markets. For the first time since 2010, a marginal appreciation was observed in 2019.

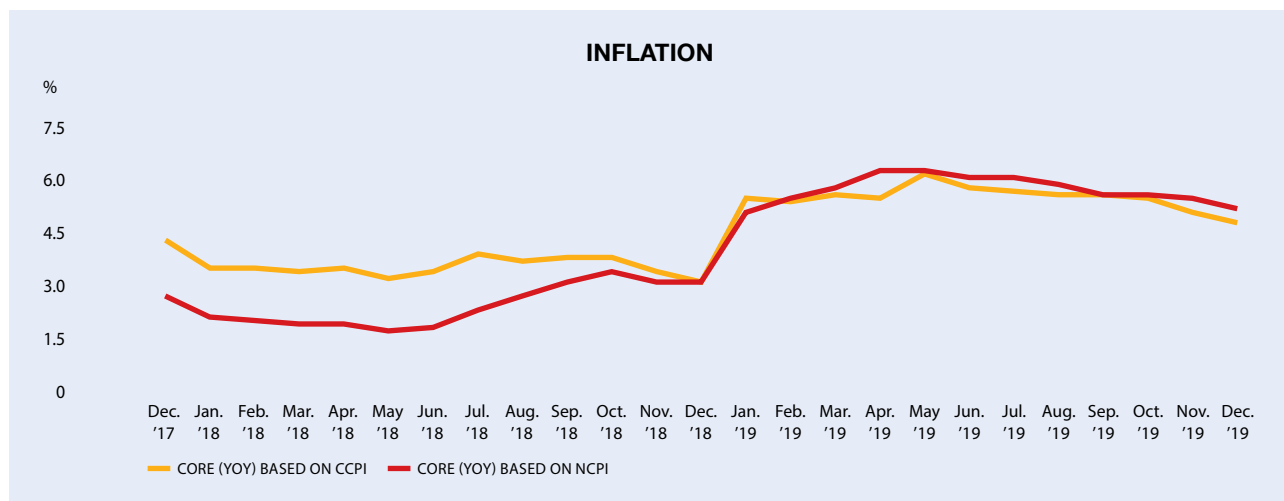
EXCHANGE RATE (LKR PER USD)



The Balance of Payments recorded a surplus of USD 789 Mn. for the first nine months of 2019, following the strengthening of financial account and a lower current account deficit. The net receipt from the two ISBs and the net absorption of USD 285 Mn. from the domestic foreign exchange market helped expand the overall balance during the period.

OPERATING ENVIRONMENT

On an annual average basis, NCPI based headline inflation was at 3.5% in December 2019 compared to 2.1% at end 2018. Central Bank continued to conduct monetary policy within an enhanced framework with the aim of stabilising inflation around mid-single digit levels over the medium term and thereby paving the way for a sustainable growth trajectory.



Outlook

The Sri Lankan economy is projected to grow by around 3.5% in real terms in 2020 contributed by all major economic activities. The agriculture sector is envisaged to rebound and industry related economic activities are expected to continue the positive momentum in 2020 based on improved investor confidence. Growth in manufacturing and construction activities are expected to drive industry growth benefiting from GSP+ concessions as well as the realisation of Government construction projects. Further, investor confidence, which was adversely affected by domestic uncertainties, is expected to improve, boosting private investments.

Services-related activities are expected to drive the growth supported by all major economic activities within this segment. Some of the services activities which were adversely affected by the Easter Sunday Attacks, are expected to rebound in 2020 such as accommodation, food and beverage service activities including hotels and restaurants. The private investment expenditure on large scale infrastructure projects, and the FDIs, are expected to provide an impetus for growth in total investment activities.

The growth momentum in exports is expected to be driven by establishment of trade relations with new trading partners, conducive trade policies, strong institutional support and more a competitive exchange rate. Withdrawal of the US-GSP facility from India is likely to have a positive impact on Sri Lankan exports.

However, the trade tensions between the USA and China are not expected to have a large impact on Sri Lanka's trade performance as most of the products, which are subject to higher tariffs, are not major export or import items of Sri Lanka. The possible slowdown in global trade and global growth could have a negative spillover effect on export earnings.

Receipts to the financial account are projected to improve in 2020 with the expected FDI inflows, particularly with the long-term development projects. The extension of the IMF-EFF programme is expected to improve investor confidence. Inflation is likely to be maintained at mid-single digit levels on a sustained basis, under the FIT.

Growth of credit to the private sector is expected to pick-up to around 12-13% by end 2020, which is sufficient to support a revival of economic activity. Market lending rates are expected to decline further in 2020 and the Central Bank expects a boost in the growth of credit and money supply with the envisaged further reduction in lending rates and the anticipated improvement in investor sentiments. Growth of broad money supply is likely to reach around 14% by end 2020 driven by the expected growth in private sector credit. The Central Bank expect to maintain inflation within a range of 4-6% through a transparent, coherent and accountable monetary policy framework, which would help improve economic prosperity of Sri Lanka.

Fiscal reforms are expected to widen the tax base, improve tax administration and compliance. Strengthening State-owned business enterprises through implementing essential reforms are expected to enhance Government revenues and reduce the fiscal burden to maintain such entities. Central Bank will continue to ensure adequate liquidity in the domestic money market is maintained.

Greater flexibility will be allowed in determining the exchange rate based on market forces. This will allow the exchange rate to act as the shock absorber in the envisaged monetary policy framework. The production economy will be strengthened, supported by availability of required infrastructure facilities, the prevalence of conducive policy measures, attraction of export-oriented FDIs, and the maintenance of appropriate fiscal and monetary conditions.

BANKING SECTOR

Despite challenging domestic and global conditions, the banking sector expanded modestly during 2019, exhibiting resilience by maintaining capital and liquidity levels well above the regulatory requirements.

Performance

Growth in assets of the banking sector moderated during the first eight months of 2019 to 2.4% compared to 7.3% in the corresponding period of 2018. The growth in the asset base was driven by the increase in investments, whilst the moderation in loans and advances hindered the expansion. The asset base was funded primarily through deposits and borrowings. Growth in loans and advances was mainly driven by increased lending by banks to the Central Government and State-owned Enterprises whilst lending to the private sector decelerated during this period.

Credit growth which reached 19.6% as at end 2018 dipped to 9.7% as at end August 2019 due to lower demand for credit owing to the adverse business environment that prevailed.

The deposit base of the banking sector grew by 4.0% during the first eight months of 2019 and primarily consisted of Rupee deposits. There was a notable shift in deposits from demand to term deposits and short-term savings, particularly in three month term deposits. The share of current and savings deposits as a percentage of total deposits (CASA Ratio) declined to 30.9% as at end August 2019, compared to 32.7% during the corresponding period in 2018.

Borrowings declined by LKR 142.0 Bn. reflecting a negative growth of 8.1% during the first eight months of 2019 when compared with the decline 3.7% in the corresponding period of 2018. There was a deterioration in asset quality as reflected by the increase in the NPL ratio to 4.9% by end August 2019 from 3.4% as at end December 2018.

The banking sector operated with an adequate liquidity buffer above the minimum regulatory requirement. As at end August 2019, the Statutory Liquid Assets Ratios (SLAR) of the Domestic Banking Unit (DBU) and the Off shore Banking Unit (OBU) were at 31.2% and 45.7%, respectively, well above the minimum statutory requirement of 20%. As at end August 2019, the Rupee and All Currency Liquidity Coverage Ratios of the banking industry stood at 202.8% and 169.5%, respectively, well above the regulatory minimum of 100%.

Capital gains on Treasury Bonds increase to LKR 3.4 Bn. during the first eight months of 2019 compared to LKR 1.8 Bn. reported during the corresponding period in 2018. This was due to the gradual downward movement in market interest rates during the period.

Profits after tax of the banking sector was LKR 74.8 Bn. for the first eight months of 2019 and LKR 125.9 Bn. for the year 2018. The decline in profits was due to subdued business activities, decreased lending, deterioration of assets quality, increased provisioning and increased taxes. Decrease in profits was reflected in profitability ratios, with Return on Assets (ROA) before tax dipping to 1.5% in August 2019 compared to 1.9% in August 2018. Similarly, Return on Equity (ROE) declined to 10.8% in August 2019 compared to 14.6% in August 2018.

Banking sector operated with adequate liquidity levels. By end June 2019, the banking sector operated with a common equity ratio of 13.3% and a total capital ratio of 16.5%, well above the Basel III requirements.

Strengthening the resilience of the banking sector

To improve system resilience, the Central Bank continued to strengthen the regulatory framework based on international regulations and best practices during 2019.

On 1 January 2019, the banking sector successfully completed the Basel III capital phase-in arrangement, to increase the minimum Capital Adequacy Ratio on a staggered basis. Continued measures were taken by the Central Bank to strengthen the payment and settlement infrastructure through modern technology. The Common Point-of-Sale Switch (CPS) commenced live operations in June 2019.

Measures were taken to improve efficiency of currency management and currency operations during the year, in particularly preserving the quality of currency notes in circulation through the clean note policy.

The Central Bank facilitated consistent adoption of Sri Lanka Financial Reporting Standard 9 on "Financial Instruments" (SLFRS 9) for the banking sector in Sri Lanka. To maintain integrity and quality

OPERATING ENVIRONMENT

of Financial Statements of licensed banks, eligibility criteria for the selection of auditors were strengthened in line with the changes in the banking sector landscape, changes in accounting and auditing professions, and introduction of Basel III requirements and SLFRS 9.

The regulatory and supervisory framework of licensed banks was strengthened by the new regulations introduced by the Central Bank. These covered areas such as appointment of expatriate officers for licensed banks in Sri Lanka, non-interest based incentive schemes for mobilising of interest bearing savings and time deposits and prudent market conduct and Treasury operations of licensed banks in line with international best practice.

Outlook

The resilience of the banking sector is expected to be maintained with the regulatory efforts to strengthen the capital and liquidity levels of banks, the expected improvements in risk management, information security and corporate governance and the stable macroeconomic fundamentals.

Capital levels of banks are expected to strengthen further due to enhanced capital requirements and other regulatory requirements which would improve the ability of the banking sector to absorb shocks arising from financial and economic stresses. The adoption of the Basel III Leverage Ratio and Sri Lanka Financial Reporting Standard 9 on Financial Instruments (SLFRS 9) would augment the capital level of banks to meet these regulatory requirements.

With the adoption of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) under the Basel III Liquidity Standards, the liquidity positions of banks are expected to be maintained at healthy levels. The credit growth of the banking sector is expected to pick-up gradually in the near-term, with the prevailing monetary policy direction and the Banking Act Directions issued to enhance credit flows to the economy.

The regulatory and supervisory framework pertaining to licensed banks will be strengthened in line with the Basel Core Principles on Effective Banking Supervision and other international and regional best practices. The new Banking Act would strengthen the legal and regulatory framework of licensed banks further.

The Central Bank of Sri Lanka is developing a new supervisory rating model [Bank Sustainability Rating Indicator (BSRI)] to facilitate the risk based supervision framework of licensed banks and to enable early intervention and prompt corrective actions for licensed banks.

Further, banks are prompted to upgrade and strengthen their information systems and related technological platforms to cater to information requirements and to address technology risk. A regulatory and supervisory framework will be introduced with

respect to information technology and security of banks, in line with international standards and best practices.

The setting up of a task force with the participation of relevant stakeholders to introduce an appropriate cost reflective benchmark interest rate for pricing loan products, will lead to healthy competition among banks, while supporting efficient transmission of monetary policy measures.

To promote digital payment mechanisms to establish a less-cash society and reduce cash management costs, a FinTech Regulatory Sandbox will be implemented to provide a safe space in a controlled environment for innovators without the risk of infringing on regulatory requirements.

IMPACT OF COVID-19 PANDEMIC ON THE ECONOMY

The global impact

The entire world is affected by the pandemic caused by the novel coronavirus also known as COVID-19. Since it was first identified in December 2019 in Wuhan, the capital of Hubei Province in China, the outbreak has continued to spread across the globe. The governments across the world have resorted to varying levels of public health measures, including social distancing practices, nationwide curfews, travel bans and, border closures to tackle the pandemic. These measures are having a huge impact on people's lives, families and communities whilst having significant consequences on national economies and global trade. For the first time since the Great Depression, International Monetary Fund (IMF) cites that both advanced economies and emerging market and developing economies are in recession.

April 2020 World Economic Outlook of the IMF projects global growth in 2020 to fall to -3.0%, which is a downgrade of 6.3% from January 2020; a major revision over a very short period. This makes the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis of 2008/09.

It is essential to have strong multilateral cooperation to overcome the effects of the pandemic, including measures to financially help constrained countries facing twin health and funding shocks, and for channelling aid to countries with weak health care systems. It is an urgent need for countries to work together to slow the spread of the virus and to develop a vaccine and therapies to counter the disease.

IMF projects, income per capita for over 170 countries to shrink. Both advanced economies and emerging market and developing economies are expected to recover partially in 2021. The COVID-19 pandemic is expected to severely impact growth across all regions.

Global growth projections

(Real GDP, annual percentage change)

	2019	2020 (Projection)	2021 (Projection)
World output	2.9	-3.0	5.8
Advances economies	1.7	-6.1	4.5
United States of America	2.3	-5.9	4.7
Euro area	1.2	-7.5	4.7
Japan	0.7	-5.2	3.0
China	6.1	1.2	9.2
India	4.2	1.9	7.4
Emerging markets and developing economies	3.7	-1.0	6.6

Source: IMF World Economic Outlook April 2020

Impact on the Sri Lankan economy

The potential impact from COVID-19 is unlike any other Sri Lanka has faced, and the economy is likely to face a contraction in 2020 due to many sectors being at a standstill.

Sri Lanka is largely dependent across several sectors on China to import raw materials. With the extended closure of China after the Chinese New Year to curb the spread of COVID-19, most Sri Lankan companies have seen their supply chains slowdown with switching countries not being a feasible option in most cases.

More deficit financing from the domestic market is expected, with higher spending and tighter global liquidity conditions. The requirement of the Government to provide support for public health services and financial support for households and businesses will add on to the spending pressures for the year.

The policy rates were reduced further bringing the SDFR and SLFR to 6.00% and 7.00% respectively. This was the second policy rate reduction post-COVID-19.

To promote a strong domestic agriculture sector and foster self-sufficiency, the Central Bank of Sri Lanka (CBSL) has limited all non-essential imports except medicine and fuel. Further, to ease the pressure to the Balance of Payments, all banks have been instructed to suspend facilitating importation of motor vehicles and certain non-essential goods while restricting the ability of banks to purchase Sri Lanka sovereign bonds. Foreign currency outflows in relation to any investments by local persons, outward remittances and repatriation of funds by emigrants for a period of three months has been suspended.

Foreign currency inflows will reduce with the significant decline in apparel exports and the tourism industry which has come to a standstill. Inward worker remittances will also decline as a result of the global economic slowdown. CBSL has lifted all restrictions to bring foreign exchange into the country for a period of three months.

Fitch Solutions forecasts Sri Lanka's real GDP to slow to 1.4% in 2020, compared to 3.5% previously, from 2.3% in 2019.

Impact on Sri Lanka's banking and finance sector

The decline in economic activity has threatened credit growth and the overall credit quality of Bank's portfolios.

CBSL has announced a range of policy measures to stimulate economic activity and support COVID-19 hit businesses and individuals. These include, a refinancing facility of LKR 50.0 Bn. for the banks, low interest working capital loans, moratoriums on loan repayments and several other concessions on personal loans.

Banks have been allowed a drawdown from their capital conservation buffers which is expected to increase the lending capacity of banks by LKR 400.0 Bn. Relaxation of certain NPL classification rules and deferring the requirement is expected to enhance the minimum capital.

The flat credit growth along with a low interest rate environment is expected to pressure the net interest margins of the sector. Banks who have made significant investment in digital banking are seeing their investment bear fruit. Social distancing has resulted in households using debit cards, internet banking and e-wallets.

MATERIALITY

An annual materiality assessment is conducted by us to determine the content of our review, with due consideration given to significant economic, environmental, and social impacts on our business and our stakeholders. The degree of materiality or importance a topic was assessed by its relevance to our Bank or our stakeholder and its significance. Its significance was as determined by the probability of occurrence and the magnitude of its impact.

The material topics are presented this year in relevance to our four strategic themes, encompassing all capitals for preparing this Report.

OUR APPROACH TO CREATE SHARED VALUE

At People's Bank, we focus on sustainable business by allocating our resources to deliver value to stakeholders just as much as we derive value from them. Our strategies and strategic imperatives are formulated based on the outcomes of our materiality analysis. All material topics are managed in alignment with our strategic priorities, with responsibilities assigned to the respective Business Unit Heads. We allocate resources based on the degree of risk and opportunities of the material topic. Our commitment to achieving our strategic objectives is reflected in measuring the performance of our employees and operations against a set of predefined Key Performance Indicators (KPIs).

The process of monitoring and review enables us to create value for our stakeholders while achieving our strategic objectives.

MATERIALITY ASSESSMENT PROCESS

Our material issues stem from the following aspects that guide us to prioritise the material topics to plan action:



▼ GRI 102-46, 102-47, 103-1, 103-2, 103-3

In defining report content, the Group sought to prioritise the material impacts based on their relative importance to internal and external stakeholders. This prioritisation and identification of material topics for reporting is shown below:

No.	Material GRI topic GRI 102-47	GRI standard No.	Reason for materiality GRI 103-1	Capital management/ strategic theme	Management approach GRI 103-2	Evaluation of the management approach GRI 103-3	Relevance to People's Bank	Materiality to stakeholders and topic boundary (GRI 102-46)					
								Internal	External				
								Employees	Customers	Shareholders	Suppliers	Community	Environment
1.	Financial performance	GRI 201	A strong financial performance strengthens the stability, resilience and growth capacity of the Bank whilst improving the brand equity			Grow the revenue from all business lines by leveraging on market opportunities whilst effectively managing costs to improve the bottom line. Manage risks strategically, reinforce capital position and strengthen Bank's balance sheet.	Financial Capital (page 63) Management Commentary – Performance of Business Units (pages 140 to 151) Risk Management Report (page 110)	✓	✓	✓	✓	✓	✓
2.	Customer experience		Delivering an exemplary customer experience enables to secure a captive market share and strengthen the sustainability of the Bank			Adopting a customer centric approach, offer tailor-made solutions to different customer segments to drive customer value.	Manufactured Capital (page 69) Intellectual Capital (page 73) Social and Relationship Capital – Customer (page 89)	✓	✓				
3.	Operational efficiency		Operational efficiency is essential to realise better outcomes for all stakeholders of the Bank			Enhance the efficiency of all key operations of the Bank to generate increased value for stakeholders.	Manufactured Capital (page 69) Intellectual Capital (page 73) Social and Relationship Capital Customer (page 89) and Supplier (page 96) Human Capital (Page 78) Natural Capital (Page 106)	✓	✓	✓	✓		
4.	Employee productivity		Improved employee productivity improves Bank's overall performance and achievement of its strategic objectives			Hone the skills and competencies of our employees through systematic investment in training and development, enhance motivation and nurture a highly engaged team of employees.	Human Capital (page 78)	✓	✓				

MATERIALITY

No.	Material GRI topic GRI 102-47	GRI standard No.	Reason for materiality GRI 103-1	Capital management/ strategic theme	Management approach GRI 103-2	Evaluation of the management approach GRI 103-3	Relevance to People's Bank	Materiality to stakeholders and topic boundary (GRI 102-46)					
								Internal		External			
								Employees	Customers	Shareholders	Suppliers	Community	Environment
5.	Digital leadership		Provides a competitive edge and enables to deliver exceptional customer outcomes resulting in enhanced brand equity and a strong market position	 	Transitioning into the most digitalised and technologically advanced Bank in the nation through continuous and ongoing investments in digital technology-driven platforms and deliver increased value to our economy and all our stakeholders.	Manufactured Capital (page 69) Intellectual Capital (page 73) Social and Relationship Capital-Customer (page 89)	✓		✓	✓			✓
6.	Risk and governance		Strengthens the integrity, trust and stability of the Bank		Adopt a proactive approach to risk management to address key risks in every area of operations and follow sound governance practices to further strengthen the sustainability of the Bank.	Risk management report (page 113) corporate governance report (page 153)	✓	✓	✓	✓	✓	✓	✓
7.	Compliance	GRI 416, 417, 418	Enhances the Bank's reputation leading to improved brand equity		Maintain a strong governance and oversight structure to ensure full compliance with all applicable laws and regulations.	Social and Relationship Capital – Customer (page 89)	✓	✓	✓	✓	✓	✓	✓
8.	Talent management	GRI 410, 402, 403, 404, 405	Nurture a team of highly-engaged, motivated and committed team of employees who will drive the performances of the Bank	 	Recruit, retain and develop a high performing team to meet the Bank's strategic objectives.	Human Capital (page 78)	✓	✓					
9.	Responsible lending		Contribute to a sustainable future by promoting best practices across the business activities	 	Promote financial inclusion in Sri Lanka and contribute towards uplifting the standard of living of communities.	Social and Relationship Capital - Customer (page 89)	✓		✓	✓		✓	✓
10.	Anti-corruption	GRI 205	Drive compliance and contribute towards an ethical society		Nurture a stringent anti-corruption culture within our Bank and support our people to be at their best, conduct themselves with integrity and adhere to highest standards.	Human Capital (page 78)	✓	✓	✓	✓	✓	✓	

No.	Material GRI topic GRI 102-47	GRI standard No.	Reason for materiality GRI 103-1	Capital management/ strategic theme	Management approach GRI 103-2	Evaluation of the management approach GRI 103-3	Relevance to People's Bank	Materiality to stakeholders and topic boundary (GRI 102-46)					
								Internal		External			
								Employees	Customers	Shareholders	Suppliers	Community	Environment
11.	Socio-economic impacts	GRI 202, 203, 413	Align the business operations to address national priority issues		Contribute towards reducing social inequalities across Sri Lanka by supporting the socio-economic progress of communities.	Social and Relationship Capital – Community (page 101)	✓	✓	✓	✓	✓	✓	
12.	Environmental impact of the business	GRI 302, 305, 306	Become Sri Lanka's first "Green Bank" and contribute towards a sustainable environment		Mitigate our overall environmental footprint by implementing effective energy and waste management measures across the Bank.	Natural Capital (page 106)	✓						✓
13.	Supplier value creation	GRI 204	Strengthen supply value creation by minimising the risk of business disruptions due to a breakdown in the supply chain		Nurture long-term relationships with our business partners and create shared value through compliance, transparency, adopting ethical business practices and timely payments.	Social and Relationship Management Capital – Supplier (page 96)	✓				✓		
14.	Brand equity		Achieve a competitive edge by strengthening the brand reputation which leads to increases market share		Strengthen our brand equity through digitalisation leadership, innovation, good governance, customer service excellence, effective customer relationship management, strong market presence, and stability.	Intellectual capital (page 73)	✓	✓	✓	✓	✓	✓	✓
15.	Channel management		Ensure a smooth and sustainable delivery channel to deliver an exceptional customer experience		Enhance the quality and efficiency of our delivery channels.	Social and Relationship Management Capital – Supplier (page 96)	✓		✓		✓		
16.	Customer access		Enhance customer satisfaction by improving customer convenience through multichannel access		Enhance customer experience by improving convenience and offering multiple channels of banking.	Social and Relationship Management Capital – Customer (page 89)	✓		✓			✓	

MATERIALITY

No.	Material GRI topic GRI 102-47	GRI standard No.	Reason for materiality GRI 103-1	Capital management/ strategic theme	Management approach GRI 103-2	Evaluation of the management approach GRI 103-3	Relevance to People's Bank	Materiality to stakeholders and topic boundary (GRI 102-46)					
								Internal		External			
								Employees	Customers	Shareholders	Suppliers	Community	Environment
17.	Training and development	GRI 404	Develop a high performing team of employees who are capable of delivering an outstanding stakeholder experience	 	Building industry-leading capability and enable our employees to flourish and grow by investing in training and development of our human resources.	Human Capital (page 78)	✓	✓		✓			
18.	Customer health and safety	GRI 416	Ensure a safe and healthy work environment that is secure, motivating and engaging	 	Minimise any adverse impacts to health and safety of our customers by designing products and services and buildings that are safe.	Social and Relationship Management Capital – Customer (page 89)	✓		✓		✓	✓	

RELEVANCE

- ✓ High: Considered a priority for action
- ✓ Moderate: Adequate action is required to control potential impacts
- ✓ Low: Adequate measures are already in place or the impact is beyond our control

MATERIALITY MATRIX

Importance to stakeholders	HIGH			1, 2, 3, 4, 5, 6, 7,15,16
	MODERATE		8, 9, 10,18	14,17
	LOW		11, 12, 13	
		LOW	MODERATE	HIGH
		Importance to organisation		

OUR STRATEGIC PLAN 2016-2020

In 2016, we unveiled our Strategic Plan 2016-2020 which would enable us to fulfil our vision for 2020. This Plan has four strategic pillars which are vital in making People's Bank, Sri Lanka's undisputed market leader in the financial services industry. The Plan also is focused on transitioning into the most digitalised and technologically advanced bank in the nation. The digitisation vision for People's Bank articulates the revolutionary journey into the digitised space, pushing boundaries and opening windows of opportunity that have showcased impressive results since embedding it into the Bank's strategic journey in 2015.

Digitisation process goes beyond meeting of a target but to one that infuses the benefits of digitisation to our customer base of over 10 million, spanning diverse social and economic strata. The contemporary conveniences we continue to introduce to our stakeholders while also reducing our carbon footprint and levels of energy consumption through digitisation is resultant of this technology drive.

For each of the pillars, Key Performance Indicators (KPIs) have been designed and set target values to be achieved by 2020. In this section, we give an update of the activities that we performed on each of the pillars and how we progressed on our objectives.

Delivering innovative market-leading client experiences

As the Bank of the people, we at People's Bank are constantly looking at avenues to reach customers and address their banking needs. We believe in financial inclusion and in making banking accessible to all citizens of the country. To this end we will develop digital products that offer unparalleled efficiency and service standards that deliver an exceptional user experience to customers.

Maintaining a steady growth momentum and building resilience

We play a pivotal role in the economic development of Sri Lanka, by continuing to be an economic driver and spearhead financial inclusivity by providing a wider segment of the population with access to high quality banking facilities and services. This includes managing the balance sheet and strengthening our capital base to support business growth.

Being operationally excellent in everything we do

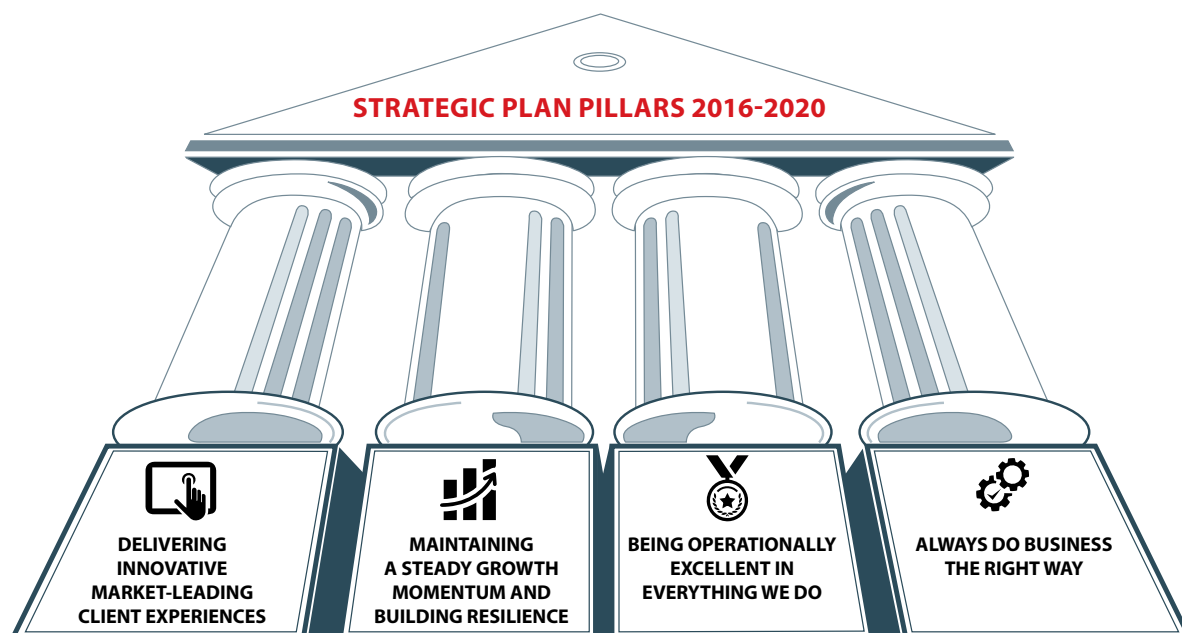
Create a more customer-centric and goal-orientated culture and implement a new culture of efficiency and service standards to deliver an exceptional user experience.

Always do business the right way

Give priority to corporate governance and ethics including transparency and accountability. Implement stringent audit and compliance processes to strengthen the risk management and governance structure of the Bank.

The progress of the Strategic Plan

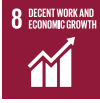
The progress of our strategic vision to be recognised as Sri Lanka's undisputed market leader for financial services is reflected in our 8,000 strong team driving the Bank towards its objective of market leadership. Our 10+ million customer base has made it possible to achieve over LKR 1 Tn. deposit base, which speaks of the solid financial foundation the Bank has created. Governance and best practices remain top on the Bank's agenda, which is reflected through its AA+(lka) Fitch Rating. People's Bank has been recognised as one of the three most valuable brands by Brand Finance, resulting in a 29% growth in brand value to LKR 45.5 Bn. in 2019, and brand rating uplifted from AA to AA+.



CONTRIBUTION TO SDGs

The following section covers the progress made in implementing the strategic priorities to achieve the Bank's vision. We have identified relevant strategic priorities for each of the four strategic pillars to deliver value to our stakeholders. The Bank is also conscious of the responsibility of contributing towards the

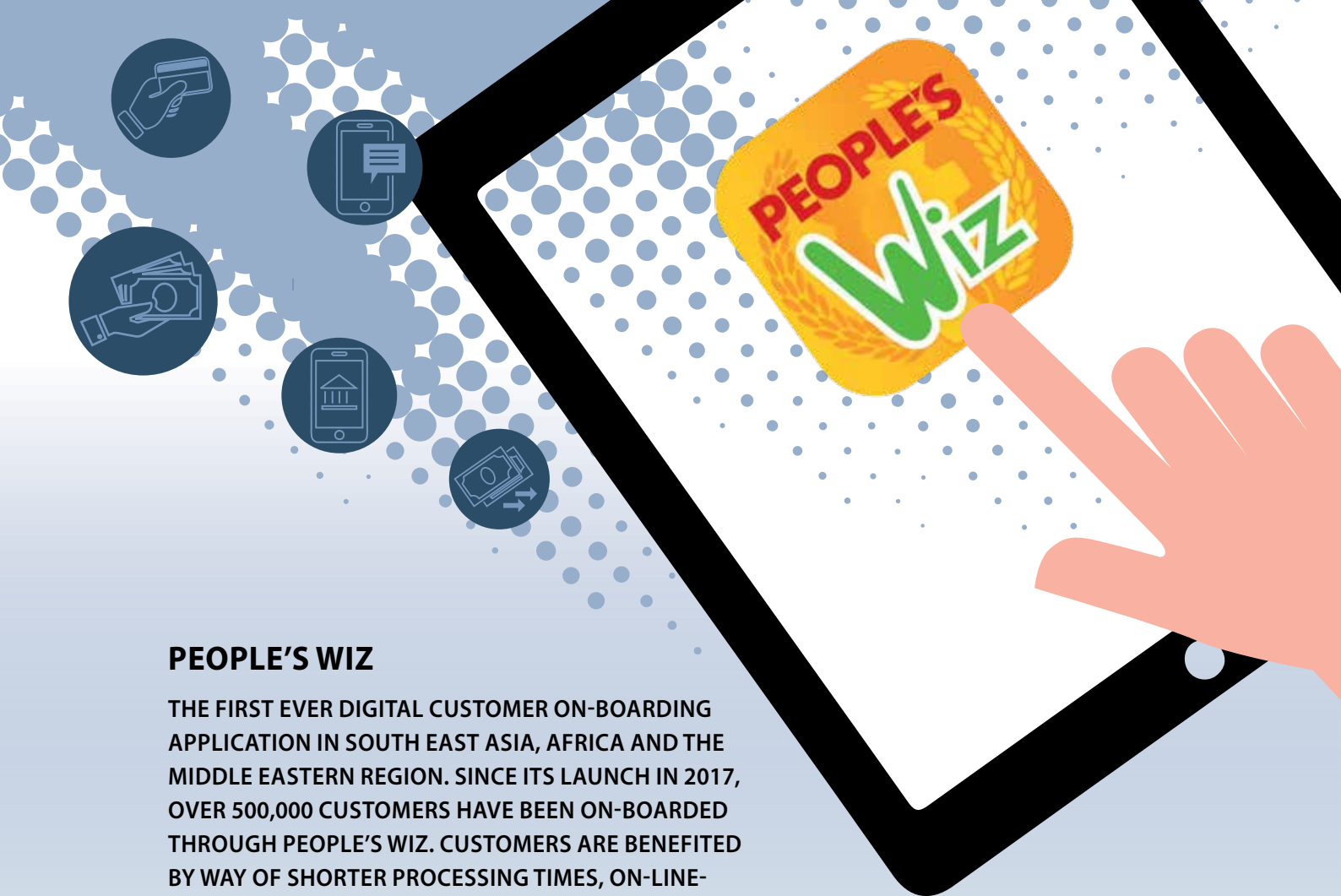
Sustainable Development Goals whilst executing its strategic priorities. The strategies also maintain a close interaction between the six capitals – financial, manufactured, human, intellectual, natural, and social and relationship capital, which facilitate the value creation process of the Bank.

Strategic pillar	Material topics, capitals and SDGs	2019 strategic priorities	2019 progress	Future priorities
 GRI 201	Material topics - Customer experience - Digital leadership - Brand equity - Customer access SDGs      Capitals Manufactured capital Human capital Intellectual capital	- Understand customer needs and provide value added and cost effective banking solutions - Enhance customer experience - Provide state-of-the-art technology to customers - Build enduring relationships with customer	- Successfully launched Corporate Internet Banking (CIB) and Corporate Mobile Banking (CMB) systems to enhance customer experience - Kiosk machines were installed in SBUs to facilitate bill payments, partial payment of pawn instalments and redeem pawned articles - Launched the Retail Loan Originating System (RLOS) to process personal loans at a shorter time, on a digital application - Continuous training was given to staff on customer service standards - Customer focused initiatives were launched by corporate banking and commercial credit departments to attract potential customers 1,216 digital channels were made available to customers using latest banking technology to conduct all banking transactions with ease - Empowered Sri Lanka's micro and SME sectors and supported the Government's economic development agenda through the "Enterprise Sri Lanka" programme.	- Continue to deliver an outstanding and differentiated banking experience for our customers, by building on our digital network leadership position - Invest in digital channels to establish differentiated and market leading banking services - Establish SBUs island-wide. - Continue to nurture a customer-centric culture - Promote financial inclusion by engaging in microfinance lending and improving the capacity of rural SMEs

Strategic pillar	Material topics, capitals and SDGs	2019 strategic priorities	2019 progress	Future priorities
  GRI 410, 402, 403, 404, 405	Material topics Financial performance	- Deliver a strong financial performance - Strengthen risk and governance - Increase cost efficiency - Strengthen the capital base	- Despite the slowdown in the economy, the Bank recorded a profit after tax of LKR 12.9 Bn. for the year ended 2019. - Total asset base increased to LKR 1.9 Tn. and gross loans and advances reached LKR 1.4 Tn. whilst the deposit base swelled to LKR 1.5 Tn. as at 31 December 2019. - The stability of the Bank was strengthened further through a debenture issue which enhanced the Tier II Capital of the Bank by LKR 5.6 Bn.	- Maintain a steady growth momentum - Build resilience by strengthening the risk and corporate governance structures - Achieve cost efficiencies by reducing net operating costs through digitalisation - Remain well capitalised and liquid
	SDGs  Capitals Financial capital Intellectual capital			
	Material topics - Operational efficiency - Employee productivity - Talent management - Channel management - Training and development	- Increase operational efficiency - Digital leadership - Increase employee productivity - Effective talent management - Strong risk and governance mechanism - Be in the forefront of product innovation, process development and digitalisation of banking services - Continuous process improvement - Green banking - Invest in employee development - Foster a culture of learning and development	- Enhanced the service culture and branch ambiance - LKR 104 Mn. was invested in training to enhance staff capacity - Continuous focus on expanding service quality through efficiency, innovation and technological advancement - Streamlined processes - Cash deposit machines were installed in schools facilitating schoolchildren to deposit both coins and notes	- Introduce better and bolder banking technologies to customers - Train staff to improve audit standards and internal controls environment - Promote Green banking by establishing SBUs island-wide
	SDGs    Capitals Natural capital Human capital Intellectual capital			

CONTRIBUTION TO SDGs

Strategic pillar	Material topics, capitals and SDGs	2019 strategic priorities	2019 progress	Future priorities
 GRI 416, 417, 418 GRI 205 GRI 202, 203, 413 GRI 302, 305, 306 GRI 204 GRI 416	Material topics • Risk and governance • Compliance • Responsible lending • Anti-corruption • Socio-economic impacts • Environmental impact of the business • Supplier value creation • Customer health and safety SDGs  Capitals Social and relationship capital Natural capital Human capital Intellectual capital	• Support the standards set out by the ECD, and the International Labour Organization • Support the 10 principles outlined under the UN Global Compact and the United Nations Sustainability Development Goals (UNSDG) • Board approved policies for every operational aspect	• Implemented the Green banking concept as a part of the Bank's sustainability commitment • Complied with the UN Sustainability Goals • Complied with BASEL III and IFRS 9 regulations • A whistle-blower policy is in place, which is a critical element of the internal control system and corporate governance framework of the Bank • An effective Integrated Risk Management Framework • Code of Ethics for all employees to follow • Terms of Reference for Board subcommittees • Following anti-corruption practices	• Continue to support the UNSDG and the relevant standards • Implement Board approved policies for every operational aspect • Maintain a strong compliance culture • Promote culture ethics and integrity



PEOPLE'S WIZ

THE FIRST EVER DIGITAL CUSTOMER ON-BOARDING APPLICATION IN SOUTH EAST ASIA, AFRICA AND THE MIDDLE EASTERN REGION. SINCE ITS LAUNCH IN 2017, OVER 500,000 CUSTOMERS HAVE BEEN ON-BOARDED THROUGH PEOPLE'S WIZ. CUSTOMERS ARE BENEFITED BY WAY OF SHORTER PROCESSING TIMES, ON-LINE-REAL-TIME DEBIT CARD ACTIVATION, INTERNET BANKING ACCESS, MOBILE BANKING, SMS ALERTS, AND MONEY DEPOSIT SERVICES.

Value Creation and Capital Formation

- 60 Stakeholder Engagement
- 63 Financial Capital
- 69 Manufactured Capital
- 73 Intellectual Capital
- 78 Human Capital
- 89 Social and Relationship Capital
- 106 Natural Capital

STAKEHOLDER ENGAGEMENT

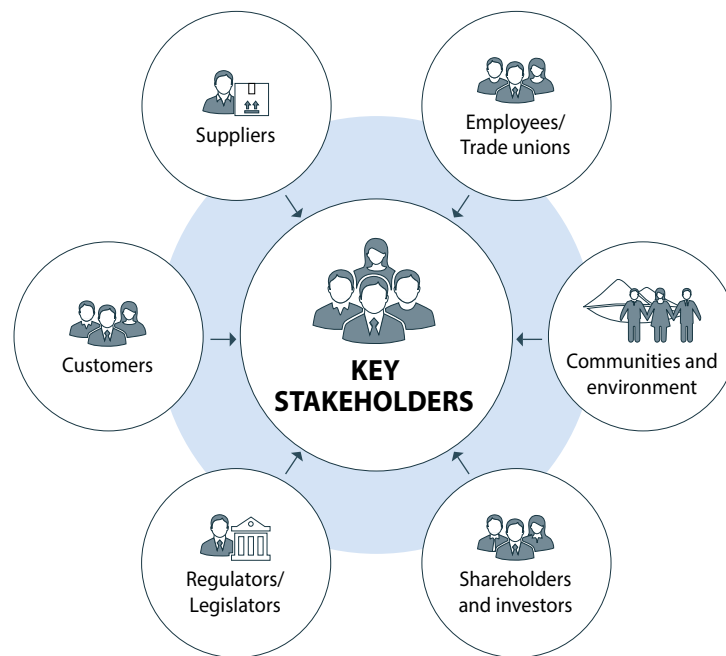
▼ GRI 102-40, 102-42, 102-43, 102-44

STAKEHOLDER ENGAGEMENT

Stakeholders provide us with essential resources that enable us to generate competitive sustainable value in the short, medium, and long-term. We are able to understand their viewpoints and their expectations and needs by engaging with these stakeholders. The feedback received from them is necessary for us to identify potential areas for improvement and opportunities for differentiation and develop effective strategies for value creation.

KEY STAKEHOLDERS

We have identified our key stakeholders based on the level of engagement, their impact on our business and involvement in the decision-making process.



The table below identifies our key stakeholders and how we engage with them:

	Shareholders and investors		Customers		Employees/Trade unions	
Why they matter to us	It is vital to have continued access to capital for the long-term performance of our business.		Creating a customer-centric culture is critical to the success of our business. We collaborate and innovate with our customers to enhance product performance and value.		By delivering to the expectations of our people, we support their well-being and enable them to make the right business decisions. This helps us to retain and develop the best talent.	
Key concerns/expectations	• Consistent economic performance • Ethical conduct, environmental, and social • Governance • Sustainable growth • Transparent corporate communications		• Research and innovation • Quality of service • Relationship • Compliance • Affordably of services • Convenience and accessibility		• Transparent, fair, and attractive remuneration • Employee development • Employee engagement • Talent pipeline and retention • Career opportunities • Diversity and inclusion	
Channels of engagement and frequency	Frequency	Mode of engagement	Frequency	Mode of engagement	Frequency	Mode of engagement
	Annually	Annual General Meeting	Ongoing	Customer satisfaction surveys	Annually	Performance appraisal
	Annually	Annual report	Ongoing	Customer networking	Ongoing	Collective bargaining
	Quarterly	Quarterly financial statements	Ongoing	Corporate website	Ongoing	Multi-level staff meetings
	Continuous	Corporate website	Ongoing	Relationship management	Ongoing	Staff orientation
	Ongoing	Phone calls, email, written communication	Ongoing	Financial literacy programmes	Ongoing	Training programmes
			Ongoing	Customer hotline	Ongoing	Group intranet, email
			Annually	Annual report	Quarterly	Pulse magazine
			Quarterly	Quarterly financial statements	Annually	Annual report
			Ongoing	Phone calls, email, written communication	Continuous	Corporate website
					Ongoing	Phone calls, e-mail, written communication
Our strategic response	We maintain transparent and ongoing communication with our shareholders with balanced updates on performance, emerging risks and opportunities and outlook. We aim to deliver robust returns and long-term sustainable value as well.		We provide solutions for customers through cutting edge products with speed and convenience to our customers through our 239 Self-Banking Units and digital channels; most extensive in the nation. Our customer care hotline is accessible 24/7.		Employee engagement is critical to our success. We work to create a diverse and inclusive workplace where every employee can reach their full potential and be at their best.	

STAKEHOLDER ENGAGEMENT

	Regulators/Legislators		Suppliers		Communities and environment	
Why they matter to us	We engage with regulators and legislators to ensure ethical operations, enable markets, and achieve sustainability.		Our external supply chain and our suppliers are vital to our performance.		We are committed to building positive relationships with the communities in which we operate and safeguarding the environment.	
Key concerns/expectations	• Governance and transparency • Risk management • Industry support for policies • Microfinance and SME development • Research and innovation • Sustainability performance • Regulatory compliance		• Maintaining strong relationships • Building capability and expertise • Responsible procurement, trust, and ethics • Operational improvement • Technological advances, including digital solutions • Quality of service		• Future talent pipeline • Local operational impact • Health, safety, and environment performance • Responsible financing • Commitment to community development	
Channels of engagement and frequency	Frequency	Mode of engagement	Frequency	Mode of engagement	Frequency	Mode of engagement
	Weekly	Regulatory reporting	Ongoing	Supplier surveys	Ongoing	Press releases, media briefings
	Monthly					
	Quarterly					
	Annually					
	Ongoing	On-site surveillance	Ongoing	Supplier relationships	Ongoing	Corporate website
	Ongoing	Industry forums and meetings	Ongoing	On-site meetings and visits	Ongoing	Public events
	Ongoing	Press releases	Annually	Annual Report	Annually	Annual report
	Annually	Annual report	Quarterly	Quarterly financial statements	Quarterly	Quarterly financial statements
	Quarterly	Quarterly financial statements	Continuous	Corporate website	Continuous	Corporate website
	Continuous	Corporate website	Ongoing	Phone calls, e-mail, written communication	Ongoing	Phone calls, email, written communication
	Ongoing	Phone calls, email, written communication				
Our strategic response	We maintain good working relationships with government authorities through ongoing dialogue and timely submission of relevant information and reports.		We engage with them to build trusting relationships from which we can mutually benefit and to ensure they are performing to our standards and conducting business to our expectations.		We support communities and groups local and relevant to our operations, particularly educational outreach.	

FINANCIAL CAPITAL



Financial capital which includes debt and equity finance is most critical to our business. We achieve sustainable growth and maintain our standing in the local banking industry by leveraging our financial capital. Increasing the value of financial capital enables us to deliver increased value to our stakeholders. Value of financial capital is increased by increasing our profit generation, managing costs and raising equity and debt.

HIGHLIGHTS



Consolidated gross income reached **LKR 235.5 Bn.**



Consolidated profit before tax recorded at **LKR 25.7 Bn.**



6.3% increase in consolidated customer deposits



Gross non-performing loan ratio maintained at **3.7%**



Consolidated gross loans and advances increased by **3.4%**



LKR 25.1 Bn.
Total value created for the Government

INCOME STATEMENT ANALYSIS

Gross income

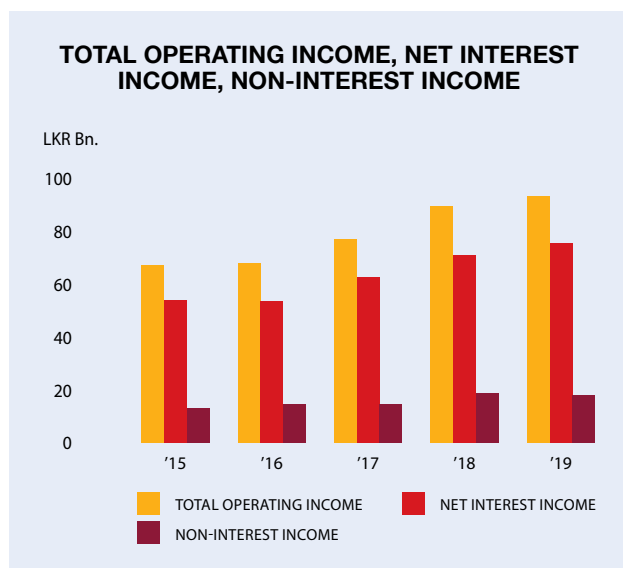
Consolidated gross income of Peoples' Bank reached LKR 235.5 Bn. in 2019, recording an year on year (YoY) increase of 9.7%. Interest income, fee and commission income and other non-funded income were the main contributors to the increase in gross income.

Total operating income

LKR Bn.	2019	2018	2017	2016	2015
Total operating income	93.8	89.8	77.5	68.4	67.6
– Net interest income	75.9	71.2	62.7	53.6	54.3
– Non-interest income	17.9	18.7	14.8	14.8	13.3
NIM – %	2019	2018	2017	2016	2015
– Consolidated	3.8	4.0	4.0	3.9	4.5
– Bank	3.2	3.5	3.5	3.5	4.0

Consolidated total operating income reached LKR 93.8 Bn. in 2019 recording a YoY growth of 4.4%, compared to LKR 89.8 Bn. recorded in 2018. The Bank's operating income accounted for 75.8% of Group operating income.

FINANCIAL CAPITAL



Net interest income

Net interest income which represents core operations of the Group, accounted for approximately 81.0% of total operating income. Net interest income grew by 6.7% YoY to LKR 75.9 Bn. in 2019, compared LKR 71.2 Bn. in 2018. Given below is an analysis of the constituents of net interest income.

Interest income

Interest income swelled by 11.1% to LKR 217.2 Bn. in the year under review. This was largely driven by the 38.6% increase in Government Securities measured at amortised cost and a 3.1% growth in net customer advances.

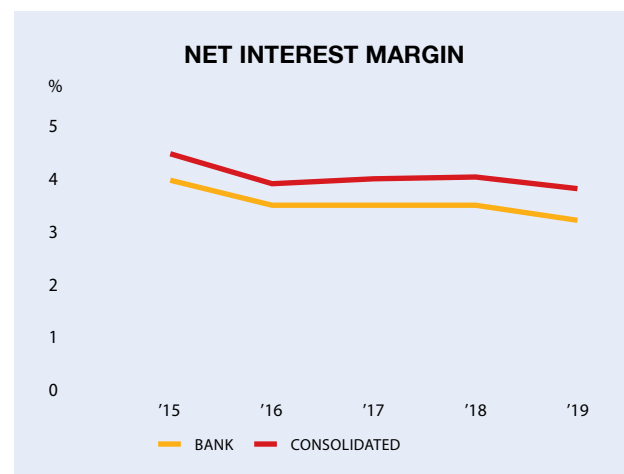
Customer advances accounted for 82% of total interest income, whilst other investments comprising Government Securities accounted for the balance.

Interest expenses

Interest expenses grew by 13.5% primarily due to the larger volumes of high-cost term deposits mobilised during 2019. Over 90% of the Group's term deposits have a maturity profile of less than one year. Deposit related expenses accounted for approximately 88% of total interest expenses, of which more than 70% accounted for term deposits. During 2019, the Group successfully mobilised LKR 93.6 Bn. new deposits on a net basis, of which Fixed deposits accounted for LKR 64.4 Bn.

The Group's net interest margin reduced to 3.8% in 2019 from 4.0% in 2018 due to the decreasing trend in advance rates. At Bank level, interest margin decreased to 3.2% in 2019 from 3.5% in 2018. This is mainly due to monetary policy measures imposed to reduce

interest rates in Q3 of 2019 and moderation of the loan book due to the sluggish economic environment.



Non-interest income

Non-interest income comprises fee and commission income, trading income and other operating income. This remains a key area of focus for further improvement across the Bank and Group.

The Group's net non-interest income decreased by 4.4% from LKR 18.7 Bn. in 2018 to LKR 17.9 Bn. in 2019. Of this, net fee and commission income, which accounted for more than one third of net non-interest income, increased by 9.6% to LKR 8.2 Bn. compared to LKR 7.4 Bn. in 2018. The growth was due to a combination of factors, including, improvement in internal processes resulting in the refinement of deposit related fees across both current and non-current deposits, high trade finance volumes, increased usage of Bank's ATMs and increasing popularity of self-banking channels during 2019.

Net gains, which accounted for 15% of total non-interest income, decreased by 40% to LKR 2.7 Bn. in 2019 from LKR 4.4 Bn. the previous financial year.

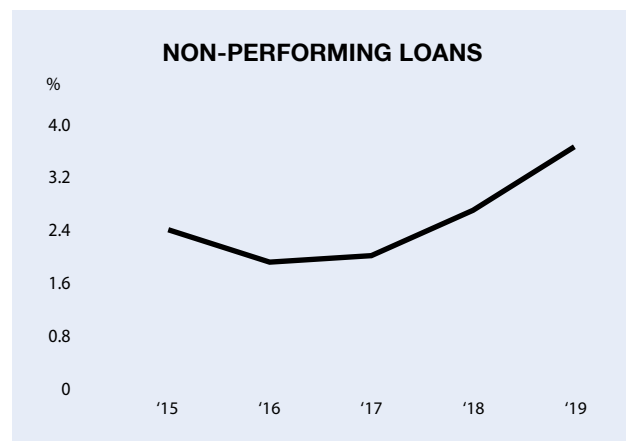
Other operating income increased by 3.7% to LKR 7.0 Bn. in 2019 from to LKR 6.8 Bn. in 2018. Other operating income consists of net earned premiums across the Group's insurance business and bad debt recoveries.

Impairment charges

Impairment charges increased by 117.8% YoY to LKR 9.0 Bn. in 2019 compared to LKR 4.1 Bn. in the previous financial year. The impairment charge in 2019 was relatively high due to the impact of adverse economic conditions that prevailed during the year and increasing non-performing advances.

At a bank level, asset quality measured by gross non-performing loans to total loans remained at 3.3% in 2019, and at Group level it increased to 3.7% from 2.7% recorded in 2018.

The provisioning policy of both at Bank and Group levels continued to be conservative, enabling coverage levels of 60.0% and 62.0%, respectively to be maintained at the end of the financial year 2019.



Cost management

Total operating costs increased by 5.5% to LKR 47.6 Bn. in 2019 from LKR 45.1 Bn. in 2018.

Personnel costs

Personnel costs which accounted for approximately 50% of total operating costs was maintained at the same level as 2018.

Other operating cost

Other operating costs increased by 11.4% to LKR 23.6 Bn. during the year under review from LKR 21.3 Bn. in 2018. Approximately, one third of the increase was attributable to the depreciation/amortisation, IT system maintenance and marketing and promotional costs associated with the ongoing roll out of self-banking units across the country.

Accordingly, Group's cost to income ratio increased to 63.1% from 60.7% in 2018. At Bank level, cost to income ratio increased to 64.2% in 2019 from 61.3% in 2018.

Value added tax, NBT and DRL

The above taxes increased by 21.9% to LKR 11.5 Bn. in 2019 from LKR 9.4 Bn. in 2018.

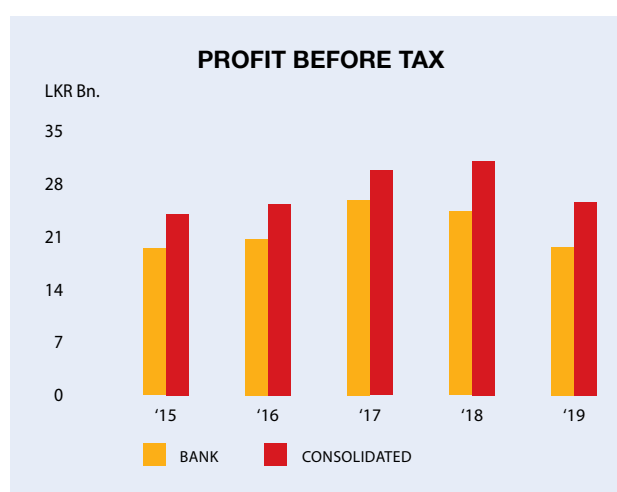
Profitability

The Group's pre-tax profit decrease by 17.7% YoY from LKR 31.2 Bn. in 2018 to LKR 25.7 Bn. in 2019.

Meanwhile the Group's return on equity (ROE) dipped to 12.8% compared to 18.7% in 2018. At Bank level, this ratio was 13.9% in 2019 compared to 20.3% in the previous year.

Return on assets (ROA) as measured by pre-tax profits over average assets was maintained at 1.3% in 2019.

Profit after tax decreased by 24.7% to LKR 16.2 Bn. compared to LKR 21.4 Bn. in 2018.



BALANCE SHEET ANALYSIS

Deposit growth

LKR Bn.	2019	2018	2017	2016	2015
CASA	571	543	525	484	432
Term deposits	1,007	943	771	633	497
Others	11	10	9	3	4
Total	1,589	1,495	1,306	1,120	933
CASA %	35.9	36.3	40.2	43.2	46.3
Currency					
Local	91.8%	93.4%	90.6%	88.7%	89.0%
Foreign	8.2%	6.6%	9.4%	11.3%	11.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

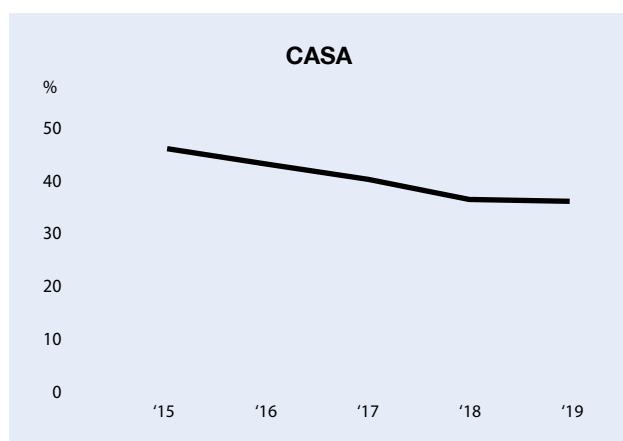
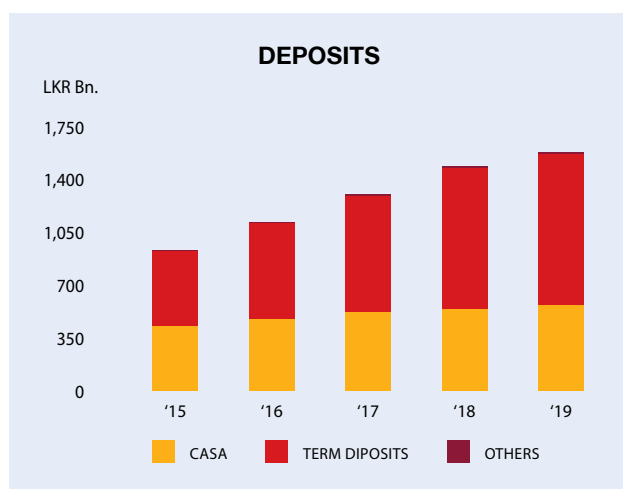
FINANCIAL CAPITAL

The Group's customer deposits increased by 6.3% to LKR 1,588.9 Bn. as at end 2019 from LKR 1,495.3 Bn. at end 2018.

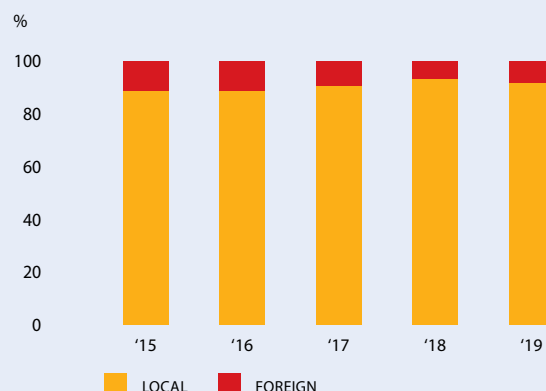
Deposits which account for approximately 78% of total Bank/ Group funding, reflects the strong deposit base which is supported by the industry's largest network spread across the country.

Meanwhile, CASA dropped to 35.9% in 2019 from 36.3% in 2018, prompting the Bank to implement measures to improve its CASA ratio in the upcoming year.

Local currency deposits accounted for 91.8% of total deposits and foreign currency deposits improved to 8.2% of total deposits.



TOTAL DEPOSITS - BY CURRENCY



Customer advances growth

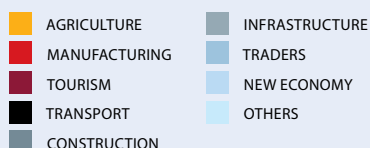
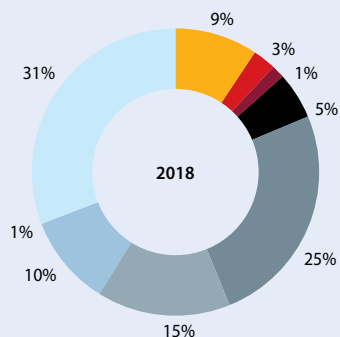
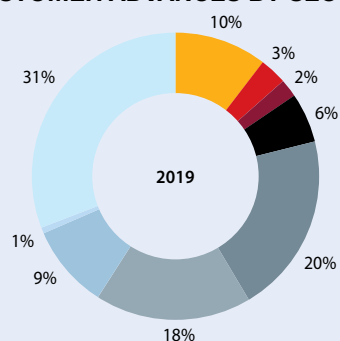
LKR Bn.	2019	2018	2017	2016	2015
Total advances (gross)	1,541	1,490	1,209	1,076	933
By type					
Overdrafts	145	126	116	58	86
Trade finance	234	281	141	177	191
Pawning	163	150	137	114	104
Term loans	877	808	700	618	453
Lease rental receivable	88	95	89	84	79
Others	34	30	26	24	20
Total	1,541	1,490	1,209	1,076	933
By sector					
Agriculture	160	139	125	119	106
Manufacturing	47	39	31	21	14
Tourism	31	22	15	7	4
Transport	86	78	58	26	15
Construction	314	375	331	278	210
Infrastructure	271	224	94	147	199
Traders	145	152	108	110	102
New economy	12	10	10	10	–
Others	475	450	438	357	282
Total	1,541	1,490	1,209	1,076	933

Gross loans grew by a controlled 3.4% to LKR 1,541 Bn. in 2019 compared to LKR 1,489.9 Bn. in the previous financial year. Much of the loan growth stemmed from credit extended to the State/State-owned Enterprises.

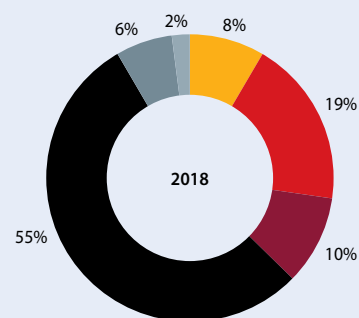
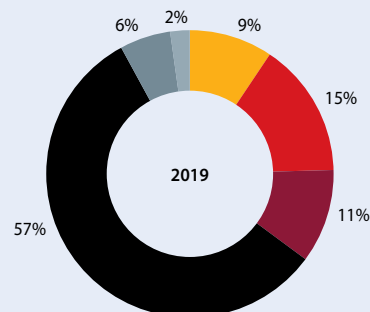
The sector wise exposures were diverse with construction accounting for 20.4% of the total customer advances in 2019. Meanwhile approximately, two thirds of construction exposures were housing loans backed by property mortgages.

Despite challenging market conditions, gross non-performing loan ratio was maintained at 3.7% which was below the industry average. In 2019 Bank's non-performing ratio was 3.3%.

CUSTOMER ADVANCES BY SECTOR



CUSTOMER ADVANCES BY TYPE



Regulatory capital

Total Shareholders' Equity increased by 5.3% to LKR 130.0 Bn. in 2019 compared to LKR 123.5 Bn. in 2018.

Key performance measures

- Basel III Tier I and Total Capital Adequacy Levels were maintained well above the regulatory requirements at 11.6% and 14.9% respectively as at 31 December 2019. At end 2018, Tier I and Total Capital Adequacy Levels were 11.7% and 14.5% respectively. At Bank level, Tier I and Total Capital Adequacy Levels were 10.7% and 14.7%, respectively, whilst year end 2018 Tier I and Total Capital Adequacy Levels were 11.0% and 14.5% respectively.

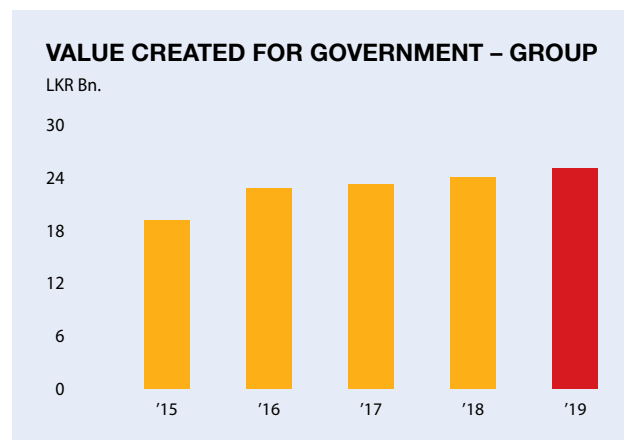
FINANCIAL CAPITAL

- Other Basel III measures
 - (a) Liquidity coverage ratio, measured by total High Quality Liquid Assets over 30 days Net Cash Outflow, was consistently maintained above the minimum requirement of 100% and reported as both rupee and all currency was 160.9% and 132.2% respectively.
 - (b) Leverage ratio, measured by Tier I over total gross exposures, was 4.0% as at 31 December 2019, reflecting the extent of controlled asset growth during the year. Minimum requirement was 3.0% from 1 January 2019 onwards.

Shareholder value creation

The Bank is a significant contributor to the Government revenue through the payment of direct and indirect taxes, dividends and special levies. Over the past 10 years, the Group has created value exceeding LKR 180 bn. to the Government.

During the year, the total value created for the Government, amounted to LKR 25.1 Bn. compared to LKR 24.1 Bn. in 2018. Of this, over 78% of the value was generated by the Bank.



MANUFACTURED CAPITAL



The Bank's manufactured capital consists of the physical assets that enable us to create value for our stakeholders. This includes our branch network, vehicles, IT equipment, and furniture as well as our digital infrastructure. The efficient use of manufactured capital enables us to be responsive to customer requirements and effective delivery of our products and services to customers. Particularly, digital infrastructure enables to reduce resource use, allowing our human resources to engage in activities that would enhance their knowledge and skills for credit analysis, advisory services and the like.

HIGHLIGHTS



Opened **first ever innovation centre** in Sri Lanka's banking sector



LKR 203 Mn. investment in Automated Teller Machines (ATMs)



LKR 2.6 Bn. investment in physical infrastructure



239 self-banking units across the nation



33.7% increase in investment in IT systems



Recognised as **"The Best Common ATM Acquirer of the Year"**

MANAGING OUR MANUFACTURED CAPITAL

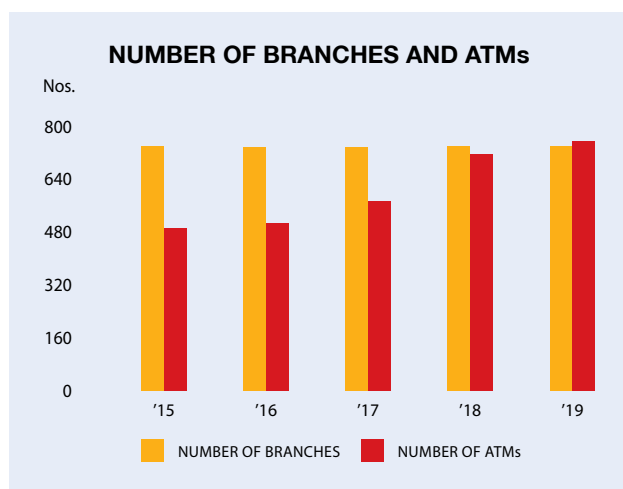
Investment in manufactured capital is a continuous and ongoing process to safeguard our ability to achieve our strategic vision "to be recognised as Sri Lanka's undisputed leader in financial services". Therefore, a conscious thought process goes into all investments in manufactured capital, to create a unique technologically superior asset base that also reflects our commitment to be a responsible corporate steward.

To offer an inclusive and convenient service to customers across the island, we continually invest in developing a high-quality asset base that provides a distinctive competitive advantage to our long-term growth prospects. We upgrade and maintain all our physical assets at optimum levels to ensure smooth operations, eliminate downtime and drive stakeholder value.

MANUFACTURED CAPITAL STATISTICS

	2019	2018	2017	2016	2015
Number of branches	739	738	737	737	740
Number of ATMs	755	716	572	506	492
Investment in branch development (LKR Mn.)	1,378	1,391	1,091	1,176	1,128
Investment in ATMs (LKR Mn.)	203	299	396	21	3
Investment in IT systems (LKR Mn.)	430	322	987	397	692

MANUFACTURED CAPITAL



CAPITAL LINKAGES AND TRADE-OFFS

	- Increased revenue and profit before tax - Operational efficiencies through cost reduction
	- Capacity expansions resulting in additional jobs - Staff training on new/improved technology and processes
	- Increased visibility of brand through SBUs and Green banking concept - More efficient processes through advanced technology
	- Paperless banking through digital channels - Establishment of green branches
	- Strong customer relationships - Enhanced customer service levels through digitalisation

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)

	Ensuring a safe and conducive workplace for our employees
	Advancing operational priorities through innovation, digitalisation and system improvements driven by sustainability.
	154 SBUs were placed outside the Western Province to provide world-class banking solutions to all segments of the society.
	Supported environmental sustainability by promoting paperless banking through our digital banking channels and implemented and automated the procurement function for efficient resource utilisation.
	Supported environmental sustainability by promoting paperless banking through our digital banking channels.

OUR CUSTOMER TOUCHPOINTS

We believe in financial inclusion and in making banking accessible to all citizens of the country. Our 17.7 million account relationships are served through the largest network of 739 branches connected to 755 ATMs across the island. A total of 348 branches were digitally enabled as of 31 December 2019.

As a State-owned bank, we have been on the vanguard of facilitating digital-financial services penetration into the rural hinterlands of the country and has recorded unmatched levels of success in supporting the nation's evolution into a digital society. Our ever expanding digital footprint includes, 239 self-banking units and 1,247 self-service automated machines offering real time access 24/7 and 365 days. In the financial year under review, we established 28 self-service kiosks, 39 ATMs, and 32 CDMs in several strategic locations island-wide. Our commitment towards environmental sustainability is reflected in our "People's Green Pulse" environmental sustainability policy.

In recognition of our efforts of directly facilitating the Bank and financial inclusivity to every individual across the nation, we were adjudged the "Bank of the Year for Financial Inclusivity" and "The Best Common ATM Acquirer of the Year" at the LankaPay Technnovation Awards 2019.

OUR CUSTOMER TOUCHPOINTS



739 branches, in every province



755 ATMs



270 CDMs

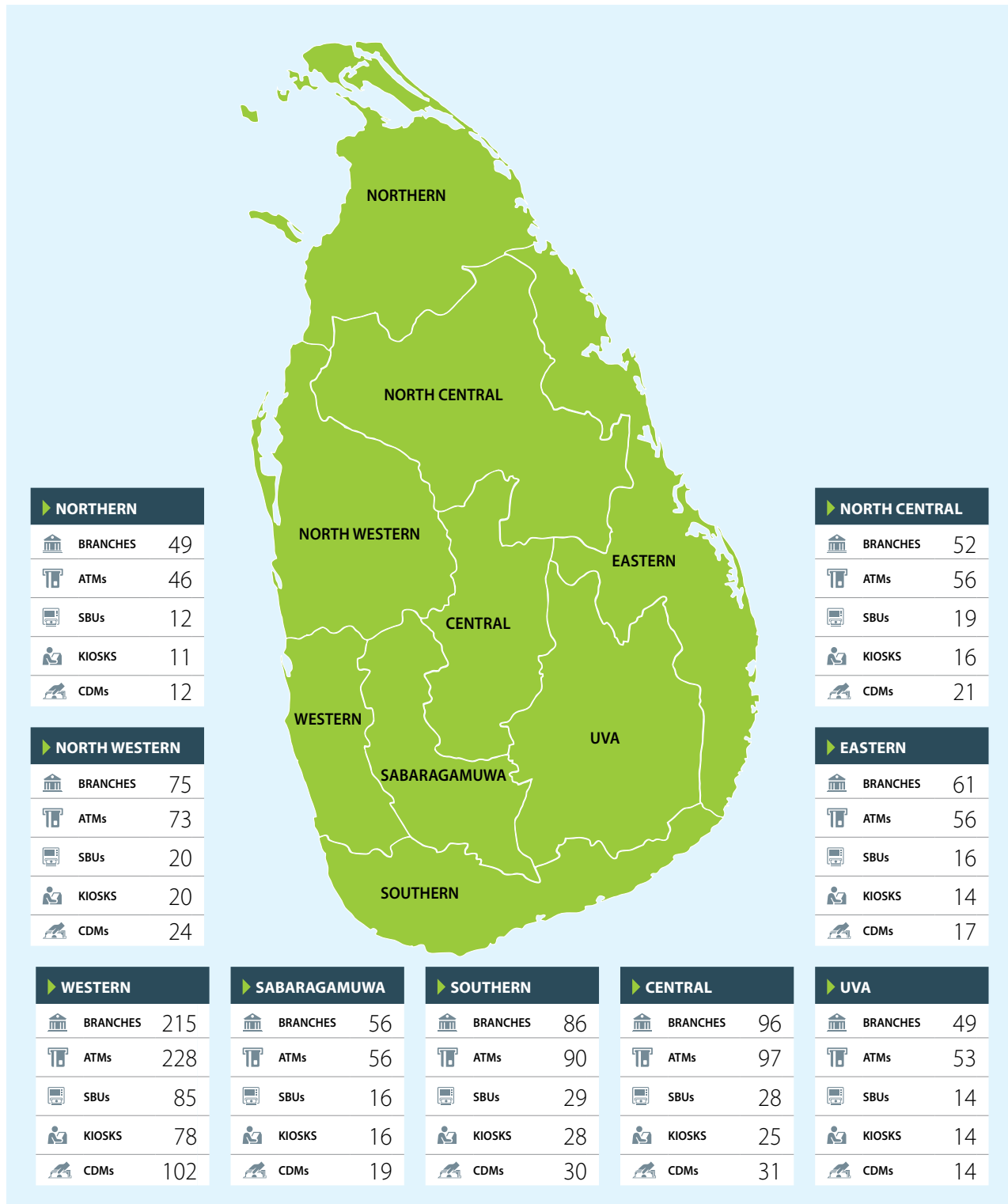


239 Self-banking units



222 kiosks

▼ GRI 102-4, 102-6

GEOGRAPHICAL DISPERSION OF OUR NETWORK

MANUFACTURED CAPITAL

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

Our physical infrastructure was strengthened by investing LKR 2.6 Bn. to acquire property, plant and equipment in 2019. This includes freehold land, buildings, motor vehicles, furniture, machinery and equipment, and computers that supports the value creation process of our Bank.

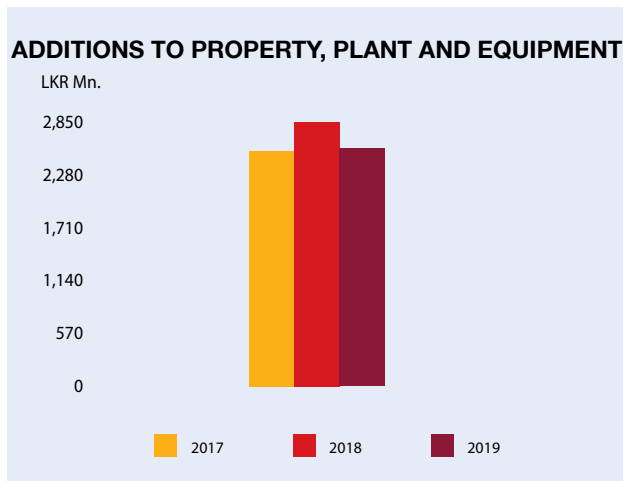


Opening of the refurbished Headquarters Branch that coincided with the launch of a Cheque Deposit Kiosk and Cash Recycling Machine.



Commissioning of 'People's Elegance' a state-of-the-art bank branch to exclusively serve its premier customers.

Significant investments were also made to develop and upgrade our IT infrastructure in tandem with our dynamic digitalisation drive.



	2019	2018	2017
Buildings	495	729	850
Motor vehicles	45	84	143
Furniture	149	54	47
Plant and machinery	1,872	1,978	1,492

INFORMATION TECHNOLOGY

We have adopted the most advanced technology platform to implement our digitalisation process which is easy to upscale and capable of meeting future expansion capacity requirements of our Bank. The technology which is the first-of-its kind in Sri Lanka, have given us an unprecedented advantage in the banking sector. The digital platform facilitates a quick and easy digital banking experience in account opening, loan origination, mobile banking and internet banking, thereby transforming the entire banking operations to a higher level.

We continue to invest in our IT infrastructure to further expand coverage, improve reliability, convenience, and speed. This strong and differentiated network position enables us to provide our customers with an excellent user experience, with 85% of all transactions being conducted on digital channels. The host of world class digital banking facilities offered to our customers are detailed on page 76 of the Report.



A customer applying for a facility through the newly introduced Retail Loan Origination System.

FUTURE OUTLOOK

We want to be the most technologically forward financial services provider in Sri Lanka. Our aim is to offer all our customers world-class conveniences and help us systematically achieve operational excellence through our digitalisation drive.

We will continue to expand our digitalisation drive to bring the benefits of digital banking to our nation. Our ambitious digitalisation drive will empower us to deliver a seamless, integrated digital experience to customers and elevate Sri Lanka's banking and financial services to an international digital platform. In order to maintain our leadership position we will continue to enhance our network and deploy new market leading technologies.

INTELLECTUAL CAPITAL



At People's Bank we build our intellectual capital through the multiple synergies of our value creation process. These include our intangible assets; tacit knowledge, brand reputation, corporate culture, our awards and accolades, systems and processes that are unique to us and our business ethics.

HIGHLIGHTS



94% customer satisfaction



Strong brand image with a Brand Equity Index of **4.1**

People's Bank recognised as one of the **most valuable brands**



98% brand awareness

LKR 45.5 Bn.
Brand value



People's Bank recognised as the Bank of the Year and the **Best Corporate Banking Services in Sri Lanka** at the **European Awards**



AA+ brand finance

We continually enhance the value of our intellectual capital by investing in information technology to offer cutting-edge financial solutions to customer, upgrading our systems and processes, nurturing a strong culture of compliance, growing our corporate brand, enhancing our organisational knowledge, and innovating new products.

CAPITAL LINKAGES AND TRADE-OFFS



- Strong financial capital and profit growth has facilitated investment in process development, brand development and digitalisation



- Promoting a green conscious culture increases our brand image



- Investment in capacity development and training and development improves efficiency and organisational knowledge



- Investment in digitalisation, systems and processes builds manufactured capital



- Our business ethics, customer-centric culture and corporate values enhances our brand image and trust and confidence in our Bank

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Strong governance, compliance, and ethical behaviour builds a strong institute



Promoting innovation and investing in digitalisation and infrastructure development

INTELLECTUAL CAPITAL

AWARDS AND ACCOLADES

We have received many accolades and obtained many accreditations which is a strong testimony to the value we have created through intellectual capital.



BRAND EQUITY

We have been a long-standing institution that has always remained close to the people and understood their pulse and needs.

With a remarkable track record of six decades, we have empowered segments encompassing multiple social strata and demographics in our nation with our financial services. We are the second largest commercial bank in Sri Lanka in terms of assets and the highest in terms of profitability as of 31 December 2019. Our widest network of 739 branches, over 755 ATMs and more than 200 Self-Banking Units operating 24/7, 365 days provides real-time access, to our

10 million loyal customer base contributing to the largest savings accounts base in the banking industry.

Our brand equity index notched up to 4.1 in 2019, and brand rating increased to AA+ reflecting strong customer loyalty, customer awareness, consideration, brand association, and perceived quality of the People's Bank brand. We are among the three most valuable brands as stated by Brand Finance – with brand value growing by 29% to LKR 45.5 Bn. in 2019. Further, the People's Bank brand strength increased from 71 to 75 in 2019.



People's Bank was ranked in the Top 3 Most Valuable Brands in Sri Lanka 2019 by Brand Finance.

The giant steps we have taken to introduce a host of diversified digital banking solutions to customers ranging from all walks of life have delivered unparalleled ease, speed, efficiency, and convenience at every point in their interaction with us.

BRAND PERFORMANCE

People's Bank brand has improved in all aspects in 2019.

Brand performance	2019	2018
Brand value (LKR Bn.)	45.5	35.3
Brand rating	AA+	AA
Brand equity index	4.1	3.5
Brand awareness (%)	98	32
Customer satisfaction (%)	94	91
Brand strength (%)	75	71

BRAND DEVELOPMENT

Our brand reputation is a reflection of our values and our differentiation strategy comprising of digitalisation leadership, innovation, good governance, customer service excellence, effective customer relationship management, strong market presence, and stability. We believe that trust, service, convenience, and technology play an important role in developing a strong brand. We offer all these aspects through our digital banking products and the fact that we are backed by the Government of Sri Lanka, elevates the trust in our Bank further.

Our customer satisfaction rating increased to a high 94% in 2019 reflecting the positive outcome of bringing digital banking experience to all customer segments, island-wide. Through comprehensive communication, customer awareness on digital banking was increased, resulting in most of our customers using digital channels in 2019. We keep a close tab of our brand health in terms of brand equity, awareness, and customer satisfaction by

conducting surveys periodically. Our communication media and advertising message is changed based on customer purchasing trends and media habits to enhance the quality of our customer communication.

CORPORATE CULTURE

As the "Bank of the People" we are rooted in a value based culture focused on creating consistent and sustainable value to our stakeholders. Our focus is on three main aspects of culture:

Corporate culture – open, transparent, accountable, customer-centric, goal-orientated, and team-oriented.

Knowledge culture – six decades of learning and expertise.

Innovation culture – bottom-up approach and a rewarding culture filled with opportunity and aspirations for all team members.

ORGANISATIONAL KNOWLEDGE

The knowledge base is dependent upon the level of expertise and experience accumulated by our employees during their service period at People's Bank. This is owned by our employees and is difficult to document and therefore, invaluable.

Over the 58 years of operations, we have collaborated with our employees to create the immense pool of expertise and experience we own today; a key factor in the strength of our intellectual capital.

Over 20% of our employees have worked at the Bank for over 20 years and they own a vast store of tacit, accumulated knowledge, including highly specialised expertise in banking. In order to make use of the knowledge in the work we do, we strive to document and share information in multiple ways through knowledge sharing sessions, extensive training and human capital management tools. The diversity of our employees in terms of their qualifications, knowledge and experience is an important asset. The diversity of the qualifications of employees is shown in the table below:

Qualification	Number of employees
MSc/MBA/Postgraduate	414
BA/BSc/BBA/BCOM/BIT	1,507
CIMA/CFA/CMA/ICASL/DBF/CIM	1,534
Qualifications in Law	82
Qualifications in IT	176
Diplomas and other	3,972
Total	7,685

INTELLECTUAL CAPITAL

Our employee retention rate of 96.5% illustrates our ability to retain experienced and knowledgeable people who are capable of delivering an outstanding service to customers.

▼ GRI 102-16

BUSINESS ETHICS

We embrace the highest standards of business ethics and integrity. The Board and Senior Management take the lead in establishing an environment where ethics, integrity, transparency, and accountability play a key role. Our employees take ownership towards their responsibilities and carrying out their functions in compliance, adhering to all applicable laws and regulations.

We've been through stringent audit and compliance processes, which is reflected in our ratings. Our comprehensive governance framework is detailed in the Corporate Governance Report on page 153.

INNOVATION

Innovation and IT have become key strengths in achieving our vision. As the bank of the people, we at People's Bank constantly look at avenues to reach customers and address their banking needs. We believe in financial inclusion and in making banking accessible to all citizens of Sri Lanka. By being proactive and aware of world trends, we have concentrated on developing our platforms, and designing pioneering product and service solutions to position our Bank on a par with other global banks, thereby empowering stakeholders to be internationally savvy banking citizens.

Innovation is a bottom-up approach and we work with small teams, encouraging even the youngest participant to incubate ideas. This assures innovation at every level, and creates a rewarding culture filled with opportunity and aspirations for all our team members.

Spearheading the digital drive in Sri Lanka's banking sector, we were the pioneers to launch Sri Lanka's first ever Innovation Centre, to further strengthen our innovation drive and digital initiatives.

Our digitalisation drive

We have accelerated our digitalisation drive to realise our vision to become the "Most Digitalised Bank by 2020". Today, we are at the forefront of digital innovation bringing the benefits of digitalisation to the entire nation which has placed us on a par with some of the most renowned financial institutions in the world.

In accelerating our digitalisation agenda, we launched our technically advanced and feature-rich mobile application in 2018, resulting in mobile transactions tripling in volume. Additionally,

we introduced a digital platform with features such as digital onboarding, internet banking, as well as mobile banking and loan origination systems for retail and corporate customers. Several branch and omni-channel digitalisation initiatives were launched, including a revamped internet banking, data warehousing, and an e-remittance solution.

Self-Banking Units (SBUs)

We are the pioneers to launch the SBUs, an unique concept consisting of ATMs, Cash Deposit Machines (CDMs) and Kiosk machines enabling customers to bank at their convenience 24x7x365. As of 31 December, we have established 239 SBUs across all regions in Sri Lanka, averaging a record breaking LKR 52.7 Bn. in ATM and LKR 82.3 Bn. in transactions monthly.

People's Wave

The revolutionary mobile app which has become the most downloaded finance app in Sri Lanka, gaining an impressive 4.3 rating on Google Play Store and over 570,000 downloads during the short period since its launch in 2018. People's Wave app has superseded all other similar financial apps in the country. Customers could conduct over 50 financial transactions such as fund transfers, loan repayments online, remit money up to LKR 10,000 to non-account holders of the Bank and many more.

This app has received international acclamation garnering several awards for its superlative features.

People's Wiz

The first ever digital customer on-boarding application in South East Asia, Africa and the Middle Eastern region. People's Wiz allows digital agents to on-board customers in less than ten minutes. Customers are enabled to open digital accounts and benefit by way of shorter processing times, with a straight-through approval and disbursement process. A host of facilities including a debit card activated on-line-real-time basis, internet banking access, mobile banking, SMS alerts, and money deposit services are enabled. People's Wiz Credit facilitates paperless retail loans.

Since its launch in 2017, over 500,000 customers have been on-boarded digitally through People's Wiz. This facility was rolled out to all 248 main branches during the year and will be launched to all our service centres in the ensuing year.

People's Wyn

This is a specially designed module for corporate clients, which is available as an internet banking portal and a mobile app. It provides great convenience, speed, flexibility and privacy for corporate clients to conduct their banking transactions. Over 3,500 customers use this module since its launch in July 2018.

People's Web

Our internet banking portal launch in May 2018 is synced with the People's Wave mobile app. With enhanced features that deliver an exceptional customer experience, the portal is used by over 350,000 Customers.

Adaptation of our digital channels are increasing rapidly –



Over 500,000 digital customers island-wide



Over 85% of the Bank's conventional banking transactions conducted from digital channels



25,000 monthly average People's Wave app downloads



Digital deposit base of over LKR 90 Bn. as of end December 2019
LKR 6 Bn. digital deposits monthly on average



Average of over 75,000 financial transactions on the mobile app, weekly



Retail Loan Origination System launched in 37 branches

FUTURE OUTLOOK

We are well on track to achieve market dominance by 2020 and is currently recognised as one of the largest and most financially exclusive banks in Sri Lanka. We will continue to strengthen our corporate brand and maintain a high brand equity whilst delivering increased value to our customers through products that contribute to people's quality of life and enterprise development via affordable, accessible and efficiently delivered solutions. We will continue with our digitalisation journey to position our Bank and customers for exponential growth. Our Corporate Loan Origination System will be launched in January 2020.

Our focus will be to solidify our position as Sri Lanka's undisputed market leader in the financial services industry and focus on transitioning into the most digitalised and technologically advanced bank in the nation that deliver increased value to our economy and all our stakeholders.

HUMAN CAPITAL



With 7,800+ employees, People's Bank is one of the largest State sector employers in Sri Lanka. Our employees and services touch the lives of customers every day, providing banking solutions to meet their diverse and evolving needs. Our success is therefore underpinned by the way we attract, develop, and engage with our people and the culture and values that fashion the way we work and how we carry out our roles.

HIGHLIGHTS



7,836 employees



61% females



29.7% of employees have serviced the Bank for over 15 years



Profit per employee
LKR 1.6 Mn.



22 training hours per employee



Investment in training
LKR 104 Mn.

During the year, our main human resource (HR) objective was focused on ensuring that we have the skills, culture, organisational structure, and workforce profile necessary to meet the Bank's strategic objectives.

MANAGING OUR HUMAN CAPITAL

Our diverse employees are our greatest asset. It is through our people that we fulfil our potential, achieve our vision and execute our strategy. We are committed to creating a conducive environment that can deliver value by empowering and supporting our employees who are the creators of value.

The HR function plays a pivotal role in supporting the Bank to achieve its strategic objectives. Our success is underpinned by the motivated and highly engaged team of employees who have a wealth of knowledge and expertise gathered over the years. To manage the People's Bank team effectively, we have separate departments for each of the key HR functions such as HR planning, administration, maintenance, career progression, training and development, and employee welfare. We also remain committed to fostering an inclusive culture that supports and inspires our workforce.

CAPITAL LINKAGES AND TRADE-OFFS



- Investment in capacity building through training and development negatively affects financial capital in the short-term
- Increases financial capital in the long-term through enhanced employee productivity



- Employees engaging in sustainability initiatives contributes towards a green environment
- Creating conducive work environments by constructing green buildings contributes to a green environment



- Investment in digitalisation and HR processes builds manufactured capital



- Increase in tacit knowledge
- Increased efficiency through training and development



- Strong customer relationships
- Enhanced customer service levels through training customer relationship management

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Contributing towards eliminating poverty by provision of employment opportunities



Enhancing the quality of life of employees



Building capacity of employees through training and development



Nurturing a conducive work environment and increased participation of female employees

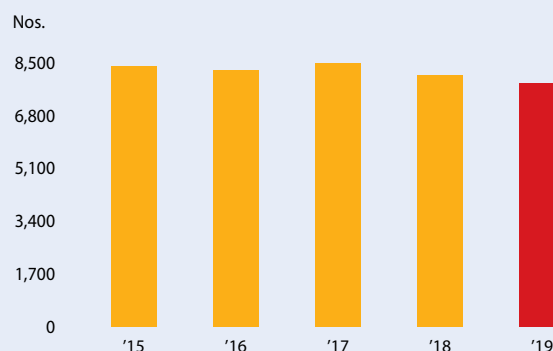
PEOPLE'S BANK TEAM

As at 31 December 2019, our staff strength was 7,836 compared to the previous year, the staff numbers have reduced as a result of the strategic change of our structure, our culture, our processes, and our people in transforming People's Bank to be the most digitalised Bank by 2020. This is nothing less than gearing ourselves up for success to meet the evolving customer needs.

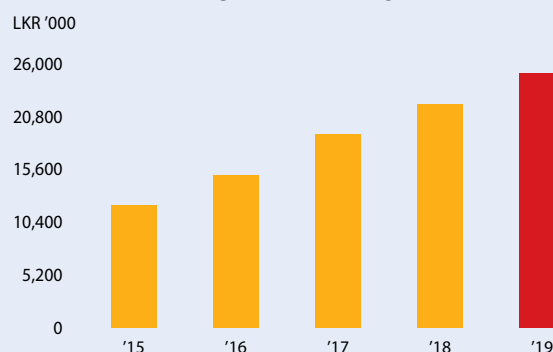
OUR HUMAN RESOURCE STATISTICS

	2019	2018	2017	2016	2015
Male employees	3,058	3,184	3,402	3,367	3,443
Female employees	4,778	4,909	5,052	4,882	4,925
Total employees	7,836	8,093	8,454	8,249	8,368
Profit per employee (LKR '000)	1,650	2,112	2,159	1,818	1,505
Revenue per employee (LKR '000)	25,145	22,400	19,182	14,804	12,368

TOTAL EMPLOYEES



REVENUE PER EMPLOYEE

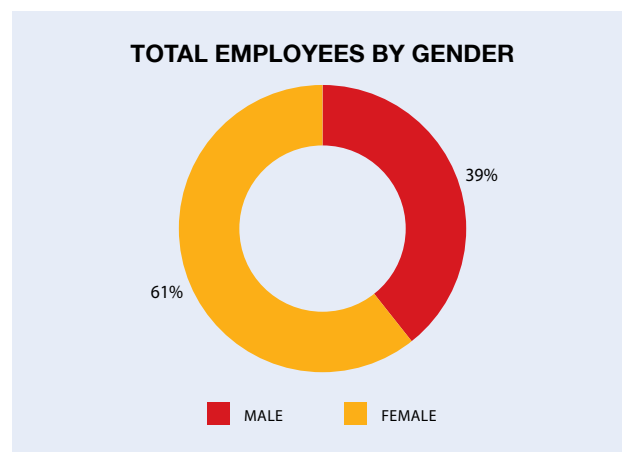


HUMAN CAPITAL

▼ GRI 102-8

TOTAL EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER

	2019			2018		
	Male Nos.	Female Nos.	Total Nos.	Male Nos.	Female Nos.	Total Nos.
Permanent staff	2,901	4,659	7,560	2,829	4,608	7,437
Contract staff	157	119	276	355	301	656
Total	3,058	4,778	7,836	3,184	4,909	8,093



▼ GRI 102-8

TOTAL EMPLOYEES BY GEOGRAPHIC DISTRIBUTION AND GENDER

Province	Male Nos.		Female Nos.		Total Nos.		Total %	
	2019	2018	2019	2018	2019	2018	2019	2018
Western	1,150	1,183	1,970	2,007	3,120	3,190	39.8	39.4
Southern	283	298	531	548	814	846	10.4	10.5
Central	294	309	516	545	810	854	10.3	10.5
Northern	221	185	297	201	518	386	6.6	4.8
North Central	182	230	207	304	389	534	4.9	6.7
Uva	202	221	249	263	451	484	5.7	6.1
Sabaragamuwa	192	209	339	348	531	557	6.8	6.8
North Western	248	256	384	385	632	641	8.1	7.9
Eastern	286	293	285	308	571	601	7.3	7.3
Total	3,058	3,184	4,778	4,909	7,836	8,093	100.0	100.0

▼ GRI 405-1

TOTAL PERMANENT EMPLOYEES BY EMPLOYMENT TYPE, GENDER AND AGE GROUP 2019

Age	Corporate Management		Executive Management		Officers (3-11 -Grade 1)		Staff Assistant Grade		Other Categories		Management Trainees		Customer Service Assistants		Other Contracted Employees		Grand Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
18-25									18	9					33	3	51	12
26-45	1				644	1,498	812	1,869	498	463	2	3	25	68	62	37	2,044	3,938
46-55	4	3	5	2	412	538	71	10	277	136							769	689
Above 56	8	4	7	8	88	95	9	2	74	30					8		194	139
Grand total	13	7	12	10	1,144	2,131	892	1,881	867	638	2	3	25	68	103	40	3,058	4,778

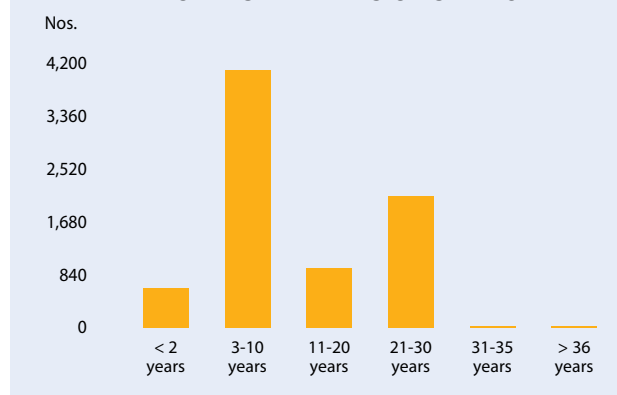
TOTAL EMPLOYEES – DEPARTMENT-WISE FOR 2019

	Number of employees		
	Permanent	Contract	Total
Branches	5,485	167	5,652
Regional head office	824	35	859
Treasury and PDU	35	2	37
Corporate and OSBU	164	9	173
Overseas customer services	77	2	79
Card centre	48	9	57
Head office	927	52	979
Total	7,560	276	7,836

TOTAL EMPLOYEES BY AGE AND GENDER

Age	2019			2018		
	Female	Male	Total	Female	Male	Total
>56	139	194	333	185	255	440
46 – 55	689	769	1,458	709	763	1,472
26 – 45	3,938	2,044	5,982	3,959	2,084	6,043
18 – 25	12	51	63	56	82	138
Total	4,778	3,058	7,836	4,909	3,184	8,093

EMPLOYEES BY YEARS OF SERVICE



▼ GRI 401-1

RECRUITMENT

A strong pipeline of future talent and diverse experience is essential to our ongoing success. We follow a formal recruitment policy to hire the right candidate with the required skills and competencies to meet the human resource requirement of our Bank.

All recruitments are done in conformance to the regulations applicable to Government institutions. Our highly transparent recruitment process includes competency testing and a formal interview process. As a non-discriminatory employer, we are fully committed to diversity in the workplace. As such we hire qualified individuals who have potential for advancement and demonstrate the aptitude to handle increased responsibility.

TOTAL EMPLOYEES BY EMPLOYMENT CATEGORY AND YEARS OF SERVICE 2019

Category	Number of years of service						Total
	< 2	3-10	11-20	21-30	31-35	>36	
Corporate management	–	–	–	6	8	1	15
Executive management	–	–	2	7	12	–	21
Officers (3–III-Grade I)	210	668	799	1,532	19	47	3,275
Staff assistant grade	–	2,535	120	118	–	–	2,773
Other categories	188	658	21	425	9	4	1,505
Corporate management – contract	3	1	1	–	–	–	5
Executive management – contract	1	–	–	–	–	–	1
Management trainees	5	–	–	–	–	–	5
Customer service assistants	93	–	–	–	–	–	93
Other contracted employees	122	21	–	–	–	–	143
Total	622	4,083	943	2,088	48	52	7,836

HUMAN CAPITAL

▼ GRI 202-2

According to our recruitment strategy, a majority of recruitments are made at entry level, with mainly management trainees and customer service assistants recruited on a timely basis. Management trainees are groomed for managerial positions as per the succession plan of the Bank. The customer service assistants have the opportunity to rise up to the rank of officer grade based on the Bank's promotion policy. Meanwhile all recruitments for the Bank's Senior Management positions are citizens of Sri Lanka. No new recruitments were made during 2019.

▼ GRI 404-1, 404-2

EMPLOYEE TALENT MANAGEMENT

Training and development

Investing in people is a core component of our talent attraction and retention strategy. During 2019, we invested LKR 104 Mn. in employee learning and development, delivering over 171,045 hours of employee training. Building industry-leading capability is at the heart of our HR strategy. We strive to enable our employees to have the opportunity to flourish and grow so that they can contribute to the future success of the Bank.

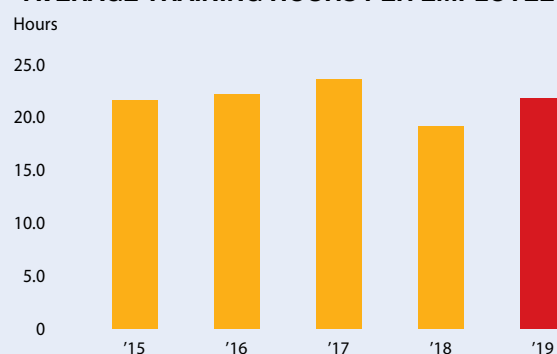
Employee training is conducted according to the Bank's training calendar prepared at the beginning of every year, based on the training survey conducted to meet the strategic objectives of the Bank. Employee training hours are determined considering the skill gap of the employees. Appropriate training programmes, either internal or external are developed and resources are allocated based on the cost structures. A post-implementation evaluation in the form of employee feedback is conducted for all training programmes to ascertain the effectiveness. We strive to provide relevant training to all employees within a specific period either through internal, external, on-the-job, or foreign training programmes. Continuous emphasis was given to building the capacity of the workforce to support the digital transformation of the Bank. During the year, 12,152 hours of training was given to employees to enhance their knowledge on digital banking products and services.

In 2019, we identified talented leaders at different stages in their career who have the potential to operate in more senior and complex leadership roles in the future. The pools are designed to prepare and accelerate their readiness for succession to senior managerial roles over the short, medium and long-term. During the year, we conducted training for three batches of future leaders. We also conducted forensic training to build capacity in employees to identify and avert fraud.

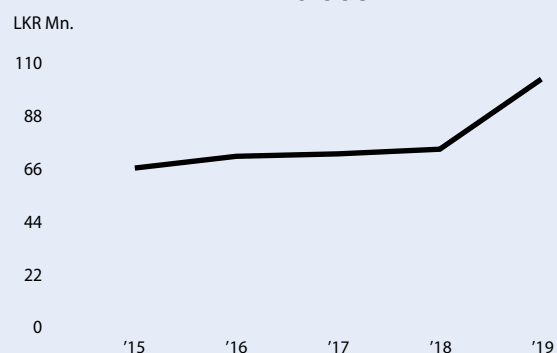
EMPLOYEE TRAINING STATISTICS

	2019	2018	2017	2016	2015
Training cost (LKR Mn.)	104	74	72	71	66
Training hours	171,045	161,378	199,956	183,460	180,849
Average training hours per employee	21.83	19.07	23.6	22.2	21.6
Number of hours on digital training	34,480	26,480	–	–	–

AVERAGE TRAINING HOURS PER EMPLOYEE



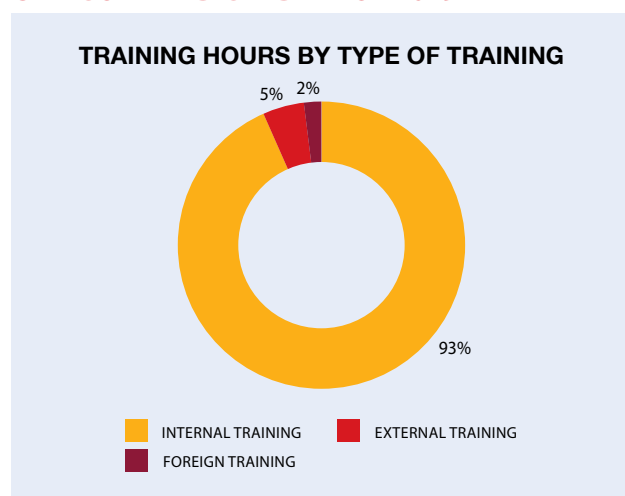
TRAINING COST



TRAINING PROGRAMMES IN 2019

Type of training	Number of programmes	Number of participants	Training hours
Internal training programmes	473	22,930	159,727
External training programmes	165	811	7,966
Foreign training	24	81	3,352
Total	662	23,822	171,045

TRAINING HOURS BY EMPLOYMENT CATEGORY AND GENDER FOR 2019



▼ GRI 404-3

PERFORMANCE APPRAISAL

All employees are appraised annually against a set of predetermined evaluation criteria. The performance of executives and corporate management are evaluated based on the KPIs set in collaboration with the respective employees and the superiors. The appraisals are conducted by the immediate supervisor of the employee. Employees are encouraged to obtain professional qualifications to enhance their career development process. These qualifications are taken into consideration when granting internal promotions.

PROMOTIONS AND TRANSFERS

All promotions and transfers are conducted according to a formal Promotion and Transfer Policy, in a transparent manner. There is an attractive promotion scheme for each grade. Our employees are encouraged to take on expanded roles as they grow with us

in particular, the transfer or promotion offers that would open up from time to time. Up to senior manager (Grade 11) level promotions are conducted through an exam and an interview process. All executive and corporate management promotions are conducted through an interview conducted by the Board of Directors. Generally, promotions are conducted for most of the grades, and for senior management level as and when the vacancies occur. Transfers are effected within the region and outside the regions. If an employee is dissatisfied with a transfer procedure, he/she can appeal to the Appeal Committee established under the transfer policy seeking redress.

DIVERSITY AND EQUAL OPPORTUNITY

We are committed to building an inclusive culture and diverse workforce. We believe that a culture of inclusion is vital to creating an environment where all our people can be at their best. As an equal opportunity employer, we foster a workforce diverse in terms of gender, ethnicity, race, faith, and age, bringing about innovative thinking while creating an enabling environment which promotes a productive workforce. We welcome and fully consider all applications irrespective of gender, race, ethnicity, religion, age, or any other factor.

This diversity has enriched our organisation culture. We pride in the fact that we have one of the highest female representation of 61% in the banking industry of Sri Lanka.

▼ GRI 405-2

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

We have maintained the ratio of basic salary and remuneration of women to men by employment category and significant locations of operation at our Bank as 1:1. There is no gender bias in our Bank and women are given equal treatment as men. However, this ratio may be changed different service periods of employees in the Bank and at a particular salary grade. This is exemplified by the fact that all female employees who availed themselves to maternity leave have returned to work after completion of leave.

Age category	Male	Female
Corporate Management	1	0.88
Executive Management 1	1	1.00
Officers (3 – III - Grade 1)	1	1.04
Staff assistants	1	0.76
Other categories	1	1.07

HUMAN CAPITAL

▼ GRI 401-3

MATERNITY LEAVE

510 employees took maternity leave in 2019 and we have maintained the return to work rate and retention at an impressive 100% for the past 5 years.

	2019	2018	2017	2016	2015
Number of employees entitled to maternity leave	4,778	4,893	4,611	3,690	3,430
Number of employees who took maternity leave	510	517	230	536	566
Number of employees who returned to work after maternity leave	510	517	230	536	566
Returned to work (%)	100	100	100	100	100

▼ GRI 406-1

NON-DISCRIMINATION

We are committed to maintaining a workplace that is free from physical and verbal harassment and discrimination on the basis of race, religion, gender, age or social status. We follow a policy of non-discrimination on any of the above criteria which apply to employee recruitment, reward and recognition, and promotions. The fact that we have the highest number of female employees in the banking industry is a strong testament of the non-discriminatory culture within the Bank. During the year, there were no incidents of discrimination reported in our Bank.

▼ GRI 403-1

OCCUPATIONAL HEALTH AND SAFETY

We believe that a safe and healthy workplace is good for our people, our customers and our business and is integral to creating an environment where everyone can be at their best. As such, we ensure a safe working environment for all our employees, taking steps to ensure that health and safety concerns are prioritised and addressed across the Bank. We comply with all applicable safety standards across our network and make a concerted effort to promote a culture of safety. A separate department has been set up to handle fire safety and disaster recovery. A disaster recovery plan has been formulated for each department within the Bank. During the year, we raised awareness among employees and improved their preparedness in the event of an incident. There were no employee fatalities reported in 2019.

Expenses incurred in relation to health and safety in 2019

Health and safety expense	LKR Mn.
Medical expenses	1,802
Fire and safety	146
Total	1,948

EMPLOYEE SATISFACTION**Staff engagement survey**

Our annual employee engagement survey helps provide a measure of success for our engagement activities and gauge the level of motivation and willingness to performing their tasks to achieve the Bank's strategic objectives.

In the year under review, randomly selected employees across the Bank participated in the survey, resulting in 80% staff engagement. The 2019 results highlighted strong belief in our Bank's vision and values and their willingness to perform.

Succession planning

We invest to build the next generation of leaders needed to deliver extraordinary results for our people and our customers. We have launched a bank-wide leadership training programme to strengthen the next level of leaders that would take People's Bank to the next level of growth. During the year, 394 Assistant Managers and Deputy Managers from across the Bank underwent leadership training.

▼ GRI 401-2

Remuneration and benefits

We maintain an impartial remuneration structure, rewarding employees based on their performance and retaining high performing employees. We adopt an equal pay policy towards male and female employees. Our employees are eligible for the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions. We made a total contribution of LKR 1,124 Mn. to the ETF and LKR 281 Mn. to the EPF for the financial year under review.

All permanent employees are entitled to range of benefits based on employment category. The benefits given to employees include, annual bonuses, travelling allowances for certain grades, holiday bungalows, staff loans, medical benefits, death gratuity, personal accident insurance scheme, disability and invalidity cover, maternity leave, and retirement benefits.

Promoting employee well-being

We aim to create a work environment which is supportive of well-being, to remove barriers to healthy behaviour, and to motivate employees to lead healthy lifestyles and enhance their standing at work. We have a comprehensive range of support and initiatives implemented for our employees, to increase their physical fitness through yoga including a fully-equipped gym. We have provided opportunities for staff to participate in staff engagement activities organised through the Bank's Sports Club, Art Club, and other such organisations. We also have a state-of-the-art library for employees to enhance their knowledge and they are encouraged to obtain higher qualifications by way of reimbursing the exam fees on successful completion of an MBA and their professional subscriptions.

Additionally, a two-hour nursing interval and permission for early departure is given for mothers at work to nurse their babies. We don't encourage our employees to work beyond the standard working hours. Emotional support is also extended by way of stress management training and we have provided opportunities for staff to participate in staff engagement activities organised by the Bank.

STAFF ENGAGEMENT

Several staff engagement events are held annually to promote employee well-being and also enhance their level of motivation. The following activities were held during 2019:



Poson Bakthi Gee



Bank Quiz programme



Felicitation Ceremony for employees who have completed 25 years of service in the Bank.



Achievers award to reward and recognise super stars of People's Bank



Bank Anniversary Celebration

HUMAN CAPITAL

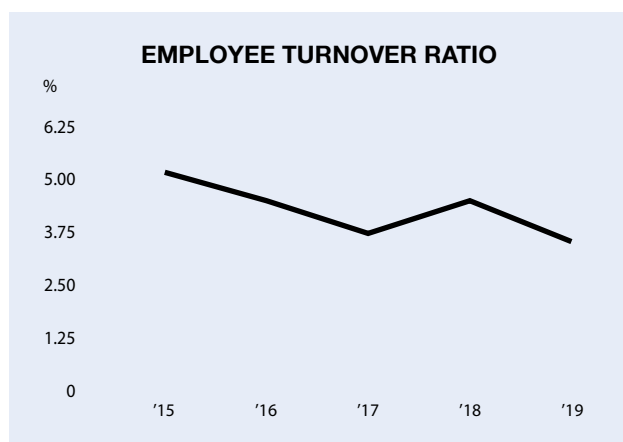


Christmas Carols and Celebration

▼ GRI 401-1

EMPLOYEE TURNOVER

Our staff turnover is satisfactory, with a total of 18 employees relinquishing employment during the financial year 2019.

**Employee turnover by age group and gender – 2019**

Age category	Male	Female	Total
18-25 years	–	–	–
26-35 years	6	21	27
36-45 years	3	7	10
46 -55 years	21	15	36
56+ years	109	90	199
Total	139	133	272

Employee turnover by region and gender

Region	Male	Female	Total	Male %	Female %
Ampara	2	–	2	100.00	–
Anuradhapura	3	3	6	50.00	50.00
Badulla	13	7	20	65.00	35.00
Batticaloa	5	1	6	83.33	16.67
Colombo	9	27	36	25.00	75.00
Galle	5	1	6	83.33	16.67
Gampaha	6	9	15	40.00	60.00
Hambantota	6	3	9	66.67	33.33
Jaffna	3	3	6	50.00	50.00
Kalutara	9	7	16	56.25	43.75
Kandy	6	8	14	42.86	57.14
Kegalle	2	3	5	40.00	60.00
Kurunegala	6	1	7	85.71	14.29
Matale	6	6	12	50.00	50.00
Matara	7	6	13	63.85	46.15
Monaragala	1	–	1	100.00	–
Nuwara Eliya	1	1	2	50.00	50.00
Polonnaruwa	3	1	4	75.00	25.00
Puttalam	1	4	5	20.00	80.00
Ratnapura	4	6	10	40.00	60.00
Wanni	2	1	3	66.67	33.33
Trincomalee	1	2	3	33.33	66.67
Head Office	38	33	71	53.52	46.48
Total	139	133	272	51.10	48.90

Employee turnover by age group, gender and employment category – 2019

	18-25 years		26-35 years		36-45 years		46-55 years		56 years and above	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Corporate management	–	–	–	–	–	–	–	–	–	2
Executive management	–	–	–	–	–	–	–	–	4	3
Officers (3-111-Grade 1)	–	–	–	4	1	4	5	11	71	75
Staff assistant grade	–	–	4	7	–	1	3	–	–	–
Other categories	–	–	–	–	–	2	8	4	26	10
Management trainees	–	–	1	4	–	–	–	–	–	–
Customer service assistants	–	–	–	4	–	–	–	–	–	–
Other contracted employees	–	–	1	2	2	–	5	–	1	–
Total	–	–	6	21	3	7	21	15	109	90

EMPLOYEE COMMUNICATION, ETHICS, AND INTEGRITY

▼ GRI 402-1

Employee communication

A variety of channels are available to communicate and engage with, and listen to, our employees. We encourage participation and engagement throughout the Bank through both formal and informal channels. Team briefings and employee forums enable employees to discuss key developments and business performance and to contribute their views.

Channel of communication	Content	Frequency
CEO - GMs core brief meeting	The Branch Manager briefs his team the message of the CEO/GM which includes, the Bank's performance, branch/employee achievements, and other important events	Monthly
Corporate Management meetings	The Corporate Management Members discuss strategic actions of the Organisation, operational issues etc.	Monthly
Regional Managers conference	Meeting during which business progress, recoveries, employee grievances, transfers, business target achievement, and information with regard to various circular instructions are discussed	Monthly
Intranet		As an when required
"Pulse" magazine	Newsletter that reaches every department of the Bank, to inform employees of the significant events, achievements, and performance of the Bank	Quarterly

Minimum notice period for operational changes

Employees are given adequate notice of any operational changes and their possible impacts. This contributes to significantly reducing any adverse impact on staff morale due to such changes.

Minimum notice periods to operational changes are as follows:

Type of change	Notice period
Transfers	2 weeks
Resignations	1 month
Retirements	3 months
Terminations	1-3 months

Grievance handling

A clear and transparent, Board approved grievance handling framework is in place to handle employee grievances which arise due to difficulties they face as a part of their working relationship. A course of action is provided to forward any complaints and to ensure all employees are treated fairly, reasonably, and in a timely manner.

In case of a grievance, the employee should report to the immediate supervisor. If the matter is unresolved it can be elevated to the Bank's HR Department. There is a mechanism to redress employee concerns/grievances by presenting them to the CEO/General Manager. The grievances/concerns are reviewed by a committee consisting of members of the Corporate Management. The CEO/General Manager redresses the grievance/concern based on the outcome of the review. During the year, corrective actions were taken for a total of 20 incidents of grievances which were presented.

HUMAN CAPITAL

▼ GRI 102-41

Collective bargaining

The Bank has formal collective bargaining agreements with employee unions and maintains an open door policy for employees to voice their grievances. Up to the category of Chief Managers are covered by collective agreements, reflecting 99% of the Bank's employees.

Employee union	Number of employees
The Ceylon Bank Employees' Union	6,659
Officers' Union	357
Sri Lanka Nidahas Banku Sevaka Sangamaya	61
Jathika Sevaka Sangamaya	434
All Ceylon Bank Employees' Union	37
Total	7,548

▼ GRI 102-16, 102-17, 102-26, 205-2, 205-3

ANTI-CORRUPTION

A stringent anti-corruption culture is nurtured within our Bank, facilitated by a proactive Internal Audit Department, Investigations and Inquiries Department, and the Risk Management Unit. Investigations and Inquiries Department, and the Internal Audit Department train all employees on preventing and averting corruption and fraudulent behaviour.

The Board approved anti-corruption policy is communicated to all employees within the Bank. We have a zero tolerance approach to bribery and corruption and take strict disciplinary action in the event of a breach. During the year, all employees were given 14,520 hours of training on anti-corruption.

	Number	%
Total number and percentage of Governance body members that the Organisation's anti-corruption 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	1,815	23.2
Total number and nature of confirmed incidents of corruption	93	N/A
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	237	N/A

We support our people to be at their best, conduct themselves with integrity and adhere to highest standards. The following policies have been established to enable them to do the right thing, make the right decisions, and working in the right way:

- **Code of Corporate Governance** – a formal document containing the values and conduct of the Group that sets the tone for all employees to ensure ethical behaviour and integrity within the Group.
- **Code of Conduct for Employees** – All employees of the Group are expected to abide by the Code of Conduct and are required to sign the code upon being employed by the Group.
- **Disciplinary Code** – A formal document that defines what is construed as misconduct and sets out the formal disciplinary procedure applicable in such instances.
- **Whistle-blower Policy** – A further measure against misconduct and corruption reflecting the Bank's zero tolerance approach towards corruption. An employee can report the following issues to the immediate supervisor or directly to the Board Audit Committee. The anonymity is guaranteed to safeguard the employee:
 - Breach of the Disciplinary Code
 - Failure to comply with legal/regulatory obligation
 - Miscarriage of Justice
 - Financial malpractices

SOCIAL AND RELATIONSHIP CAPITAL



Social and relationship capital is one of our most valued assets. Our relationships with customers, business partners, investors and communities have been nurtured over decades as we built trust through fair play driving mutual growth.

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL

We have the largest customer base in the banking industry. Our forte has been understanding customer needs and providing innovative solutions to address them. We continuously enhance our service capabilities across all segments through investments in our people, information technology, manufactured assets, and robust processes to deliver value to our diverse group of stakeholders. By combine our financial acumen with a deep understanding of our customers' needs, we design and deliver innovative, industry-leading products that enhance customer value. Through strong social governance and fair play, we ensure sustainability of products and services. We remain differentiated by our investment in customer relationships, innovation, digitalisation and operational and service excellence.

► CUSTOMER CAPITAL

HIGHLIGHTS

Over **14 million** customers across Sri Lanka

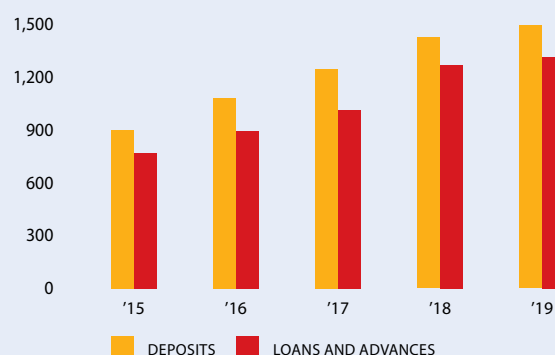
Over **600,000** new customers on-boarded in 2019

Close to **LKR 80 Bn.** value of transactions through mobile and internet banking

Close to **2,000** customer touchpoints

VALUE OF DEPOSITS AND LOANS AND ADVANCES

LKR Bn.



ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGS)



Ensure financial empowerment of all men and women and their rights to economic resources and financial services.



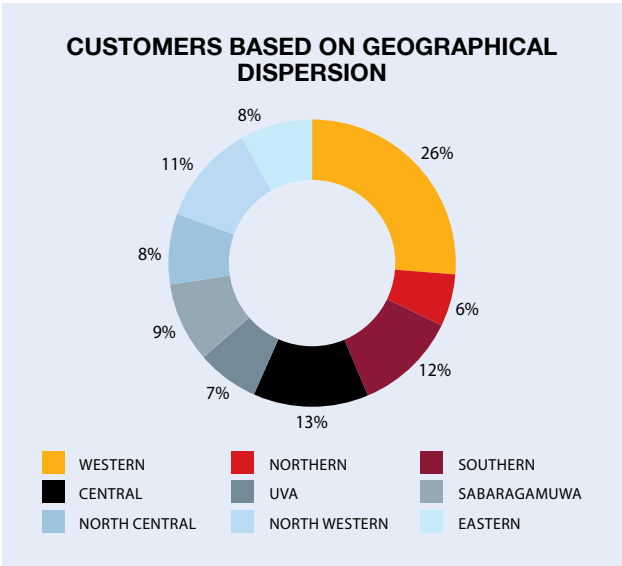
Promoted and empowered social and economic inclusion of all customers, irrespective of gender, age, disability, race, religion or economic status.

We reach our diverse customer base numbering 10+ million across the nation through our island-wide branch network and digital channels. Our customer base has been growing over the year, reflecting customer trust and loyalty towards our Bank and our strong brand reputation. Our diverse customer segments, cover all ages and all sectors of the economy.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS BASED ON GEOGRAPHICAL DISPERSION – 2019

The geographical dispersion of customers brings out the fact that there is a favourable penetration outside the Western Province. The fact that three quarter of the customers are from the other provinces is commendable in view of the high concentration of income and wealth in the Western Province. Even relatively backward provinces are showing a very satisfactory share of customers.



▼ GRI 102.2, 206-1

OUR PRODUCT AND SERVICE OFFERING

Our product portfolio spans advances, deposits and other products such as cards. Through deep understanding of customer requirements, we offer products which are practical, innovative, flexible and, cost effective catering to every life stage of the customer. Being Sri Lanka's undisputed market leader for financial services, we provide an inclusive and dynamic range of products and services enriched by our unique blend of experiences, customer centricity and our exposure to technological advancements. The firm growth of our customer base is testament to the strength and relevance of our products.

We price our products in line with market trends and the country's monetary policy and we do not engage in anti-competitive, anti-trust and monopoly practices. No fines or penalties were incurred by us during the reporting year.



Enterprise Sri Lanka loan scheme conducted in the Kirindiwela area



RLOS credit campaign launched at Siddhayurweda

OUR PRODUCTS AND SERVICES

	Deposits Products	• <i>Aswenna</i> • <i>Parinatha</i> • People's Relax • Normal Savings	Advances	Other
RETAIL BANKING	i. Current Accounts ii. Savings • <i>Isuru Udana</i> • <i>Sisu Udana</i> • Yes • <i>Vanitha Vasana</i> • <i>Jana Jaya</i>	iii. Fixed Deposits iv. Call Deposits v. Foreign Currency Deposits	i. Personal Loans ii. Term Loans iii. Housing Loans iv. Pawning	i. Credit/Debit Cards ii. Gift vouchers iii. Mobile Banking/ SMS Banking iv. Internet Banking
	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		
	i. Current Accounts ii. Savings Accounts iii. Fixed Deposits iv. Overdrafts v. Term Loans	vi. Trade Finance • Import/Export Financing • Shipping and Bank Guarantees	• Facilities for International Trade Payments (Letters of Credit, Acceptances)	
	i. Money Market Activities ii. Trading in Government Securities	iii. Repurchase Transactions on Government Securities iv. Foreign Exchange Transactions	v. Derivative Transactions (Forward Exchange Contracts, FX Swaps)	vi. Investment Banking Debt Structuring, Advisory Services, Trustee Services
	i. Trade Services ii. Overseas Customer Services iii. Foreign Currency Remittances iv. Foreign Currency Deposits	v. International Payment and Settlement Services		
INTERNATIONAL OPERATIONS				

SOCIAL AND RELATIONSHIP CAPITAL



People's Bank rewards top students at Sisu Udana Vishishtayo Ceremony.



Celebration of International Women's Day



People's Bank marks International Youth Day with its power-packed YES account.

CUSTOMER EXPERIENCE MANAGEMENT

We aim to provide our customers with integrated, holistic solutions for all their financial needs, making their each and every interaction with us worthwhile and beyond their expectations.

We do this by, innovating our processes to provide best in class, sustainable products and services, complying with social and environmental governance standards. We continue towards improving our accessibility, not just through our extensive network of brick-and-mortar touchpoints, but also using virtual touchpoints that allow customers to transact 24/7, 365 days. By streamlining our internal processes we have reduced errors and delays, eliminated routine work and allowed our employees optimal time to spend on customer service. Authority was decentralised allowing greater autonomy at branch level facilitating an enhanced level of customer service. During the year, a designated Lobby Manager was appointed for each branch to enhance customer

service further and the Elegance Centre was opened to provide an exclusive service to our high net worth customers. Through palm top banking we go to the doorstep of the customers providing a personalised and value-added customer service.

▼ GRI 471-1, 417-2, 417-3

PRODUCT AND SERVICE LABELLING AND MARKETING COMMUNICATIONS

Respecting customers' rights to have fair and accurate information, we disseminate clear, accurate, timely and, relevant information about our products and services. This enables our customers to make informed decisions. The Bank's Customer Charter has been formulated in conformance to the requirements of the Central Bank of Sri Lanka. All terms and conditions applicable to our products and services are delivered simply and in an easily comprehensible manner. Information pertaining to interest rates on deposits and advances, exchange rates and other applicable charges are published on our corporate website and updated daily. Our brochures containing information about our products and relevant terms and conditions are printed in all three languages (Sinhala, Tamil and English) and are made available at all our branches. Furthermore, our call center provides necessary information about our products and services to customers.

All our marketing communications are designed according to the Bank's Corporate Communication Policy and are conducted in all three languages. We ensure we do not mislead the public through our marketing communications which are based on principles of ethical and responsible advertising according to Bank's branding guidelines. Prior to publication, all marketing communications are subject to strict scrutiny and a multi-level approval process.

During the year under review, there were no incidents of non-compliance pertaining to product and service labelling, marketing communications, or any voluntary codes or other guidelines.

GEOGRAPHICAL PRESENCE

We are able to serve the less developed and the less affluent sections of our society because of our extensive presence in every province. 73.7% of our customers are from provinces other than the Western Province. In addition to meeting customer needs through our product portfolio, we make a positive impact on the economy. Our products and services span key economic sectors and we support revenue generation for our customers and respective sectors through the facilities extended.

CUSTOMER USAGE OF OUR NETWORK

Ensuring our customers have easy access to our products and services is and always has been a key priority for us at People's Bank. In this respect, we have expanded our presence to 739 branches, 755 ATMs, 270 CDMs, and 222 Kiosks that span

SOCIAL AND RELATIONSHIP CAPITAL

the island. Annually, over 15 million number of transactions are done by non-People's Bank customers using our ATM network.

The performance of our branches is monitored by the Channel Management Department based on KPIs and best performing branches are rewarded for their performance. The Bank's Internal Audit Department ensures the effectiveness and efficiency of internal controls and risk management mechanism in place at each branch.

Refer manufactured capital on page 71 for the geographical presence of the customer touchpoints.

▼ GRI 203-2

INCLUSIVE BANKING

We are the first financial institution to open doors to the economically disadvantaged regions in Sri Lanka, as evidenced by our presence in the Northern and Eastern Provinces spanning over 57 years. Our staff serving in these regions are well conversant in all three languages to provide an inclusive service. And all marketing communications are conducted in all three languages as well. Branches provide convenient access and services to differently-abled customers.

In our focus of offering products to underserved customer segments in our nation, we pioneered specialised products for women and minors. Although, now, this is a highly competitive market segment, we still continue to hold a significant market share.

MULTICHANNEL BANKING

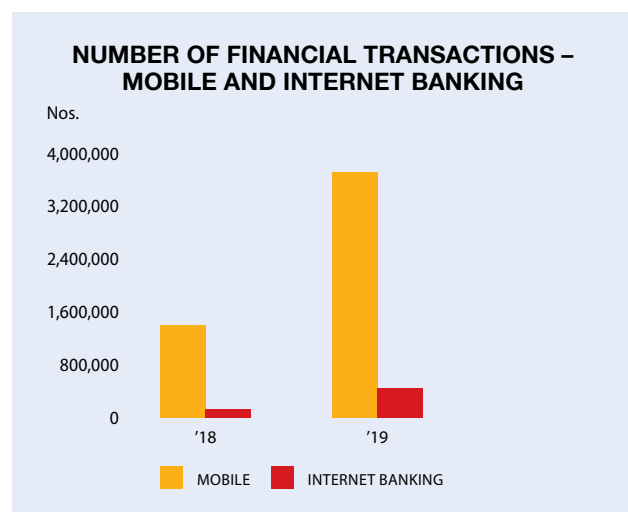
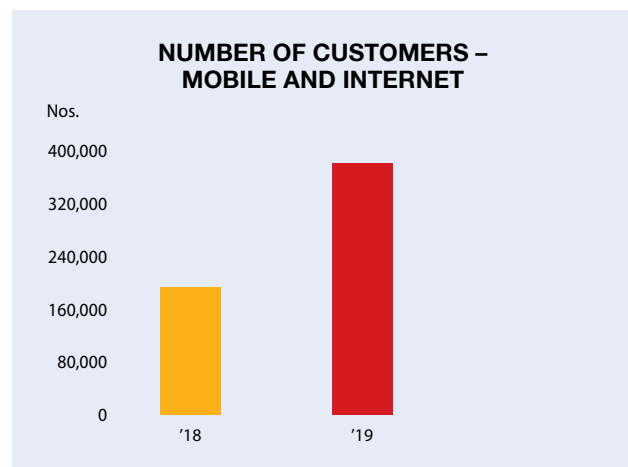
Moving our focus beyond a brick-and-mortar presence across the country, we have expanded through digital platforms such as mobile banking, internet banking, Facebook, Viber, Instagram and WhatsApp. Our website has been revamped to be more interactive and customer-friendly. These are ideal touchpoints for our constantly on-the-go customers.

For the year ended December 31	2019	2018	Change %
Mobile and internet banking customers	381,573	194,250	96.4
Facebook fan base	205,000	186,141	10.1
Number of visitors to People's Web monthly	57,406	46,580	23.2

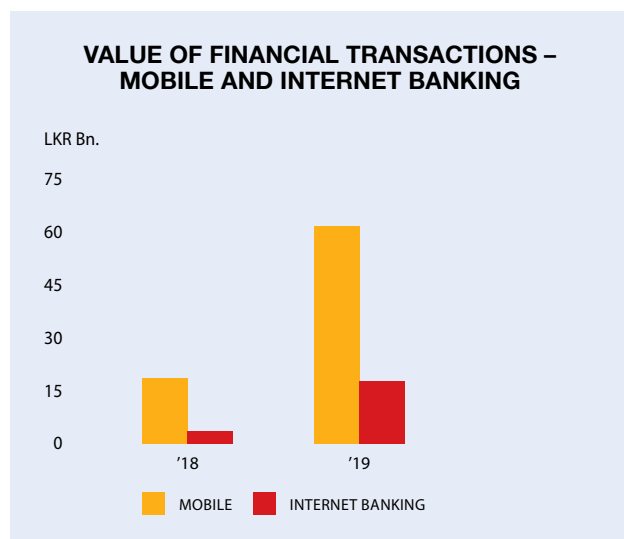
Significant efforts were taken during the year to direct customers towards self-banking channels. The look and feel of our self-banking units were made more vibrant to attract more customers and the efficiency of the centres were elevated to the highest level, with the machine uptime reaching 99.9%, through close monitoring 24 hours a day. Highly sophisticated cheque deposit machines were installed with the shortest cheque clearing time. Furthermore, two counter-less branches were opened enabling customers to handle all transactions, except obtaining loan facilities. These branches have elevated customer experience to an unparalleled level.

ADOPTION OF DIGITAL BANKING CHANNELS

There has been a steady acceleration in the adoption of self-service channels among our customers with over 100% YoY increase in value of digital transactions in 2019. In particular, 70% of our rural customers have migrated to self-banking channels.



SOCIAL AND RELATIONSHIP CAPITAL

**OUR CALL CENTRE**

We continued to strengthen our customer service proposition by improving call quality during peak hours. Despite our increasing presence on digital channels, the value of our Call Centre remained high. Customers are able to reach us any time of the day, 365 days of the year.

During 2019, the average number of calls handled by the Call Centre was 3,094 calls per day and the average handling time was 2 minutes and 43 seconds.

CUSTOMER EDUCATION

Through structured customer education programmes and customer engagement initiatives, we bridge the social and digital barrier to banking. During the year, several multidisciplinary programmes were conducted to add value to over our customers across the island.

Customer education programmes conducted in 2019

Programme/ Initiative	Objective/ Description	Region/ District	Number of participants
Mawaka Mahima (Vanitha Vasana work shop)	Psychological retreat for expecting mothers	Kandy	250
		Anuradhapura	250
		Polonnaruwa	250
		Trincomalee	250

HANDLING CUSTOMER GRIEVANCES

To deliver an excellent customer experience, we strive to resolve customer complaints fairly, effectively and speedily. A structured customer complaint and grievance procedure is in place, which is communicated to all our customers via our branches and our corporate website. In the event, a customer is dissatisfied with our grievance resolution process, it can be elevated to the Financial Ombudsman, whose contact details are displayed at every branch.

In addition, our 24-hour customer service hotline and dedicated Customer Complaint Handling Unit ensures all grievances recorded and responded within a specific time period. The relevant regional manager is responsible for investigating and responding to the grievances. Recurring complaints and grievances pertaining to employees are directed to the Bank's Internal Investigations and Inquiries Department for review and action. Customer complaints are informed to the employees at the monthly branch managers' conferences and corrective action is recommended to avoid repetition.

The Central ATM Control Department monitors complaints pertaining to breakdown of ATMs. A robust mechanism has been initiated to ensure every breakdown is reported to the relevant branch and prompt action is taken within a reasonable time. This has resulted in a significant decline in the number of ATM breakdowns during the year.

1,361 staff members were trained on product knowledge to minimise customer complaints during the year.

DETAILS OF CUSTOMER COMPLAINTS RECEIVED IN 2019

Details	Numbers
Number of customer complaints received	316
Number of customer complaints resolved	204
Pending complaints	
Pending investigations	09
Pending legal cases	04
In progress	99

▼ GRI 416.1, 416.2

CUSTOMER HEALTH AND SAFETY

Maximum care has been taken to design our products and services to minimise any adverse impacts to health and safety of our customers, although the nature of such impact cannot be easily evaluated due to the nature of our business. All branches have fire exits, fire sirens and are protected by armed and non-armed security guards.

Furthermore, we have put in place all necessary safeguards to ensure that we provide a safe and secure environment for our customers to carry out their banking transactions, be it at our branches, ATMs, SBUs or through our online platforms. Our physical touchpoints are equipped with all necessary safeguards in conformity with national safety regulations. This is in addition to 24 hour CCTV monitoring.

FRAUD PREVENTION

To prevent fraud, we have implemented a dual control mechanism, where every transaction is checked and authorised by at least two independent managers. Every branch undergoes a strict audit process by their the respective in-house audit department and the Bank's Internal Audit Department, in addition to the annual external and Central Bank audit.

To monitor the growing number of online transactions, a separate audit function has been established with over 200 staff.

▼ GRI 418.1

CUSTOMER PRIVACY

We handle large volumes of sensitive information from a wide range of banking transactions. Therefore, we have implemented stringent measures to protect customer privacy and maintain a high standard of confidentiality. We continue to invest in strengthening our IT and cybersecurity framework to ensure that confidential customer data is safeguarded. Controls in place include regular IT vulnerability assessments, network upgrades, IT audits by third parties and ongoing employee training on IT security aspects. During the year in review, there were no incidents of non-compliance reported due to breaching of customer privacy.

SALE OF BANNED OR DISPUTED PRODUCTS

Operating in strict compliance to the CBSL customer charter, we do not sell or market products or services which are banned in the market or subject to stakeholder or public debate. We do not finance any illegal project which is documented as illegal in our credit policy. There were no incidents of non-compliance with the sale of banned or disputed products.

FUTURE OUTLOOK

We will continue our efforts to migrate all our customers to digital banking channels. As the bank with the largest customer base in Sri Lanka, we will empower our citizens to become financially aware and empowered by our digital technology backed financial solutions. We will raise the bar in customer service standards by delivering an exceptional customer experience every time.

SOCIAL AND RELATIONSHIP CAPITAL

► BUSINESS PARTNER CAPITAL

HIGHLIGHTS

Relationships spanning over 20 years
with 29 correspondent banks and

40 vostro agents

LKR **12.2** Bn. value created for suppliers

Percentage of value created for local suppliers

90.5%

We value the regular engagement and strong relationships with our business partners which is essential for the value creation process of our Bank.

OUR BUSINESS PARTNERS

Business growth partners	• Correspondent banks • Vostro agents • Franchise partners • State institutions
Suppliers	• Utility service providers • Materials suppliers • Fixed assets suppliers • Travel and transport
Maintenance partners	• Software suppliers • Waste management • Communication • Human resource providers
Others	• Contractors • Premises providers • Others

BUSINESS PARTNER CAPITAL STATISTICS

As at 31 December	2019	2018	2017	2016	2015
Number of registered suppliers	242	383	662	363	217
Number of correspondent banks	42	43	46	49	49
Number of vostro agents	71	73	72	70	71
Payments to suppliers (LKR Bn.)	12.2	12.8	11.2	8.6	7.2

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)

	We provide opportunities for women to effectively participate in leadership at all levels of decision-making.
	We create conditions that allow people to have quality jobs that stimulate the economy without causing harm to the environment.
	We operate sustainable supply chains, involving all from producer to final consumer.
	We collaborate with diverse business partners to create shared value for our stakeholders.

▼ GRI 204-1

MANAGING OUR BUSINESS PARTNER CAPITAL

Business partners are vital for the smooth functioning of our business operations. Over the years, we have successfully nurtured long-term relationships with a range of business partners who play an important role in our value creation process. Through our rigorous adherence to all industry regulations, transparency of our operating procedures, ethical business practices and the discharging of our debt obligations in a timely manner, we continue to create shared value. During the year, we collaborated with over 355 business partners, and created value of an estimated LKR 12.2 Bn. Total value distributed to local suppliers during the year 2019 is LKR 11.0 Bn. and over 90% of the value created was for suppliers of local origin.

▼ GRI 102-9

SUPPLY CHAIN MANAGEMENT

We strive to maximise economy and efficiency of procurement through cost optimisation and maintaining a high quality standard. A formal Board approved tender procedure is followed in supplier selection. Each year, new suppliers are registered, by calling for public tenders followed by a stringent screening process which includes quality, reliability and compliance requirements. These include compliance to environmental certifications and Central Environmental Authority (CEA) regulations, risks of child labour and forced labour among others. During the year, we did not identify any supplier/operation which had a significant risk of child/ forced or compulsory labour.

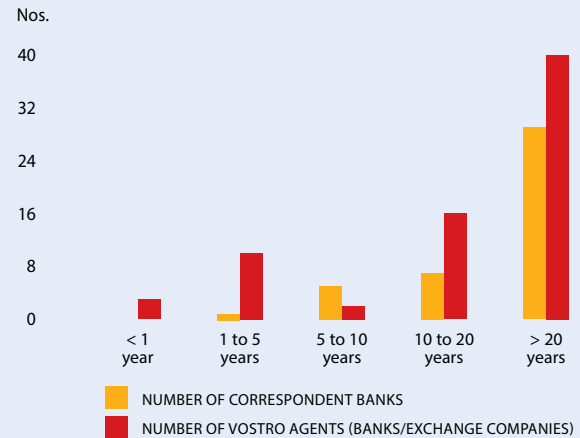
Several enhancements were made to our supply chain during the year. A new fixed assets inventory system was implemented to manage all fixed assets including maintenance of machines. Our entire branch network is linked to this system, driving increased efficiency in fixed assets maintenance. A vehicle tracking system was implemented using GPRS technology to optimise transport usage.

The material topics identified are mapped on the matrix below, their position relative to the degree of stakeholder interest and potential business impact. These topics should not be viewed in isolation as they are interconnected and the changes in one can have an impact on others.

INTERACTION	HIGH		Material suppliers	Utility service providers
	MEDIUM	Suppliers of outsourced Employees Assets Suppliers Services	Maintenance trainers and consultants Communication	
	LOW	Premises Providers Contracts		
		LOW	MEDIUM	HIGH
		CRITICALITY		

BUSINESS PARTNER RELATIONSHIPS

We have maintained mutually beneficial, strong relationships with 29 correspondent banks and 40 vostro agents. Most of these relationships span over 22 years based on mutual trust.

LENGTH OF BUSINESS PARTNER RELATIONSHIPS

	Length of relationships (Years)				
	<1	1-5	5-10	10-20	>20
Number of Correspondent banks	0	1	5	7	29
Number of vostro agents (Banks/Exchange companies)	3	10	2	16	40

▼ GRI 102-13

MEMBERSHIP IN INDUSTRY ASSOCIATIONS:

As a leading State bank in Sri Lanka, we are constantly working towards the social and economic advancement of our nation by identifying areas of concern and exploring solutions. We take our responsibility of undertaking studies and analysis to support recommendations to policy makers and support industry and national development. In this pursuit we are members of the following organisations:

We are members of the following organisations.

- Asia Pacific Rural and Agricultural Credit Association
- The Association of Compliance Officers of Bank, Sri Lanka
- The Financial Ombudsman Sri Lanka (Guarantee) Ltd.
- Institute of Bankers of Sri Lanka
- The Ceylon Chamber of Commerce
- Sri Lanka Banks Association (Guarantee) Ltd.
- The Association of Banking Sector Risk Professionals – Sri Lanka
- Clearing Association of Bankers
- Employers' Federation of Ceylon
- Association of Primary Dealers

SOCIAL AND RELATIONSHIP CAPITAL

ETHICAL PRACTICES

We follow a transparent tender procedure for procurements, in accordance to our procurement manual in line with Government regulations. All information pertaining to our suppliers are treated with utmost confidentiality. Environmental and social concerns have been embedded into our procurement process. We also require our suppliers, contractors, and consultants to maintain highest standards of ethics and we also ensure our suppliers are paid on time.

FUTURE OUTLOOK

We will continue to strengthen the relationships with our business partners and follow ethical business practices. A decentralised stationery control system and a business continuity plan for property management will be introduced in the ensuring year. We also plan to revise our procurement manual to enhance the efficiency of the procurement process of the Bank. A suppliers' day will be convened to recognise and enhance our relationships with our suppliers.

► INVESTOR CAPITAL

HIGHLIGHTS

LKR **2,420** Mn. dividends paid to shareholders

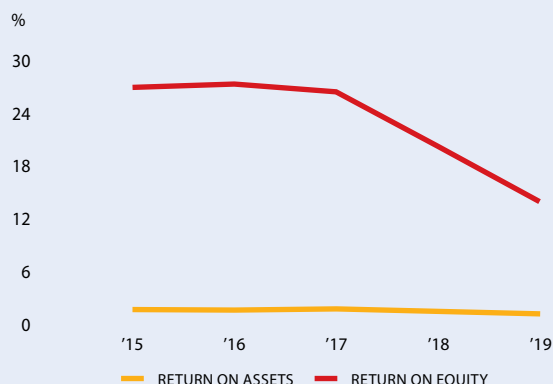
Net assets per share increased by

4.1%

INVESTOR CAPITAL STATISTICS

As at 31 December	2019	2018	2017	2016	2015
Earnings per share (LKR)	12,926	17,095	18,250	14,995	12,598
Net assets per share (LKR)	94,964	91,210	77,457	59,649	49,495
Return on assets (%)	1.1	1.5	1.9	1.7	1.8
Return on equity (%)	13.9	20.3	26.6	27.5	27.1

RETURN ON ASSETS AND RETURN ON EQUITY



SOCIAL AND RELATIONSHIP CAPITAL

MANAGING INVESTOR CAPITAL

Investors provide the necessary capital needed for Bank's value creation process and they are important stakeholders of the Bank. They expect optimal financial returns for their investment, and we continually strive to deliver increased returns by sustained and prudent growth. We also maintain a high level of integrity and transparency in our operations by presenting timely, relevant, and balanced view of the Bank's operational results, financial position and cash flows. This helps to boost investor confidence in our Bank.

SHAREHOLDER PROFILE

Our principal shareholder is the Government of Sri Lanka holding a 92.3% stake and the balance 7.7% is held by Corporate Societies.

During period 2005 to 2006 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 Co-operative Societies will have 0.03%.

ECONOMIC VALUE ADDED (EVA)

EVA is the true economic profit exceeding the required return for the Company's shareholders. We are committed to delivering optimal value to our shareholders through efficient use of capital and higher profit generation. The EVA created in 2019 amounted to LKR 32.7 Bn.

For the year ended December 31	2019 LKR '000	2018 LKR '000	Change %
Invested equity			
Shareholders' funds	94,964,440	91,209,925	4.1
Add: cumulative provision for loan losses/provision for impairment	73,640,997	68,752,793	7.1
Total	168,605,437	159,962,718	5.4
Earnings			
Profit after taxation	12,925,683	17,094,922	-24.4
Add: loan losses and provisions/impairment provision	5,798,646	2,623,970	121.0
Less: loans written off	(95,638)	(160,306)	-40.3
Total	18,628,691	19,558,586	-4.8
Cost of equity (based on 12 months weighted average treasury bill + 2% for risk premium)	8.6%	10.9%	
Cost of average equity	14,095,574	16,296,829	-13.5
Economic value added	32,724,265	35,855,415	-8.7

SOCIAL AND RELATIONSHIP CAPITAL

▼ GRI 201-1

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Information on the Economic Value Generated and Distributed provides a basic indication of how the Bank created wealth for stakeholders. The table below shows the Bank's contribution to the Sri Lankan economy in the past five years.

For the year ended December 31	2014	2015	2016	2017	2018	2019	Growth % 2019 vs 2018
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Sources of income							
Interest	84,479,961	92,485,979	109,970,256	149,184,471	166,441,208	184,024,838	10.6
Exchange	1,598,506	3,050,646	2,572,743	2,119,499	6,016,099	800,416	-86.7
Commission and fees	3,820,242	3,712,146	3,948,052	5,132,907	6,956,292	7,336,594	5.5
Capital gain	1,042,108	305,011	531,921	125,763	162,923	329,071	102.0
Other	5,436,664	4,095,182	5,091,388	4,272,751	1,707,356	4,548,686	166.4
Total	96,377,482	103,648,964	122,114,360	160,835,391	181,283,878	197,039,605	8.7
Utilisation of income							
To depositors as interest	54,362,126	48,731,974	66,845,869	98,718,636	111,034,922	125,507,699	13.0
To employees as emoluments	14,005,555	17,377,025	13,633,514	14,738,069	19,504,835	19,226,233	-1.4
To providers of goods and services	7,414,998	7,160,999	8,588,379	11,168,408	12,822,211	12,153,293	-5.2
Net impairment loss on financial assets	(1,430,440)	3,739,914	1,246,748	1,348,460	2,623,970	5,798,646	121.0
To Government taxes, special levy and dividend	14,125,646	16,834,192	20,515,560	20,522,887	19,814,596	19,817,027	0.0
To community	24,675	39,461	40,269	56,317	42,288	35,683	-15.6
Retained for growth	7,874,923	9,765,398	11,244,022	14,282,614	15,441,056	14,501,024	-6.1
Total	96,377,482	103,648,964	122,114,360	160,835,391	181,283,878	197,039,605	8.7

Note : Above figures has been derived from the Audited Financial Statements that were prepared based on the Sri Lanka Accounting Standards (SLFRS/LKAS).

DIVIDEND PAYMENT AND DIVIDEND POLICY

The Bank's dividend policy supports both shareholders' returns and the Bank's long-term business expansion. We strive to pay a consistent stream of dividend to our shareholders. Dividend payment for 2019 amounted to LKR 2,420 Mn.

FUTURE OUTLOOK

By generating increased profits, delivering attractive financial returns and effecting improvements to governance, we continue to create shareholder wealth through sustainable and prudent growth.

► COMMUNITY CAPITAL

HIGHLIGHTS

LKR **35.7** Mn. funds channelled for community development

Community development through infrastructure development, education, arts and culture, and environmental projects

for **local economic development**

LKR **8.4** Bn. Community-based development loans granted

As a premiere State Bank in Sri Lanka, we support the socio-economic progress of communities by strengthening them economically and building resilience.

MANAGING COMMUNITY CAPITAL

Guided by our sustainability policy, we reach beyond inclusive finance to touch the lives of local communities through our CSR programmes. Our business goals are aligned with social and environmental considerations through our CSR programmes to create value whilst achieving business success. Through these initiatives we strive to make an effective impact and a quantifiable contribution to local communities. We uplift the standard of living of the communities by extending finance, creating job opportunities and skills development through training and development. Our commitment to uplifting the underprivileged communities is carried out by developing arts and culture, healthcare and, education.

COMMUNITY CAPITAL STATISTICS

As at 31 December	2019	2018	2017
Investment in CSR (LKR Mn.)	35,683	42,288	56,317
Community-based development loans (Nos.)	71,927	42,511	51,375
Community-based development loans (LKR Mn.)	8,382.7	9,017.6	10,479.2

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)

	Supporting economic growth through inclusive financing, education, and creation of job opportunities
	Increasing agricultural productivity through the provision of inclusive finance for small scale farmers
	Enhance the health systems through efficient funding, and improving the health and well-being of communities through sports events
	Inculcating the reading habit amongst schoolchildren and supporting education by donation of school supplies and infrastructure development
	Directing customers towards renewable energy by providing low cost finance for solar and other sources of renewable energy
	Sharing knowledge, technology, expertise, and financial resources to achieve SDGs

▼ GRI 413-1

DIRECT COMMUNITY SUPPORT

We uplift communities around us through structured CSR programmes. During the year, LKR 35.7 Mn. was invested on welfare initiatives through the Bank's CSR budget. The initiatives were focused on uplifting arts and culture, education, health, and other social activities. The details are given in the table below.

SOCIAL AND RELATIONSHIP CAPITAL

Investment in CSR Projects in 2019 –

Category	Amount LKR '000
Art and culture	23,445
Education	7,275
Environment	1,167
Health and other social activities	3,795
Total	35,682

Art and culture



Main sponsor of the Kandy Esala Maha Perahera and Nawam Perahera.



We sponsored the fund raiser of the Lions Club International District 306 A1 – “Didulana Tharu Rathriyak” a cultural event of the Channa-Upuli Performing Arts Academy. The funds raised were channeled for 10 large scale community service projects across the nation, covering areas such as Sella Kataragama and Bandaragama.

Education



Contribution to Ayati Trust Sri Lanka conducted by University of Kelaniya.



Donated 200 Sisu Udana branded school bags to students of Bulankulama School in Anuradhapura, to commemorate the World Children's Day.

Launched an island-wide book donation campaign to provide underprivileged children the gift of reading.

Over 1,000 students of the Kumarapattiya Ambagasdoowa Rajakeeya Vidyalaya in Badulla were provided with books and stationery items under the “Pathumak Thagi Karamu” (Gift a wish) campaign.

Sponsored the literary festival, book exhibition and United Nations (UN) model day, organised by the Lions Clubs in Galle, in collaboration with the Education Department, Cultural Department, University of Ruhuna, Youth Council, and the UN. The programme was to encourage the reading habit of children and the public and create awareness about the activities of the UN amongst the children and the youth.

Several programmes were conducted for schoolchildren in Balapitiya, Ambalangoda and, Ahungalla in collaboration with the Department of Education to commemorate World's Children's Day.

Sponsored a student mentoring programme for 200 GCE Ordinary Level candidates and their parents. The programme was conducted by an eminent motivational and inspirational speaker, which was telecast on the *Shraddha* Media Network.



People's Bank Buddhist Society carried out its Annual School Book Project during 2019. The Buddhist Society donated school books to 4,075 students islandwide including their teachers. This project was chaired under the patronage of the Regional Managers of each region and the selected schools were located in very remote areas of the island. The total project cost was LKR 3.6 Mn.



Sponsored the INSPIRE 2.0 Project. A programme conducted to enhance the knowledge of English of schoolchildren in rural areas. This was organised by the University of Sri Jayewardenepura.

Environment



People's ECO Park tree planting project at Welimada.



'Pathumak Thagi Karamu' campaign in celebration of literature month launched in the hope of bringing quality reading material closer to less privileged children.

Green generation beach clean-up in Mount Lavinia Beach.

SOCIAL AND RELATIONSHIP CAPITAL

Health



In commemoration of our 58th Anniversary, a blood donation camp was organised with the participation of our employees.



Water filter donation by Ragama branch staff members to the maternity ward of Ragama hospital.



Donation to Ratnapura main hospital with the participation of all staff from Ratnapura branch.

To support the health and well-being of communities, we sponsored a mega sports day with over 1,000 participants, approximately 200,000 spectators and over four million viewers over electronic and print media.

Sponsor to "Diriya Hala" fund raiser to support cancer patients.

Other social activities



"Nidahase Upatha" programme to celebrate 71 years of Independence with gifts for children born during the week of Independence.

Several workshops were conducted in Panadura and Matara in collaboration with the Ministry of Women's Affairs, to enhance the standard of living of women. These were conducted to commemorate International Women's Day.

Donation to victims of Easter Sunday Attack.

COMMUNITY-BASED DEVELOPMENT LENDING

▼ GRI 203-1

We provide financial assistance to specific industry sectors through refinance loan schemes by partnering Non-Governmental Organisations (NGOs) and Government organisations. These facilities are granted primarily through the Bank's SME Development Unit and the Micro Finance Units. During the year 2019, loans were extended to several industries, supporting employment generation, cottage industries, and developing Sri Lanka's agricultural sector. Approximately, 65% of the loans were extended to fund economic activities.

	As at 31.12.2019			
	Funded by the Bank		Funded through refinance scheme	
	Number of loans	Outstanding amount LKR Mn.	Number of loans	Outstanding amount LKR Mn.
Commercial	1,762	72.93	817	150.40
Financial	63	0.01	9	1.75
Agricultural	33,186	5,058.21	3,405	537.72
Industrial	1,948	37.23	865	98.85
Tourism	25	56.83	11	4.55
Housing and property development	627	4.18	23	0.78
Consumption	242	16.29	11	0.38
Services	164	20.24	510	47.61
Other economic activities	26,332	2,069.51	1,927	205.29
Grand Total	64,349	7,335.43	7,578	1,047.34

FUTURE OUTLOOK

We will continue to sharpen our attention on fulfilling the needs of the local communities within which we operate, focusing on priority areas that are of strategic importance to our operations.

NATURAL CAPITAL



Natural capital includes all renewable and non-renewable resources sourced from the environment. A sound Natural Capital management strategy is vital for long-term and sustainable value creation. We remain committed to managing the short-term and long-term impacts of our business operations on the environment and promoting sustainable use of natural resources.

HIGHLIGHTS



First State bank in Asia to receive **Carbon Conscious Certification**



Opened **568,495** digital accounts



Introduced the **Green Building Policy**



Electricity consumption reduced by **79,806 units**



36,117 kgs of waste paper recycled

MANAGING OUR NATURAL CAPITAL

We have implemented a comprehensive management plan to mitigate our overall GHG (Green House Gas) impact. Reiterating our commitment to climate action, multiple measures have been introduced on better energy and waste management in an effort to mitigate our overall environmental footprint. We have also adopted the evaluation of environmental impacts in our lending and investment policy and implemented a dedicated "Green Banking" product line. We constantly look at innovative methods of conducting business that are less harmful to the environment. These efforts showcase our tireless commitment to integrating sustainability into our operations.

Our direct environmental impacts are limited to energy, water and paper consumption, and the effective management of waste.

CAPITAL LINKAGES AND TRADE-OFFS



- Installing renewable energy and implementing environmental sustainability measures contributes to reducing energy costs in the longer-term



- Corporate sustainability initiatives enhances employee engagement and the work-life balance of employees



- Building carbon neutral buildings and installing renewable energy contributes to manufactured capital



- Integrating environmental sustainability initiatives improves our brand reputation and trust and confidence in our Bank



- Focus on environmental sustainability builds customer confidence and compliance with applicable environmental regulations

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS (SDGs)

6 CLEAN WATER AND SANITATION	Implementing water conservation measures and promoting responsible consumption across the network
7 AFFORDABLE AND CLEAN ENERGY	Building green branches and installing solar energy in branches
11 SUSTAINABLE CITIES AND COMMUNITIES	Build sustainable cities and communities by integrating environmental sustainability into our operations
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Promoting paperless banking through digitalisation and paperless communication across the network through electronic communication and documentation
13 CLIMATE ACTION	Investing in green buildings, measuring and reducing our carbon footprint and, practicing responsible water, waste and energy management across the Organisation
14 LIFE BELOW WATER	Promoting sustainable use of resources and implementing environmental conservation initiatives to support life below water
15 LIFE ON LAND	Sustaining life on and by sustainable use of natural resources and implementing environmental conservation initiatives

▼ GRI 103-3

"PEOPLE'S GREEN PULSE" ENVIRONMENTAL POLICY

Our environmental policy sets forth our commitment towards a greener future through focused environmental management initiatives by measuring, managing and mitigating our environmental impact. The policy communicates our corporate thinking towards becoming a more sustainable finance institution to our stakeholders and reinforces our commitment towards the Sustainable Development Goals. This includes our sustainability framework that spans across all divisions of the Bank, including the head office, regional offices and the entire branch network. It also includes the creation of sustainability teams across all key operational functions to manage the Bank's environmental and social initiatives.



Buildings	Processes	Customers	Society	Employees
• Certifying selected branches as carbon neutral buildings • Introducing solar power generating systems to 100 buildings • Constructing new buildings according to LEED/GREENSL/CIOB guidelines • All building contractors to follow LEED/GREENSL/CIOB Green Mark Certification	Introduce paperless operations such as – • Cash and Cheque Deposit Machines • 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	Promote Green banking concepts such as – • Opening of accounts through Express Banking which is a paperless operation • Issuing E-statements to all account holders on request • Aggressively promoting SMS and Internet banking • Issuing of Debit Cards – cashless society • Rolling-out Express Banking for new customers • CDM-cash depositing, ATM-cash withdrawals • Kiosk-bill payments	Offering the benefits of operating as the most carbon conscious Bank/Green Bank in Sri Lanka to the society as a whole	• Creating environmental sustainability awareness • Providing concessionary staff loan facilities to purchase solar power systems, hybrid cars and electric cars • Encouraging employees to practice electronic communication and documentation

NATURAL CAPITAL

OPENING GREEN BRANCHES

In our commitment to environmental sustainability, all our new branches are constructed as Green branches and all renovations and retrofits are guided by the Bank's Green Building Policy. As a Platinum Life Member of the Green Building Council of Sri Lanka (GBCSL), all our construction projects adopt the GreenSL® Rating System of GBCSL.

We are in the process of obtaining the Green certification for all three phases including construction, operation and, maintenance. We were awarded the Carbon Conscious Bank – 2019 by the Carbon Consultancy Company (CCC) and all our branches have obtained the Sri Lanka Accreditation Board (SLAB) Accreditation – ISO 14065 and GHG 002-01.

CARBON FOOTPRINT

Having concluded the final year of the three-year Carbon Management Programme launched in 2016, we were awarded with CarbonConscious® Certification by SFG, thereby making us Asia's first State-owned bank to achieve this distinction. As part of the requirements of this certification, we further implemented a comprehensive management plan to establish objectives and identify initiatives to mitigate our overall GHG impact.



Recognition by The Sustainable Future Group as Asia's first CarbonConscious® Certified State-owned bank.

PAPER RECYCLING

We have significantly reduced paper consumption by promoting paperless banking through our extensive self banking units, mobile and internet banking channels and converting all conventional branches to digital-enabled branches. Through extensive customer familiarisation, majority of the conventional transactions are conducted via digital channels, contributing to paperless transactions. Through the recycling points established across the network, 36,117 kilogrammes of paper was recycled in 2019.

WASTE MANAGEMENT

Understanding the severity of irresponsible disposal of solid waste and its circumstances on the biodiversity and human health, we have implemented a responsible waste management process across our network. We practice segregation of waste generated with the support of our employees, the respective Municipal/Urban Councils and Central Environmental Authority endorsed third party recycling service providers. Wastewater generated is discharged as per the guidelines of the National Water Supply and Drainage Board. ICT based e-waste which is a key hazardous waste generated during our operation is disposed responsibly through tender procedure for reuse.

WATER CONSERVATION

To optimise water consumption in the Bank, a wastewater treatment plant has been constructed to recycle wastewater for gardening and flushing purposes. We have introduced several measures to minimise water usage by installing dual flush cisterns, auto flush toilet systems and automatic faucets in the washrooms.

▼ GRI 302-1, 302-2, 302-3, 302-4

ENERGY CONSERVATION AND EFFICIENCY IMPROVEMENTS

We constantly seek ways to increase energy efficiency, reduce energy consumption and eliminate waste, even though our operations are not energy intensive. Our main consumption source is electricity followed by transportation through our fleet and business-related travel. Total energy consumption of Head Office building in 2018 is recorded as 1,805,370 kWh and in 2019, our energy consumption reduced by 79,806 kWh units contributing to a LKR 2.0 Mn. saving in electricity cost due to our commitment to conserve. Energy intensity ratio of the Head Office (electricity consumption per employee per annum) is amounted to 1,787 kWh.

During the year, our efforts were focused on increasing our reliance on renewable energy usage such solar energy by converting all branches to renewable energy by installing Solar PV systems in every branch.

Some of the initiatives implemented to reduce energy consumption –

- Giving due consideration to the "Energy Efficiency Ratio" of the machinery and electronic equipment we purchase, to optimise Bank's energy consumption
- Replacing all lighting fixtures in branches and Head Office with energy efficient LED lights
- Procuring IT equipment which have a star rating for energy efficiency

- Fixing energy efficient air conditioners with inverter technology in all buildings and carrying out preventive maintenance through on-time servicing and repairs
- Using environmental friendly refrigerators
- Installing fuel efficient, low particulate emission and sound proof generators with remote monitoring facility

ENERGY CONSUMPTION OF PEOPLE'S BANK – HEAD OFFICE

Energy source	Energy type	Consumption level (GJ)	
		2019	2018
Renewable	Electricity	6,499.3	6,786.6
Non-renewable	Fuel	5,888.0	5,559.2
Total		12,387.3	12,345.8
Energy intensity (per employee)		12.7	12.5

FUEL AND EMISSIONS MANAGEMENT

We have accounted for fuel consumption in transportation of our fleet and business-related travels under energy consumption. We adopt measures to reduce fuel usage by using effective route planning, green vehicles and bulk transportation of materials to reduce GHGs.

PROMOTING RESPONSIBLE FINANCE AND GREEN FINANCE

Giving due consideration to environmental impacts in our lending and investment policy enables to reap long-term advantages which extend beyond mere monetary benefits. We promote responsible lending by educating new recruits and employees on the ethics of responsible lending, which encompass the social and environmental impact of lending. Both these aspects are assessed before a lending decision is made. Accordingly, compliance to all relevant environmental regulations, including the CEA license of our clients and the impact on the environment from our business operations are assessed prior to approval.

We provide environment-friendly loan scheme to purchase solar power systems and vehicle loans to purchase Hybrid and electric cars. 403,242 new digital accounts were opened in 2019 featuring paperless banking.

PEOPLE'S ECO-PARK PROJECT

Under the Environmental Sustainability policy an eco-park development project was initiated in Welimada, by planting more than 200 trees to reduce the carbon footprint. The trees are being nurtured by a team of agricultural specialists. We aim to initiate two more eco-parks in Wilgamuwa and Polonnaruwa in the ensuing year.

COMPLIANCE

We have complied with all laws and regulations during the year and there have been no fines and non-monetary sanctions imposed for non-compliance with environmental laws and/or regulations.

FUTURE OUTLOOK

We will continue to adopt environmental-friendly initiatives to combat the ill-effects of climate change in order to secure a sustainable future. Through our green banking concept and the digital banking drive we will continue to promote environmental sustainability.

RISK MANAGEMENT

▼ GRI 102-15, 102-30

Conservative and conventional business models of banks are being threatened by certain emerging mega trends – such as globalisation, digitalisation, exponential technologies like quantum computing, AI and robotics, unorthodox competition from TechFins and FinTechs and demographic changes. The growing regulatory developments and increasing capital requirements are challenging the profitability and attractiveness of banks. Further, the growing demand from Millennials for a high level of service and innovation and calling for equal emphasis on social and environmental aspects, besides economic performance have a profound impact on sustainability of banks today.

As the second largest commercial bank in Sri Lanka, People's Bank has a sound Integrated Risk Management Framework (IRMF) to identify, assess, measure, mitigate, monitor and report risks. Intelligent risk management is integral to create opportunities and to sustain our performance. Together with the highest standards for quality and integrity, this is essential to our brand and reputation and to make a lasting impact for our stakeholders. In our ever-changing market landscape, we actively pursue new business opportunities, invest in technology and manage risk and our reputation. Sustained progress has been made towards improving the resilience of the Bank's portfolios.

Accordingly, we continue to reposition the Bank's corporate portfolio, by managing the risk-return of our assets and liabilities

and remain alert to broader geopolitical uncertainties that have affected our operations. We continue to focus on early identification of emerging risks across all our portfolios to manage any areas of potential weakness on a proactive basis. The Bank's portfolio is well diversified across dimensions such as industries, geographies, and products.

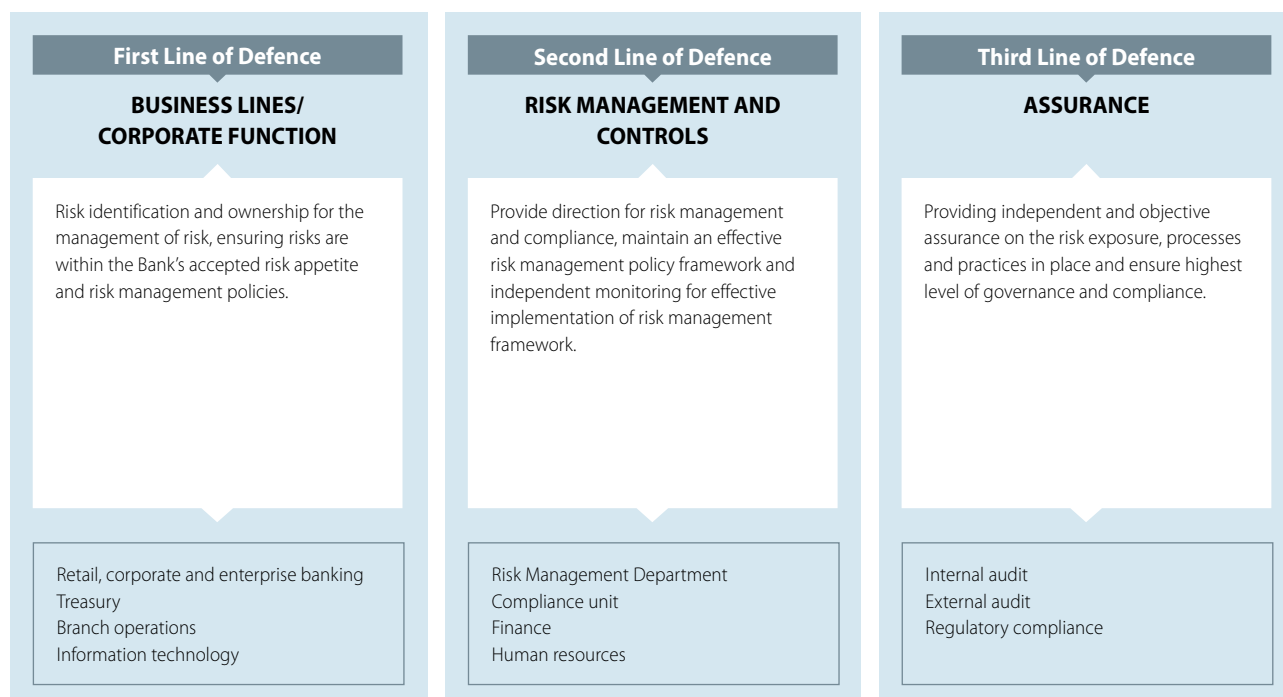
The objectives of the Integrated Risk Management Framework –

- Assess and appropriately manage risk exposures of the Bank
- Develop an effective system to monitor the Bank's risk exposures and relate them to the Bank's capital
- Establish a mechanism to monitor Bank's compliance with internal policies, particularly with regard to risk management
- Effectively communicate all relevant policies and procedures throughout the Bank
- Adopt and support strong internal controls
- Establish a strong risk culture within the Bank

BANK'S RISK MANAGEMENT FRAMEWORK

A robust risk management framework is in place based on the Three Lines of Defence Model, to ensure a structured mechanism to manage all risk exposures of the Bank. This is an interconnected and holistic system that effectively manages risks through three separate and clearly identified lines of defence.

THREE LINES OF DEFENCE



RISK APPETITE

Risk appetite is the aggregate level of risk the Group is willing to assume within its risk tolerance level in order to achieve its business objectives. Risk tolerance is the maximum level of risk the Group can assume before breaching regulatory constraints and its obligations to stakeholders. Risk appetite provides measurable

targets and tolerance thresholds across all material risk categories. This creates a framework to drive sustainable performance by evaluating optimal growth options alongside the risks involved. The Board reviews and approves the risk appetite annually to ensure alignment with the Group strategy, business environment, and stakeholder requirements.

The risk profile of People's Bank as at 31 December 2018 and 31 December 2019 compared to risk appetite is given below:

Credit risk	Credit risk appetite			Position as at	
	High risk	Medium risk	Low risk	31 December 2019	31 December 2018
NPL/Total advances (without pawning) %	>6	2.5 - 6	<2.5	3.72	2.76
Overdues %	>10	5 - 10	<5	8.64	11.88
Provision cover %	<75	75 - 90	>90	60.00	72.30
P and L charge %	>15	5 - 15	<5	29.49	10.74
Concentration (HHI Method)	>0.25	0.25 - 0.15	<0.15	0.21	0.18
Recoveries %	<10	10 - 20	>20	26.00	31.00
TOD excess %	>20	10 - 20	<10	18.21	11.56
Overseas exposure (OBU) %	>15	10 - 15	<10	1.43	0.88

Market risk	Approved limit	Year ended 31 December 2019
FX net open position	USD + 10 Mn. USD - 25 Mn.	Complied
Value at Risk (VaR) (Conf. Level 99%, 1 day)	USD 250,000	Complied
Cumulative losses		
– FX trading	USD 175,000	Complied
– FIS trading (realised)	LKR 25 Mn.	Complied
(unrealised)	LKR 500 Mn.	Complied
Forward FX Gap Limit	USD 600 months millions	Complied
GOSL Securities – Trading	LKR 150 Bn.	Complied
Investment	LKR 300 Bn.	Complied
AFS	LKR 10 Bn.	Complied
Sri Lanka Development Bonds (SLDB)	USD 750 Mn.	Complied
Interbank borrowings – Total limit	USD 668 Mn.	Complied
– Short-term limit	USD 191 Mn.	Complied
Investment value of share trading portfolio	LKR 1,000 Mn.	Complied
Stop loss limit (Share trading)	40%	Complied
Percentage of shares on the S&P SL20 Index	Min 25%	Complied
Gilt Unit Trust	LKR 2.5 Bn.	Complied
Debentures	LKR 5 Bn.	Complied
Interest rate risk (DGap+VaR on Fwd FX)	LKR 8.5 Bn.	Complied

RISK MANAGEMENT

Operational risk	Operational risk appetite			Position for the year	
	High risk	Medium risk	Low risk	2019	2018
Operational losses – Internal frauds	>25	10 - 25	<10	1	6
Operational losses – External (Pawning)	>1,000	400 - 1,000	<400	281	250
Total operational losses to total operational expenses	>1.0%	0.5% - 1.0%	<0.5%	0.21%	0.48%
Systems availability					
High critical	<97.5%	97.5% - 99.9%	>99.9%	99.87%	99.83%
Medium critical	<95%	95% - 97.5%	>97.5%	99.06%	99.89%
Low critical	<87%	87% - 90%	>90%	99.98%	100%
Percentage of branch audits rated less than satisfactory	>15%	0 - 15%	Nil	26%	21%

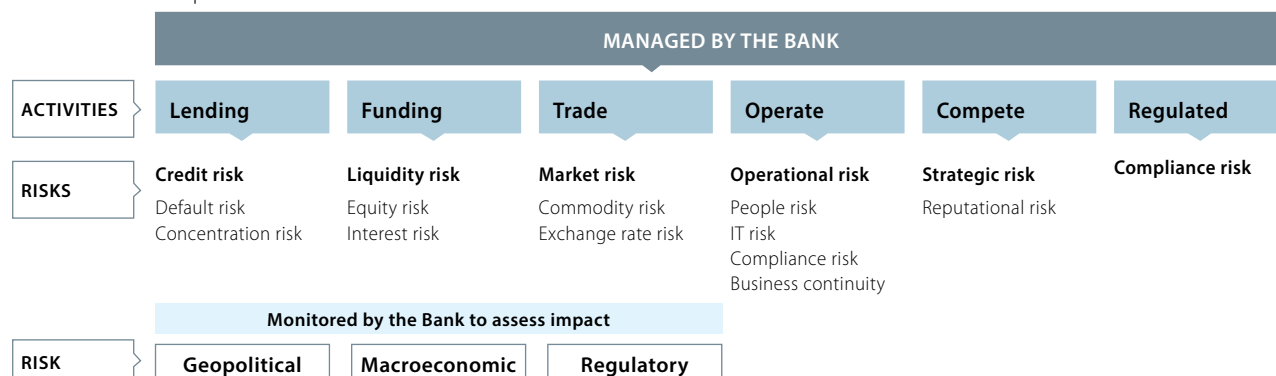
RISK CATEGORIES

People's Bank's main risk categories are credit risk, market risk, operational risk, liquidity risk, funding risk, compliance risk, reputational risk, legal risk, and strategic risk.

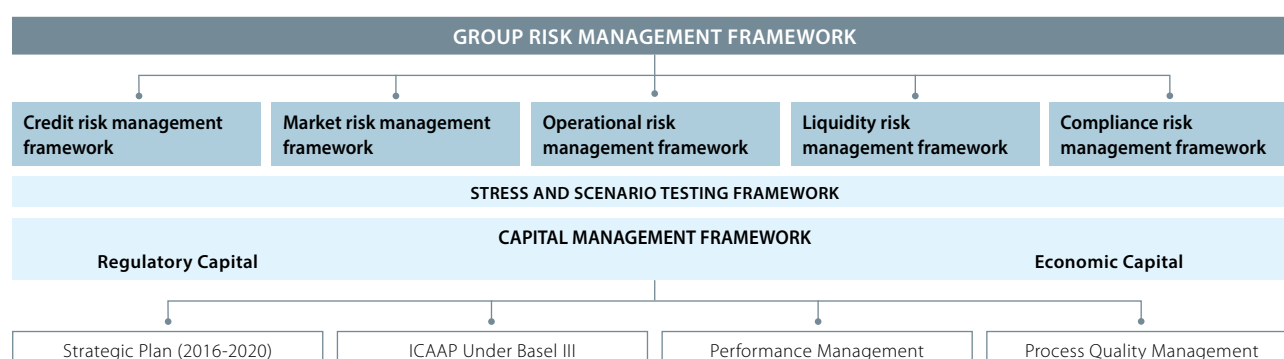
RISK UNIVERSE FOR PEOPLE'S BANK

The risk universe for People's Bank is composed of all risk categories across all its business lines, functions, geographical locations and legal entities.

Risk universe of People's Bank



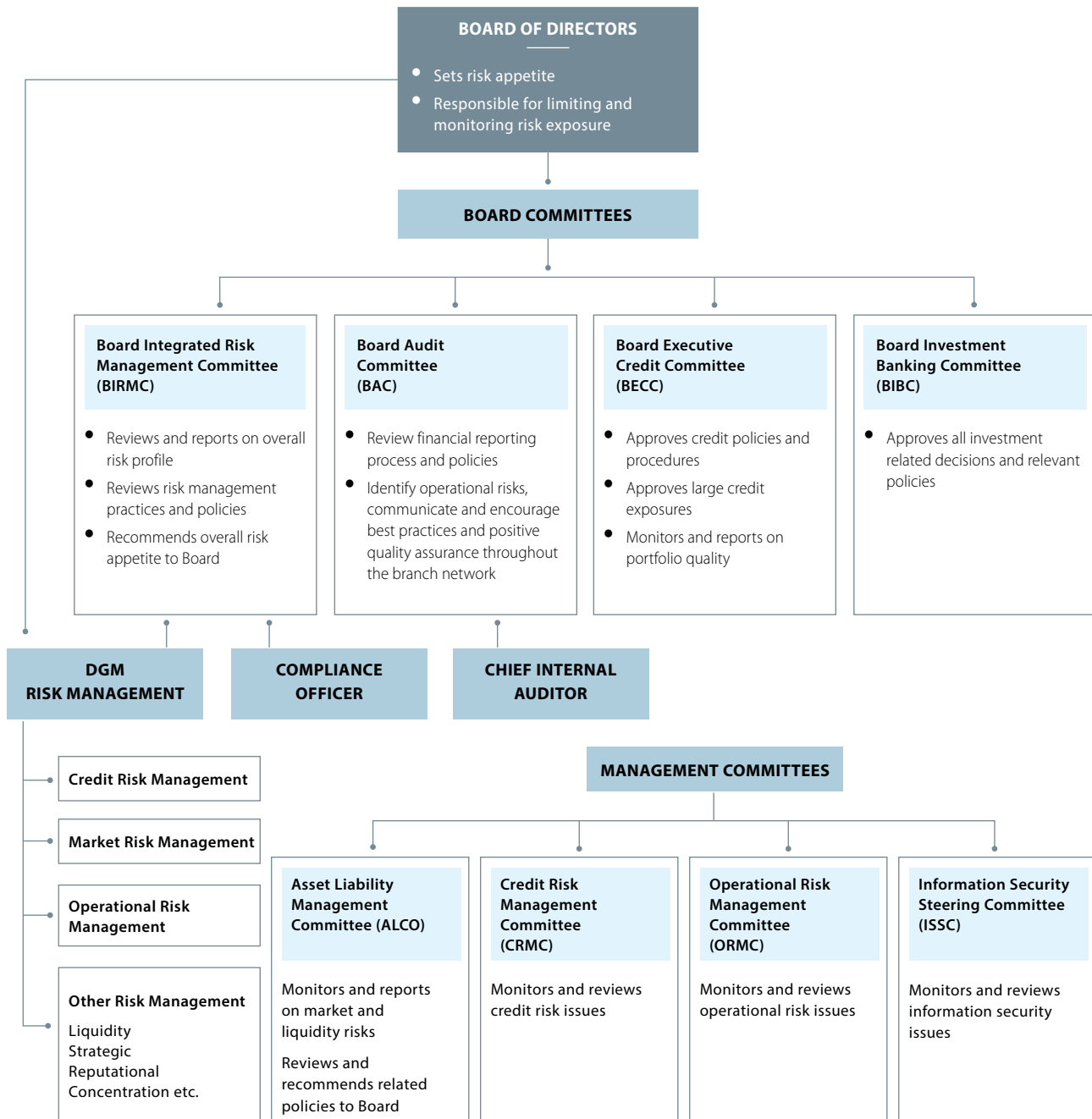
RISK APPETITE FRAMEWORK



RISK GOVERNANCE

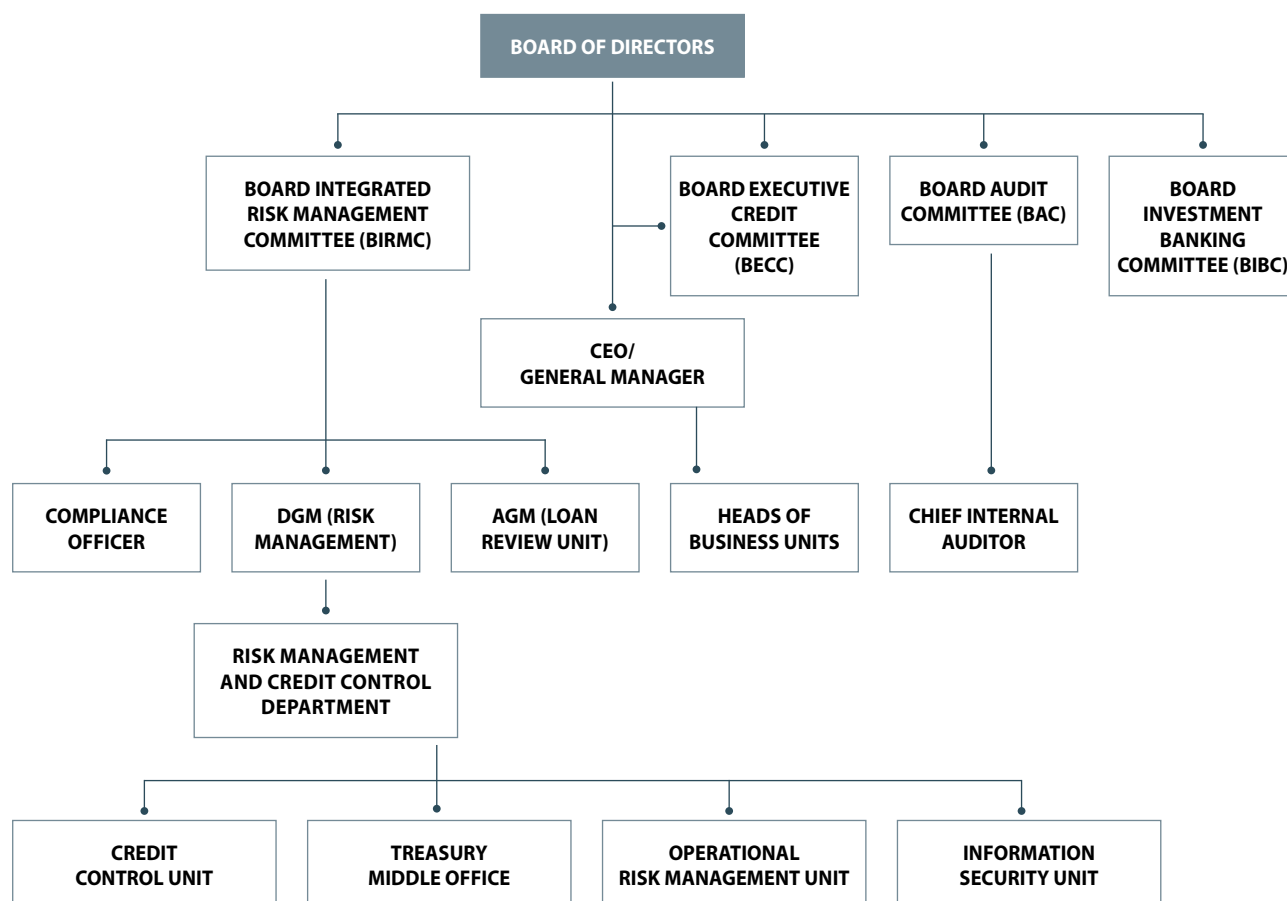
This is an essential element of the risk management framework, which is the application of the best practice in corporate governance to risk management. The apex responsibility for risk oversight is held by the Board of Directors, whose priorities include determining risk appetite levels, formulating risk policies and ensuring the effective management of risk exposures. The Board is assisted by several subcommittees and executive committees in the discharge of its duties related to risk management. This ensures Board level oversight and clear segregation of duties between risk origination and approval of risk exposures. The Board and the risk committees operate under the directions of their respective charters.

The risk governance framework of People's Bank is illustrated below:



RISK MANAGEMENT

FUNCTIONAL STRUCTURE OF THE INTEGRATED RISK MANAGEMENT FRAMEWORK OF THE BANK



RISK CULTURE

We seek to promote a strong risk culture throughout the Group to reinforce resilience by encouraging a holistic approach to the management of risk and return. Employees at all levels are responsible for the management and escalation of risks and they are expected to exhibit behaviours that support a strong risk culture. To develop a suitable risk culture, employees are trained regularly to enhance their level of risk awareness and provide the necessary skills and experience to manage risks related to their roles.

The principles that underpin the risk culture within the Group include:

- Defined risk appetites for risks taken by the Group
- Every risk should be approved within the risk management framework and should be adequately compensated
- Continuous monitoring and management of risks

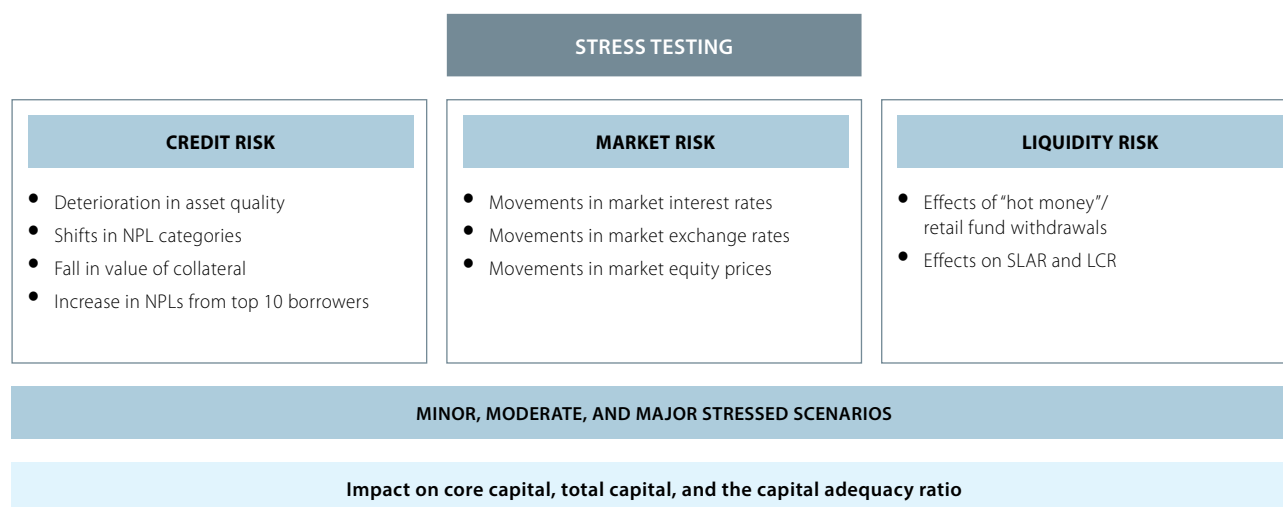
STRESS TESTING

Stress testing is a simulation technique adopted to determine the reaction of asset and liability portfolios to different financial situations. Stress testing is conducted periodically, to ensure that the Group has sufficient buffers of capital and liquidity to meet unexpected losses and contractual obligations.

Stress testing is an integral aspect of the Group's Internal Capital Adequacy Assessment Process (ICAAP). We assess the impact of macroeconomic and market variables on the Group's risk profile and financial position including the potential impacts on earnings, capital and liquidity. All material risk types are included in the stress testing exercise.

Board Integrated Risk Management Committee (BIRMC) conducts regular reviews on Group's stress testing outcomes and the major assumptions that underpin them. The outcomes of the stress testing process are vital inputs for capital planning for ICAAP, strategic planning, defining risk appetites, communicating with internal and external stakeholders and managing risk within defined parameters.

Given below is the stress testing process of the Group.



NEW DEVELOPMENTS IN RISK MANAGEMENT AT PEOPLE'S BANK

The following improvements were instituted to enhance the risk management framework of the Bank in 2019:

- People's Bank Act was amended to facilitate the debenture issue to raise Tier II Capital that would enhance the Capital Adequacy Ratio (CAR) of the Bank.
- Credit Risk Management Committee (CRMC), a management level committee was formed to strengthen the credit risk management function
- Overdue loans and advances were brought down through intelligent management
- Baseline security standards of the branch network and departments were strengthened on an ongoing basis

Group's preparedness was strengthened to deal with emerging risks which can surface without warning. The following measures were taken to deal with such emerging risks.

- Conducted the following security assessments as a preventive measure

Security assessment	Number of assessments conducted in 2019
External vulnerability assessments	4
Internal vulnerability assessments	2
Web application security assessments	1
Host discovery assessments	1
Wireless security assessments	1
Firewall security assessments	1

- Placed all critical live and disaster recovery servers in highly secured certified data centres.
- Conducted disaster recovery tests for all critical systems at regular intervals.
- Maintenance of ISO 27001:2013 Standard (Information Security Management System) for the third consecutive year.
- A risk dashboard was set up for all subsidiary companies to monitor the progress of the risk management process.
- The frequency of reporting to the BIRMC was brought down to monthly intervals from the quarterly intervals for better monitoring.

RISK MANAGEMENT

FOCUS FOR 2020

In 2020 we plan to further enhance the risk management framework of the Group, including giving more emphasis to emerging risks. We will launch a comprehensive training programme on the importance of risk management to branch staff and to promote a risk management culture within the Group. The credit evaluation process of the branches will be further strengthened as well.

Risk	Key controls (Governance bodies)	Change in risk level from 2018 (Increased/decreased/ static)	Focus for 2020
Credit risk	• Board of Directors • BIRMC • BECC • BIBC • ALCO • CRMC • Risk Management and Credit Control Department (RM&CC) • Loan Review Unit	Increased	Better management of credit quality with enhanced corporate governance rule in credit lending practices to strengthen Bank's overall performance
Credit Concentration risk	• Board of Directors • BIRMC	Static	Focus on managing the concentration exposure with changing risk aspects of industry related factors and maintain Bank exposure accordingly
Market risk	• Board of Directors • BIRMC • BIBC • ALCO	Decreased	Manage limits within the set parameters
Interest rate risk	• BIRMC • ALCO	Decreased	Maintain interest rate risk within prudential limits by better management of the government trading portfolio
Equity risk	• BIRMC • BIBC • ALCO	Increased	More focus on close monitoring of equity market movements and managing investments accordingly
Foreign exchange risk	• BIRMC • ALCO	Static	Enhance management of foreign exchange risk and rupee fluctuations
Liquidity risk	• BIRMC • ALCO	Static	Complying with guidelines of the Central Bank of Sri Lanka (CBSL)/BASEL
Operational risk	• BIRMC • BAC • ORMC • CBSL	Static	Enhance the knowledge of staff members about operational risk aspects and enhance the capturing process of loss events of operational risk by new Enterprise Governance Risk and Compliance (EGRC) system rollover

Risk	Key controls (Governance bodies)	Change in risk level from 2018 (Increased/decreased/ static)	Focus for 2020
People risk	• BHRMC • HR Development Department	Static	Enhance HR management function in a strategic manner
Information technology risk	• Board of Directors • BIRMC • BITC • IT Steering Committee • Information Security Steering Committee (ISSC) • Information Security Operations Committee (ISOC) • IT Department • CBSL	Increased	More focus on IT compliance requirements imposed by CBSL.
Compliance risk	• Board of Directors • BIRMC • BAC • ORMC • Internal Audit Function • Legal Department • Compliance Department • Company Secretary	Static	AML and strengthen compliance system
Strategic risk	• Board Strategic Plan Review Committee (BSPRC) • Strategic Planning Department	Increased	Increased focus on customer behaviour and changing banking business models with special attention on disruptive technology
Reputational risk	• Board of Directors • BIRMC	Static	Enhance the brand reputation and increase market share

CREDIT RISK

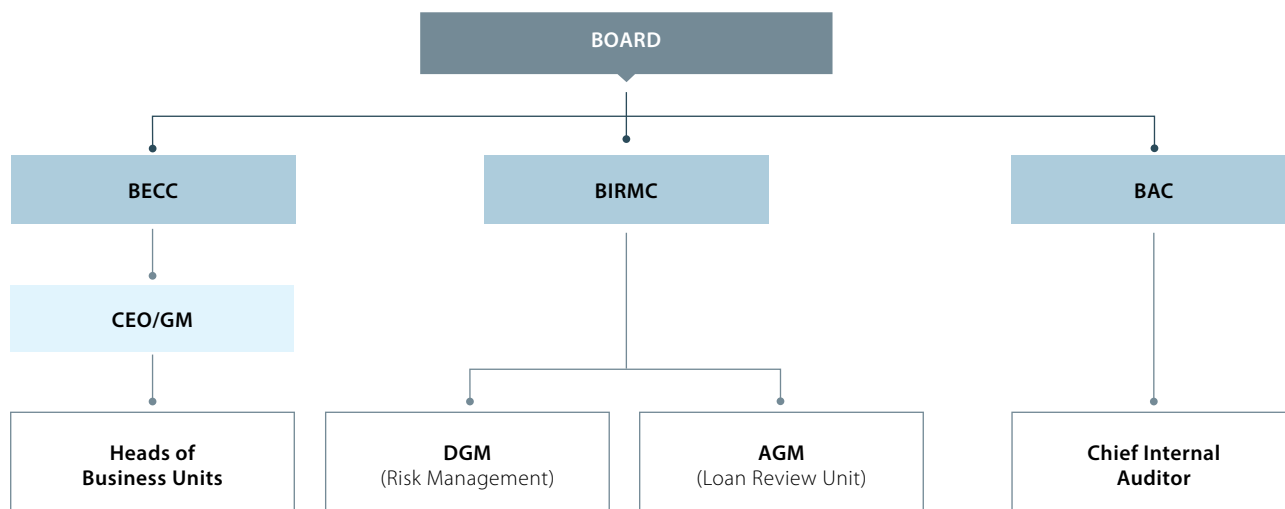
Credit risk is the risk of potential loss that arises from a customer or a counterparty failing to meet their contractual obligations to the Bank. This is one of the Group's key risk exposures, stemming from the loans and advances portfolio, financial guarantees, letters of credit and acceptances issued, and made on behalf of the customers. Credit risk can take the form of default risk and concentration risk of counterparties, business sectors or geographical regions.

Objectives of managing credit risk

- Maintain a well-diversified portfolio through prudent management of the risk asset portfolio
- Maximise returns and achieve an optimal risk-reward pay-off
- Minimise non-performing loans and maintain a high portfolio quality
- Pre-identification of potential credit risk with changing macroeconomic and industry factors.

RISK MANAGEMENT

Organisational structure for credit risk management



The responsibility for credit risk management and oversight has been assigned to the Board Executive Credit Committee (BECC). The responsibilities of the BECC include:

- Formulating and updating credit policies in consultation with the BIRMC and business units
- Establishing credit approval structures to effectively handle larger and higher risk exposures
- Conducting periodic reviews of individual credit exposures and the overall portfolio to eliminate undue risk concentrations
- Ensure adequacy of provisions and effective management of higher risk exposures.
- Developing and maintaining the risk rating systems
- Sanctioning or declining credit proposals above a predefined limit

Managing credit risk

Credit risk accounts for over 80% of Bank's risk weighted assets. Therefore, we manage credit risk on an ongoing basis, which is beyond mere regulatory compliance. Credit risk management is conducted under the credit risk management framework approved by the Board. This includes a risk governance structure including policies, procedures, segregation of authority, risk ratings, collateral management, and credit monitoring.

Robust risk policies and control framework

BECC formulates reviews and updates the credit risk management framework regularly, based on evolving best practices and emerging risks and opportunities. The credit policy approved by the Board, defines the credit culture of the Bank, prudential limits in line with the defined risk appetites and remedial and recovery actions.

Culture of responsible lending

The Group strives to nurture a culture of risk awareness and responsible lending. A comprehensive internal communication process and staff training programmes are conducted to achieve this. Customers are given adequate explanations about the credit on offer and a thorough customer credit evaluation is conducted prior to offering credit facilities or increasing the credit limit. The internal credit rating models represent diverse risk factors and predict the probability of default and loss.

Segregation of authority

The Board of Directors has the final authority and responsibility for all credit risk exposures. Approval for credit authority limits has been delegated to the CEO by the Board. The CEO has the authority to redelegate approval limits to credit committees and business lines. Each business line has clearly articulated and approved risk acceptance criteria and credit approval authority at multiple levels.

Any post-disbursement material changes to a credit facility (such as revision in tenor, covenants or collateral structure) require approval. Responsibility for risk assessment and post-monitoring are clearly segregated, facilitating effective implementation of credit appraisal guidelines and specialisation of skills.

The Bank assigns credit approval authorities to individuals according to their respective grade. Periodic reviews are conducted.

Risk rating of obligors, prudential limits, and minimum authority level

The Bank applies in-house assessment methodologies, scorecards, and the Bank's nine points rating scale to evaluate the creditworthiness and assign ratings to the borrowers. Different risk rating scorecards have been developed for each category of borrower. These rating scorecards are periodically reviewed and validated by the BIRMC. At the same time Single Borrower Limits (SBL) have been set based on borrower risk profile and the Bank has recently set minimum authority level of Delegated Credit Authority (DCA) for credit approvals based on customer risk profile on risk grades.

Credit risk mitigating and collateral management

The Bank adopts diverse methods to mitigate potential credit losses from any given account, customer, or portfolio. These include rescheduling, restructuring, collateral, netting agreements through credit insurance, credit derivatives, and guarantees. Collaterals are obtained as per 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.

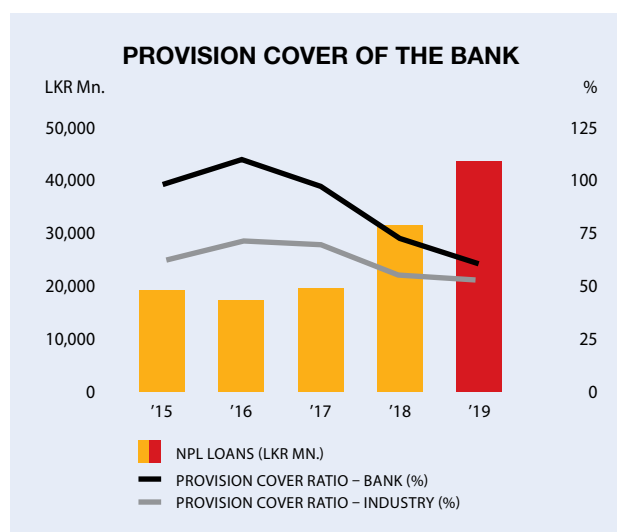
Credit monitoring and review

We actively monitor and manage our credit risk positions on an ongoing basis. Credit monitoring is performed by the credit officers of the business units in close cooperation with the Credit Control Department. The credit officers have the relevant expertise and experience to manage the credit risks associated with their customers. Every credit officer is responsible to continuously monitor the credit risk of their respective portfolio of borrowers.

BIRMC conducts internal borrower risk rating and review on all exposures exceeding LKR 500,000, annually. Deteriorating credits are identified and monitored closely with quarterly reports submitted to the credit committees. Non-performing assets are identified at an early stage facilitating the Management to take appropriate remedial action.

Impairment

A comprehensive impairment policy is in place to recognise expected/incurred losses on defaulting customers. Impairment provisions for such losses are made in the Income Statement. Cumulative impairment provision is recorded as a reduction of the carrying amount of the loan portfolio in the Statement of Financial Position. Impairment assessments are periodically conducted for all exposures of the Group either on an individual or a collective basis.



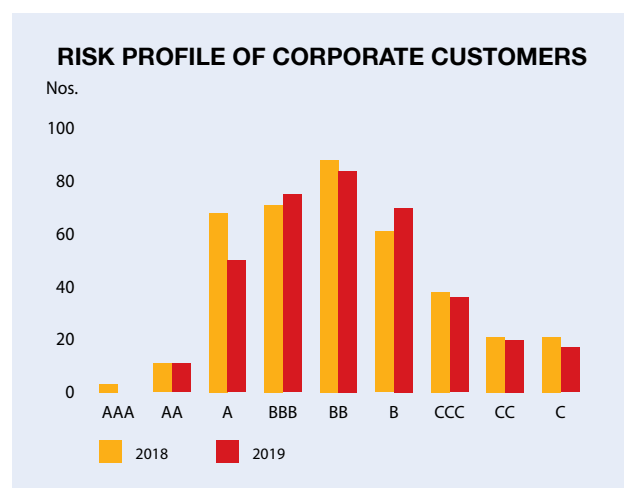
As at 31 December	2019	2018	2017	2016	2015
NPL ratio (%)	3.3	2.5	1.9	1.9	2.4
Provision cover ratio – Bank (%)	60.0	72.3	97.5	110.4	98.3
Provision cover ratio – Industry (%)	52.3	57.4	69.9	71.8	62.3

	Up to 3 months		3-12 months		1-3 years		3 – 5 years		Over 5 years	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Age analysis of loans and receivables (%)	20.0	18.8	24.2	30.6	9.3	8.2	13.1	9.4	33.3	33.0

RISK MANAGEMENT

Credit risk performance review

Net loans and advances has increased marginally by 3.5% YOY basis to LKR 1,310.2 Bn at the end of 2019 which represented 70% of the total assets in the Statement of Financial Position at the end of the reporting period. Asset quality of the loan portfolio deteriorated slightly by the year end with a NPL ratio of 3.3% but still better compared to the industry average of 4.6%. Adverse economic conditions that prevailed during most part of the year too contributed to the slow growth of the loan book which partially caused the increase in the NPL ratio.



Risk rating	Number of corporate customers	
	31 December 2019	31 December 2018
AAA	–	1
AA	11	11
A	50	68
BBB	75	71
BB	84	88
B	70	61
CCC	36	38
CC	20	21
C	17	21

CREDIT MIGRATION RISK

Migration risk is a credit risk that occurs due to the deterioration of the credit rating of a borrower over a period which triggers the decline of creditworthiness. This is evidenced by the down grading of the customer portfolio rating.

Bank closely observes the migration of corporate customer portfolio. The number of corporate customers downgraded over the last three years is given in the table below:

Year	Number of customers in transition	Total percentage of downgraded customers
2017	346	16
2018	322	19
2019	318	20

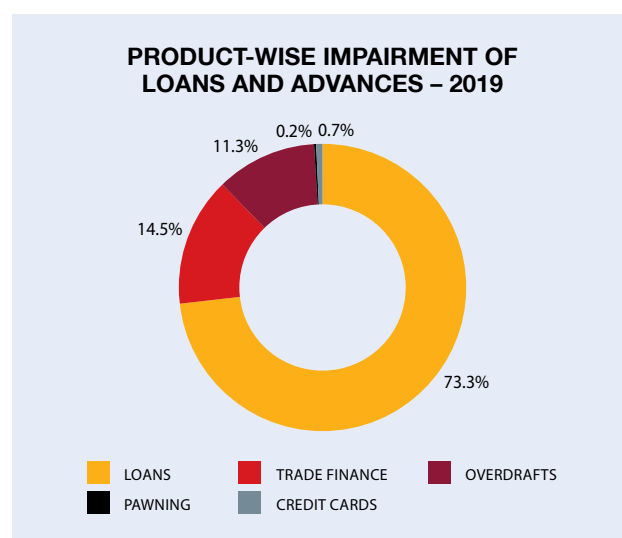
DEFAULT RISK

Default risk is the potential loss arising due to the borrower or counterparty not fulfilling the contractual obligations on a loan agreement.

The Bank maintained a healthy portfolio quality through stringent credit evaluations, post-disbursement monitoring and a high collection ratio. Bank's Non-Performing Loan (NPL) ratio of 3.3% as at 31 December 2019 was well below the industry average of 4.7%.

Managing default risk

We closely monitor all our credit exposures on a continuous basis using risk management tools such as NPL/overdue analysis, rating migration analysis etc. Processes are in place to identify at an early stage, credit exposures which have increased risk of loss. Such exposures are generally placed on a watch list and are managed effectively to maximise recovery.



CONCENTRATION RISK

Concentration risk is the risk arising due to uneven distribution of Bank's loans and advances to individual counterparties, industry sectors, or geographic regions. Being a State-owned bank, People's Bank has acquired exposures to State-Owned Enterprises (SOEs), pawning and housing financing aligned to Government's development agenda.

Concentration of large exposures (over LKR 100 Mn. as at 31 December 2019)

	Number of industry sectors	Number of customers	Direct exposure LKR Bn.	Indirect exposure LKR Bn.	Total LKR Bn.	Direct exposure as a percentage of total assets
With SOE	19	280	736,777	276,879	1,013,657	53.24
Without SOE	18	245	157,319	51,936	209,255	11.37

Position of Bank's Top 20 customers as at 31 December 2019

	Top 3 (%)	Top 5 (%)	Top 10 (%)	Top 20 (%)
Including SOE				
2018	49	56	67	78
2019	58	64	73	82
Excluding SOE				
2018	15	23	38	54
2019	13	20	32	47

Managing concentration risk

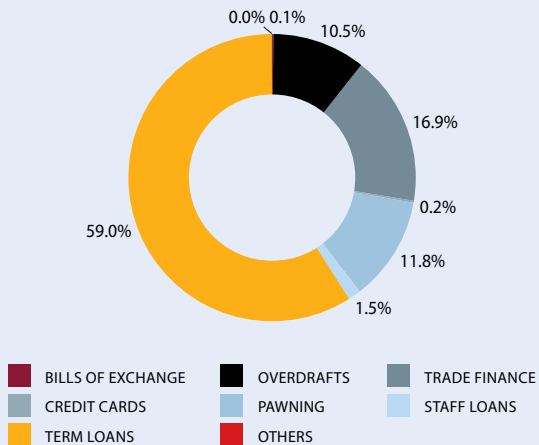
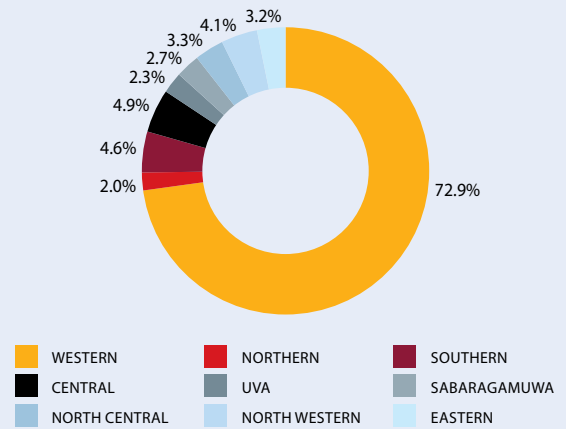
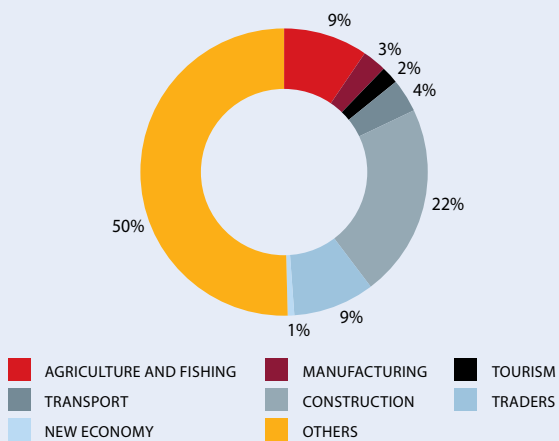
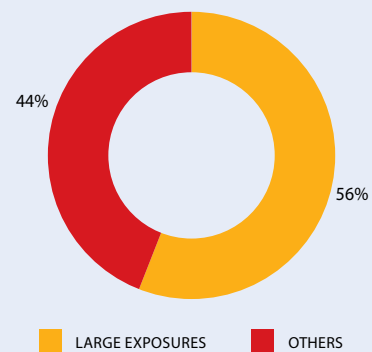
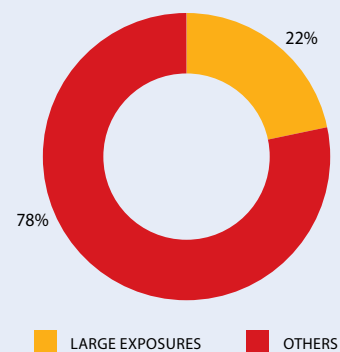
The single borrower limit and the Herfindahl-Hirschman Index (HHI) are measures adopted to monitor and control concentrations. HHI is calculated for all exposures (the greater of limit or outstanding) above LKR 100 Mn. (direct and contingent) and is calculated based on counterparty name and sector basis. The Bank's portfolio is segmented into 16 industry sectors. Given below are 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 2019

	31 March 2019	30 June 2019	30 September 2019	31 December 2019
Name concentration (with SOE)	0.10	0.12	0.13	0.13
Name concentration (without SOE)	0.02	0.02	0.01	0.02
Sector concentration (with SOE)	0.19	0.21	0.21	0.21
Sector concentration (without SOE)	0.13	0.13	0.13	0.11

RISK MANAGEMENT

PRODUCT-WISE PORTFOLIO CONCENTRATION – 2019**GEOGRAPHIC CONCENTRATION – 2019****SECTOR-WISE PORTFOLIO CONCENTRATION – 2019****CONCENTRATION OF LARGE EXPOSURES INCLUDING SOEs (FACILITIES OVER LKR 100 MN.) – 2019****CONCENTRATION OF LARGE EXPOSURES EXCLUDING SOEs (FACILITIES OVER LKR 100 MN.) – 2019**

Credit risk stress testing

Credit risk stress testing is performed to determine the impact certain scenarios exert on the Bank's capital adequacy levels. The report is forwarded to the BIRMC for review.

Increase in NPLs	Magnitude of shock – 5%	Magnitude of shock – 10%	Magnitude of shock – 20%
Revised Tier I capital ratio	10.58%	10.48%	10.28%
Revised total capital ratio	14.56%	14.46%	14.26%
Adverse movements within NPL categories	Magnitude of shock – 50%	Magnitude of shock – 80%	Magnitude of shock – 100%
Revised Tier I capital ratio	10.39%	10.22%	10.10%
Revised total capital ratio	14.37%	14.20%	14.08%
Fall in the FSV of collateral held by the Bank	Magnitude of shock – 5%	Magnitude of shock – 10%	Magnitude of shock – 15%
Revised Tier I capital ratio	10.57%	10.45%	10.34%
Revised total capital ratio	14.55%	14.43%	14.32%
Slippage of performing loans to NPLs	Magnitude of shock – 1%	Magnitude of shock – 2%	Magnitude of shock – 3%
Revised Tier I capital ratio	10.16%	9.63%	9.10%
Revised total capital ratio	14.13%	13.61%	13.08%
Defaults by large borrowers	Magnitude of shock – 5%	Magnitude of shock – 7.5%	Magnitude of shock – 10%
Revised Tier I capital ratio	10.40%	10.26%	10.12%
Revised total capital ratio	14.38%	14.24%	14.10%

MARKET RISK

Market risk is the potential loss arising due to movement in market driven variables such as interest rates, exchange rates, and equity and commodity prices, all of which have a bearing on the market risk exposure of the Bank.

Bank is exposed to market risk mainly from the interest rate risk arising from trading and non-trading books and exposure to gold prices through its pawning portfolio. There is moderate exposure to foreign exchange risk due to proprietary trading and foreign

currency denoted transactions of the Bank. Exposure to equity risk is limited due to the comparably low trading portfolio.

Objectives of market risk management

- Optimise the risk-reward relationship of business units within the predefined risk appetite
- Prevent exposure to unacceptable losses
- Ensure all operations of the Bank are within the defined risk appetites

Market risk exposure of People's Bank

	2019		2018	
	Trading book LKR Mn.	Non-trading book LKR Mn.	Trading book LKR Mn.	Non-trading book LKR Mn.
	HFT	HTM	HFT	HTM
Assets				
Treasury Bills	48,381	67,807	79,198	169,781
Treasury Bonds	5,495	133,843	126	111,155
Sri Lanka Development Bonds	–	6,463	–	3,703
GOSL Bonds	–	7,689	–	7,689
Other investments	177	18,065	191	18,421
Liabilities				
Debentures	12,534		22,714	

RISK MANAGEMENT

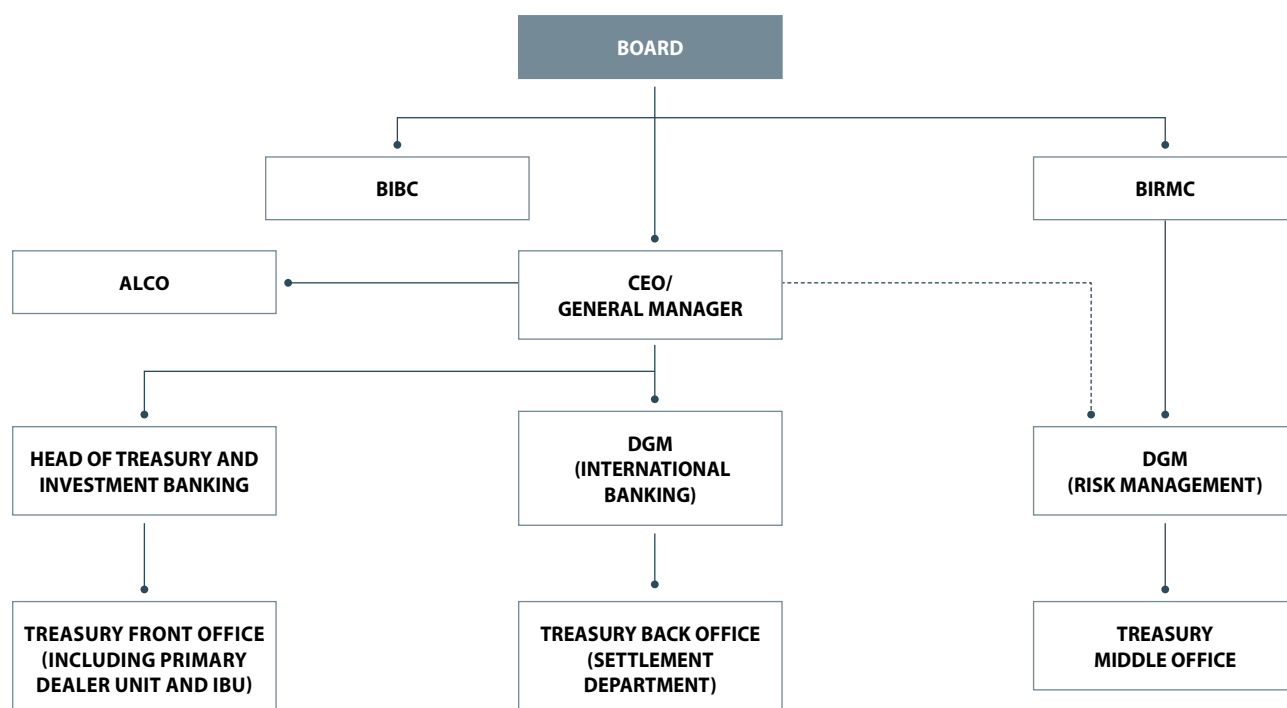
Governance of market risk management

At Board level, BIRMC is responsible for monitoring the Bank's market risk exposure, formulating policies and risk appetite limits and providing recommendations to the Board on the management of market risk.

At executive level, the Asset Liability Management Committee (ALCO) is responsible for implementing the market risk management framework and maintaining 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) was established to measure and monitor Bank's Treasury transactions independently from the Treasury Front Office and Treasury Back Office functions. The TMO ensures compliance to risk limits set by the Board.

Organisational structure for market risk management



Managing market risk

Market risk is managed through a combination of policies, risk assessment measures and, risk limits.

Policies

The Bank's market risk management policy framework includes the asset and liability management policy, treasury management policy, foreign exchange risk policy, and policy on stress testing. These policies provide guidelines for identification, assessment, mitigation, monitoring, and reporting of all market-related risks.

Risk assessment

Value at Risk (VaR), duration gap, sensitivity analysis and stress testing are tools adopted for market risk assessment. The valuation rates and methodologies are subject to independent verification.

Market risk limits

Limits are assessed and recommended to ALCO after Board approval. Open position limits, counterparty limits, and dealer limits are defined based on approved market risk limits. The TMO monitors performance against the limits and reports to ALCO fortnightly. The limits are monitored based on product, sector, credit rating and geography. These limits are regularly reviewed by ALCO and revised to narrower bands if required based on potential market dynamics.

Action trigger points

Risk thresholds that trigger specific management action are specified, to ensure Bank's market risk exposures are within the levels defined by the risk appetite statement.

Market risk review

Ensuring stringent policies and procedures are in place to manage various aspects that contribute to market risk has enabled the Bank to manage and mitigate its market risk properly. Bank's Treasury has complied with approved limits in place throughout 2019, managing the overall market risk in a professional manner.

INTEREST RATE RISK (IRR)

The Bank is exposed to interest rate risk when the Bank's net interest income is affected by extreme fluctuations in market interest rates. This has a potential impact on the underlying interest-earning assets, interest-bearing liabilities and off-balance sheet items.

Subcategories of interest rate risk are:

- Repricing risk – arising from repricing timing differences of Bank's assets and liabilities with varying maturities
- Basis risk – arising from the differences between the actual interest margin and expected interest margin on the banking book and the implied cost of funds.
- Yield curve risk – arising from shifts in the yield curve which has a negative impact on the Bank's earnings/asset values.

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.)	(114,672)	(58,907)	(84,253)	(438,922)
Loss for change in 1% (LKR Mn.)	(47)	(98)	(316)	(3,292)

Managing interest rate risk

The Board approves the risk appetite for interest rate risk and sets the overall limits for VaR and Earnings at Risk (EAR).

The market risk policy provides guidelines on identifying, measuring, managing, and reporting compliance of all interest rate risk positions in the banking and trading books. The Treasury is responsible for managing the interest rate risk within the risk appetite and the Middle Office is responsible for monitoring the interest rate risk.

Techniques adopted to measure interest rate risk include Duration Gap Analysis, VaR and Earnings at Risk (EAR). Rate sensitive assets and liabilities are grouped based on their maturity period, to ascertain the duration gap and overall exposure to interest rate risk.

The ALCO is responsible for repricing the Bank's asset and liability portfolio and continuously monitoring the maturity mismatches and trends in market interest rates. Regular stress testing is conducted on IRR exposures of the banking and trading books to gauge the potential impact on Bank's earnings and capital due to changing economic indicators.

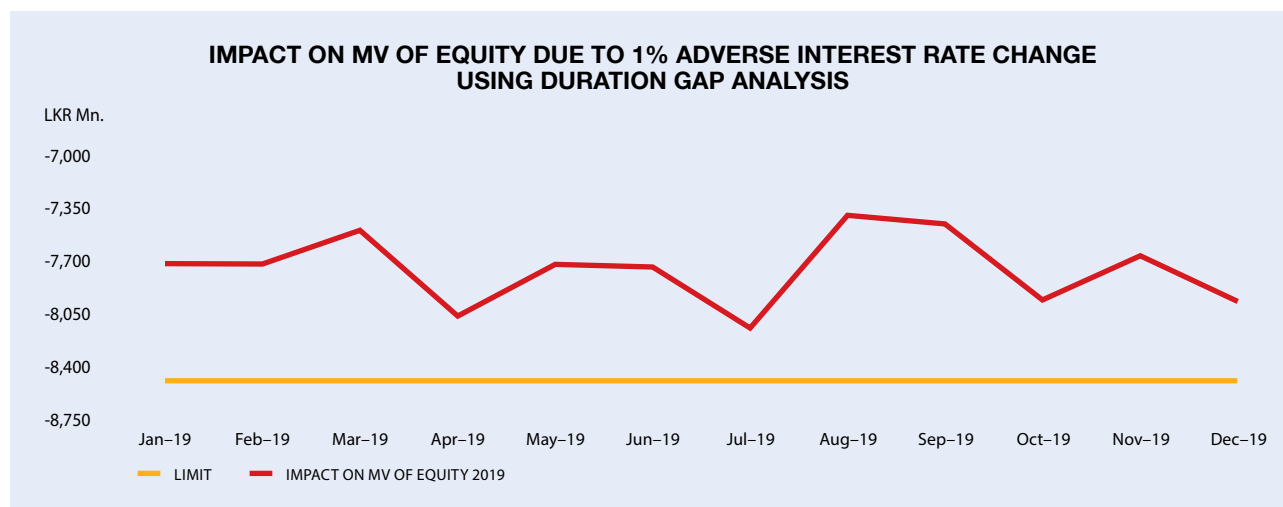
Exposures are measured individually in Sri Lankan rupees and the totals of all currencies are aggregated after calculating the net total of each maturity band for each currency. Currencies that exceed 25% of total deposit liabilities are reported separately.

Interest rate risk is measured and monitored monthly and discussed at the ALCO.

Asset and liability maturity mismatches for 2018 and 2019

	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.
2019							
Rate sensitive assets	182,444	201,114	242,899	327,666	150,614	186,259	582,411
Rate sensitive liabilities	297,116	260,021	327,152	766,588	17,384	6,521	198,625
Period gap	(114,671)	(58,907)	(84,253)	(438,922)	133,230	179,738	383,786
Cumulative gap	(114,671)	(173,578)	(257,832)	(696,754)	(563,524)	(383,786)	0
2018							
Rate sensitive assets	195,846	292,603	181,154	213,097	130,789	178,116	543,098
Rate sensitive liabilities	333,603	241,207	254,921	695,843	11,522	7,697	189,910
Period gap	(137,757)	51,396	(73,767)	(482,746)	119,267	170,419	353,188
Cumulative gap	(137,757)	(86,361)	(160,127)	(642,874)	(523,606)	(353,187)	0

RISK MANAGEMENT

**IRR stress testing**

	Magnitude of shock - 0.25%	Magnitude of shock - 0.50%	Magnitude of shock - 1.00%
2019			
Impact on earnings (LKR Mn.)	1,992	3,982	7,970
Revised total CAR (%)	14.39	14.11	13.57
2018			
Impact on earnings (LKR Mn.)	2,005	4,010	8,019
Revised total CAR (%)	14.17	13.87	13.28

Interest rate risk review

Interest rate risk is the exposure of Bank's financial condition to adverse movements in interest rates. Accepting this risk is an integral part of the banking business and may even be an important source of profitability and shareholder value. However, abnormal levels of interest rate risk can pose a significant threat to Bank's earnings and capital base. Thus, management of interest rate risk is critical for the stability of any bank.

Hence, the Bank has taken adequate measures to identify, monitor, control and reporting the interest rate exposures. Bank carries a significant portfolio of Government Securities and the amount of risk associated with same depends on how sensitive its prices are to interest rate changes in the market. Correctly reading the market and managing the portfolio accordingly has enabled the bank to manage and mitigate the interest rate risk associated with the said portfolio. Interest rate risk emerging due to repricing risk is mitigated by managing the asset and liability mismatches

well within the approved limits. Close monitoring is in place to ensure the adherence to all internal and regulatory risk mitigation initiatives and thereby managing the interest rate risk in a prudent manner.

FOREIGN EXCHANGE RISK

Foreign exchange (FOREX) risk is the potential impact to Bank's earnings and/or capital arising from adverse fluctuations in exchange rates. The Bank's exposure to FOREX risk stems from proprietary trading and foreign currency denoted transactions such as import/export transactions and remittances.

Managing foreign exchange risk

A stringent regulatory framework governs foreign exchange transactions. The approval mechanism and limits are set by the CBSL. The Bank set stringent volume limits, within the regulatory confines and limits defined by ALCO on open positions for individual currency exposures and aggregate exposures. There are forward maturity gap limits to manage risks arising from FOREX maturity gaps within the Bank's risk appetite. The Treasury Department is responsible for the overall management of FOREX risk. The clear segregation of duties between the front, middle, and back offices functions ensure an effective internal control mechanism. The Middle Office independently monitors open position, asset liability maturities, currency exposures, and the aggregate exposure.

The Bank also conducts VaR calculations and stress testing on portfolios exposed to FOREX risk. Parallel VaR calculations are performed by the Bank's Treasury Management System (based on Finacle) and the internationally accepted Bloomberg system. The potential impact on Bank's profitability and capital adequacy levels are assessed through stress testing.

Position as at 31 December 2019:

Currency	Net open position	Overall exposure (LKR Mn.)
US Dollar	610	117,403
Euro	67	9,387
Great Britain Pound	58	3,027
Japanese Yen	(323)	80
Singapore Dollar	42	59
Other	–	1,930
Net exposure as a percentage of shareholders' funds		0.16%

Exchange rate risk stress testing

	Magnitude of shock - 5%	Magnitude of shock - 10%	Magnitude of shock - 15%
2019			
Impact on earnings (LKR Mn.)	137	273	410
Revised total CAR (%)	14.64	14.62	14.60
2018			
Impact on earnings (LKR Mn.)	137	275	412
Revised total CAR (%)	14.45	14.43	14.41

EXCHANGE RISK REVIEW

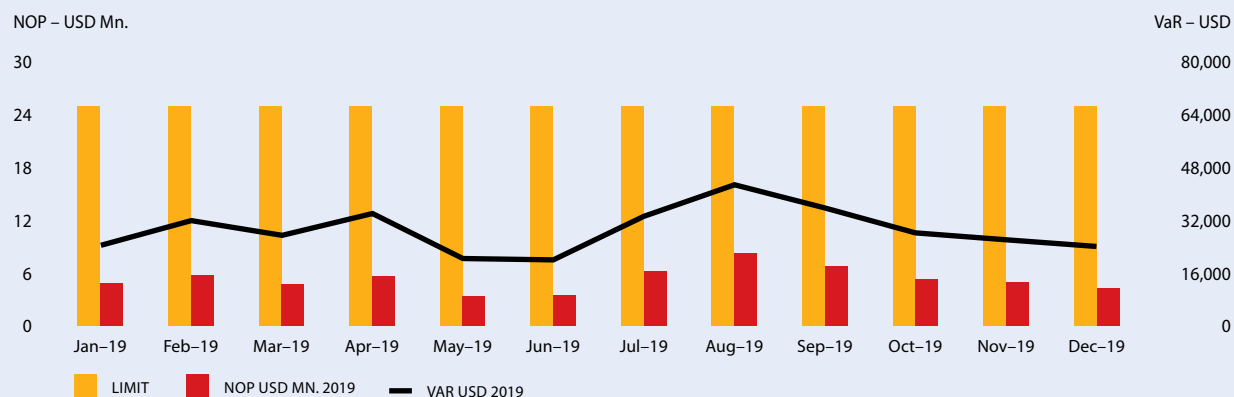
Foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency. Bank has imposed several limitations in relation to FX transactions, some of which are in line with the regulatory guidelines as well to mitigate and manage the foreign exchange risk. Ensuring the strict adherence to the stipulated limits by the Treasury Staff and thereby the FX exposure is maintained well within the set limits at all times has enabled the Bank to manage the foreign exchange risk prudently.

EQUITY PRICE RISK

Equity price risk arises due to a decline in market value of a security or a portfolio due to fluctuations in equity prices. Bank's equity price risk exposure stems from its available-for-sale investment portfolio excluding the Bank's strategic investments in subsidiaries. Bank's equity risk exposure is relatively limited due to the low investments in equity shares.

MANAGING EQUITY RISK

The Board Investment Banking Committee formulates policies related to investments and manages the investments within the defined risk appetite. The Board approved Investment Banking Policy Manual, clearly articulates the procedures, tools and techniques for managing equity risk including volume and stop loss limits. The maximum exposure approved for trading equities is LKR 1.0 Bn. The Committee regularly monitors movements in share market prices, performance of the entities and the macroeconomic conditions.

MONTH END FX NOP AND DAILY VAR DURING – 2019

RISK MANAGEMENT

The market risk function operating under the Bank's Risk Management Department independently reviews proposed equity transactions, impairment assessments and exposures against limits. The Department also maintains independent oversight over the non-traded equity risk framework.

STRESS TESTING OF EQUITY RISK

	Magnitude of shock – 5%	Magnitude of shock – 10%	Magnitude of shock – 20%
Max MV of equity portfolio	47	95	189
FV of strategic equities	42	84	169
Total impact	89	179	358

Equity price risk review

Although the equity market is highly vulnerable, the Bank's equity portfolio is insignificant compared to its overall asset portfolio and thus the risk emerging from the equity portfolio is negligible. Continuous follow up of the economic conditions of country/ globe, market perception on equity market etc. has helped the IBU to correctly read the equity market and take strategic equity investment decisions. This, together with ensuring the strict adherence to the limits set by the Board of Directors has enabled the Bank to mitigate and manage the equity risk efficiently.

COMMODITY RISK

People's Bank is exposed to commodity risk through its pawning portfolio which holds gold collateral. Gold is impacted by fluctuations in gold prices. The Bank holds a high market share in the pawning market.

MANAGING COMMODITY RISK

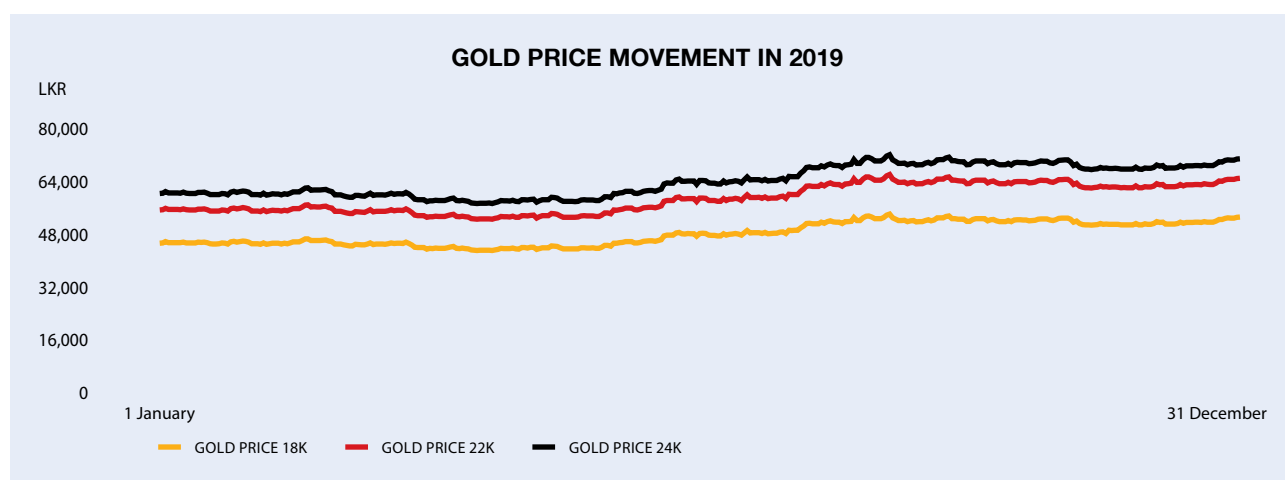
A meticulous process is in place to manage commodity risk. The pre-disbursement measures include, determining the gold content of the pawned articles, conducting due diligence of customers, maintaining prudent loan to value ratios, continuous assessment of gold prices and competitor offerings, and obtaining an insurance cover against losses arising from stolen articles.

Post-disbursement measures include, conducting independent valuation of pawned items regularly, daily verification of a sample of 5%, and regular auctioning of unredeemed articles.

Commodity risk review

The Bank is not engaged in commodity trading at present and its only exposure to commodity risk is associated with the Bank's pawning business. The Bank has been a pioneer of pawning activities and its exposure is backed by gold, which is considered to be readily resalable. 20% risk weight has been assigned for LTV greater than 70% by the regulator to mitigate the risk and the Bank has taken measures to manage and mitigate the inherent risk in pawning by LTV ratio at a comfortable level at all times. In addition, gold market prices are periodically assessed and analysed and is monitored by ALCO along with competitor product features.

The Bank has highly sophisticated equipments in their pawning centres to assess the gold accurately. Although the Bank staff handling pawning are well experienced and have the expertise, regular training is provided to such staff to update their awareness to new technology related to pawning activities and the risk areas to be concentrated on. Insurance coverage is in place for the pawning portfolio. Impairment provisions are made with market gold value while regular auctions are conducted to recover the defaulted advanced. Furthermore, the Bank has facilitated the



customers to affect the repayments monthly basis as well to ease their financial burden and this can be done via our self-banking units as well. All these measures have enabled the Bank to manage and mitigate its commodity risk associated with the pawning activities in prudently.

LIQUIDITY RISK

Liquidity risk arises due to the Bank's inability to meet its contractual obligations as and when they arise without incurring unacceptable losses. This generally occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Objectives of liquidity risk management

- Enable the Bank to meet its funding commitments when they fall due
- Withstand liquidity stresses and
- Manage liquidity and funding risks within its risk appetite.

MANAGING LIQUIDITY RISK

The Bank has a well articulated liquidity risk management framework to ensure sufficient liquidity is maintained to meet its contractual obligations on time. The ALCO provides oversight, manage liquidity risks and continuously monitors the Bank's liquidity position to ensure compliance with internal liquidity targets and regulatory liquidity requirements. The Head of Treasury is responsible for the daily management of the Bank's funding and liquidity positions within the stipulated risk limits. The Middle Office independently monitors the Bank's liquidity levels continually and reports any breaches. The Board, BIRMC and the ALCO regularly review the performance of key liquidity indicators to ensure they are within the defined parameters.

Liquidity risk management framework

The key aspects of the liquidity risk management framework are:

Measuring liquidity

Both the flow approach and the stock approach are adopted by the Bank to measure liquidity. The flow approach analyses the mismatches of cash inflows and outflows in different time bands based on the maturity of assets and liabilities. The stock approach, uses key ratios to measure the liquidity. These ratios include the loans to deposits ratio, commitments ratio (unutilised portion of overdrafts/unutilised inter bank lines), statutory liquid assets ratio and cumulative mismatches.

Diversified funding base

The Bank sources liquidity from multiple sources, depending on market conditions, regulatory considerations and trends in interest rate movements. Deposits comprise the largest funding source amounting to 79.6% of the Bank's total funding base, followed by other borrowings (15.3%) and shareholders' funds (5.1%). The Bank has a relatively high proportion of savings, which is considered a quasi-stable source of funds.

Contingency funding plan

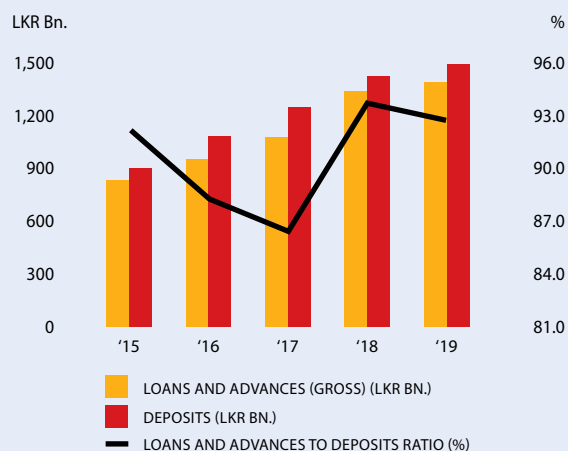
The Bank's comprehensive Contingency Funding Plan (CFP) provides guidance on managing liquidity requirements in stressed conditions. This is to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The Plan articulates specific trigger points for activation and the responsibilities of the CFP team, comprising the ALCO team and the Head of Marketing and Research. The CFP will be activated in the following scenarios:

- Statutory liquid asset ratio falling below 20% over a month.
- Interbank call money rates increasing by 25% for over seven consecutive days.
- NPL ratio increasing by more than 50%.
- Larger than expected deposit withdrawals.
- Consolidated Loans to Deposits ratio exceeding 105% for more than 15 days.
- Call facilities being withdrawn by market participants or imposing a premium over the market rate for Bank's borrowings.
- Credit rating being downgraded by more than two notches.

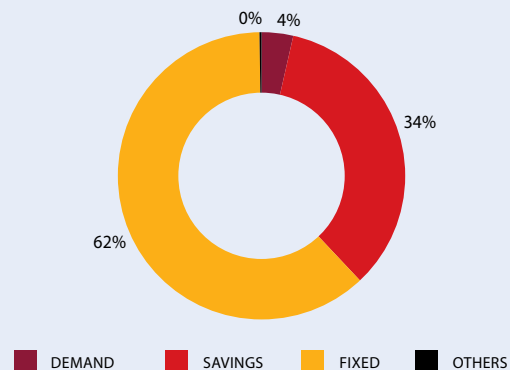
Key indicators	Position as at 31 December 2019
Loans to deposits ratio	
LKR	75.7%
Foreign currency	272.4%
Commitments ratio	
Statutory liquid asset ratio	21.7%
DBU	29.5%
OBU	34.6%

RISK MANAGEMENT

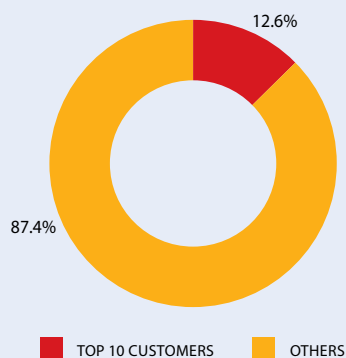
LOANS AND ADVANCES TO DEPOSITS RATIO – 2019



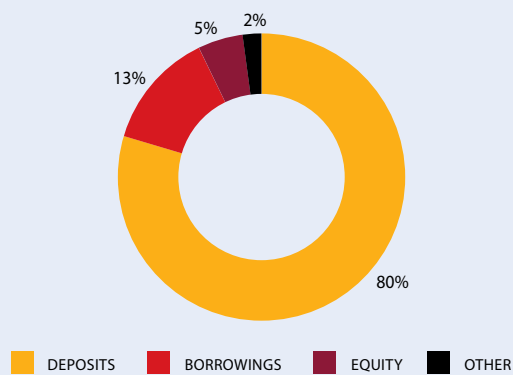
DEPOSIT BREAKDOWN – 31 DECEMBER 2019



DEPOSITS CONCENTRATION – 31 DECEMBER 2019



FUNDING DIVERSIFICATION – 2019



Liquid asset stress test

DBU	Balance as at 31 December 2019	Scenario 1	Scenario 2	Scenario 3
Magnitude of shock		5%	10%	15%
Liquid assets (LKR Mn.)	446,351	446,351	446,351	446,351
Total liabilities (LKR Mn.)	1,511,155	1,511,155	1,511,155	1,511,155
Fall in the liabilities (LKR Mn.)		75,558	151,116	226,673
Revised liquid liabilities (LKR Mn.)		1,435,597	1,360,040	1,284,482
Revised liquid assets (LKR Mn.)		370,793	295,236	219,678
Liquid assets ratio after shock	29.54%	25.83%	21.71%	17.10%

OBU	Balance as at 31 December 2019	Scenario 1	Scenario 2	Scenario 3
Magnitude of shock		5%	10%	15%
Liquid assets (USD '000)	504,026	504,026	504,026	504,026
Total liabilities (USD '000)	1,456,229	1,456,229	1,456,229	1,456,229
Fall in the liabilities (USD '000)		72,811	145,623	218,434
Revised liquid liabilities (USD '000)		1,383,418	1,310,606	1,237,795
Revised liquid assets (USD '000)		431,215	358,403	285,592
Liquid assets ratio after shock	34.61%	31.17%	27.35%	23.07%

Liquidity risk review

Statutory Liquid Assets Ratios for DBU and OBU are at comfortable levels which are above the required ratio of 20%. Liquidity Coverage Ratios for all currency and local currency were also above the required regulatory ratios throughout the year.

Operational risk

Operational risk is the direct or indirect loss stemming from inadequate or failed internal processes, people and systems or from external events such as natural disasters, social or political events. According to Basel II definition, operational risk includes legal risk but excludes strategic and reputational risk. Operational risks exist in the natural course of business activities, products and processes.

The types of operational risk the Bank is exposed to are technology risk, people risk, and legal risk.

Objectives of operational risk management

- Minimise losses from operational failure and thereby avoid potentially large risk losses.
- Develop a common understanding of operational risk across multiple functions and business units to manage risk cost-effectively across the Bank.

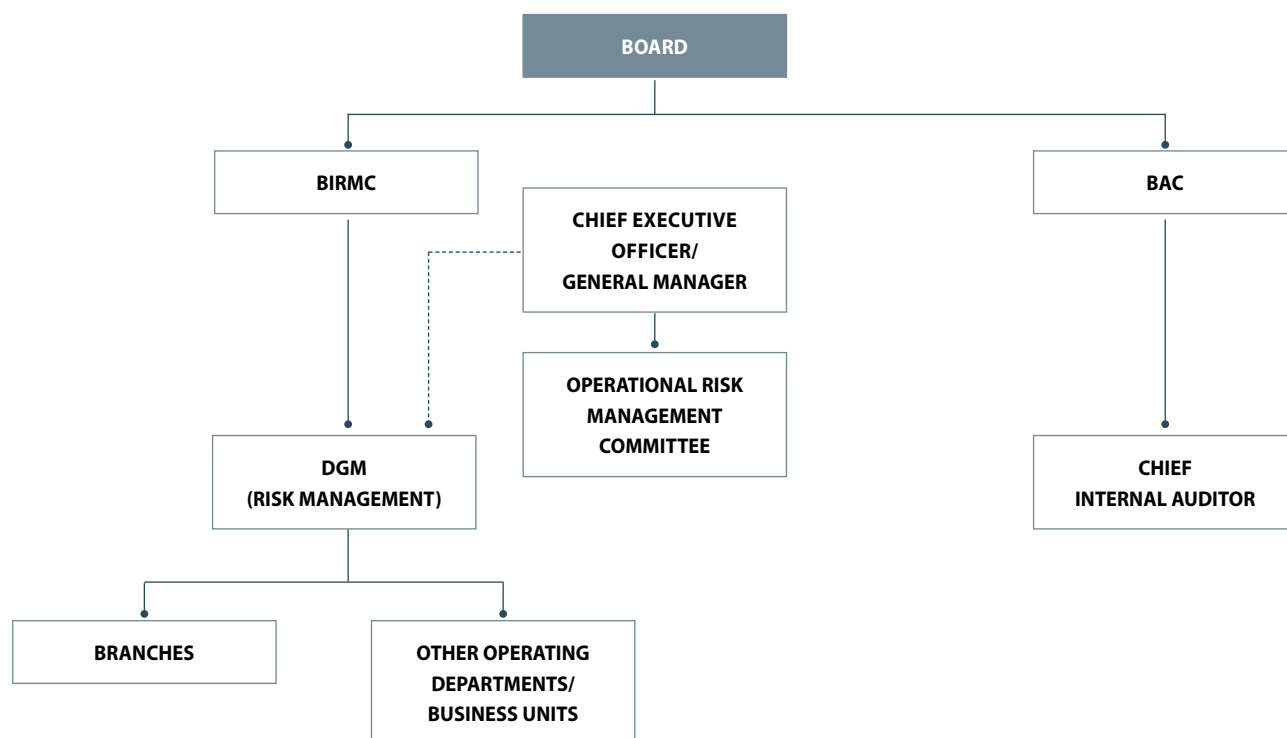
- Build and improve internal capabilities to effectively respond to critical and catastrophic risks.
- Save costs through better management of internal resources and effectively controlling Bank's operations.

Managing operational risk

Operational risks have been categorised to seven broad areas as projected by Basel II. Bank's operational risk management framework articulates the policies, structures and processes to manage operational risk exposure. The Board is supported by the BIRMC to formulate policy and, ensure a robust operational risk management framework within the Bank. The First Line of Defence to identify operational risks at the point of origination is the branches and business units. They report the operational loss events to the Risk Management Division which maintains a database. Structured mechanisms have been instituted to measure, assess and report operational risks within the Bank. Internal audit periodically reviews the entire operational risk management process across the network to provide an assurance to the Board and Senior Management.

RISK MANAGEMENT

Governance structure of operational risk management function



Identification and assessment of operational risk

The Risk Management Department works with business units to identify potential areas of operational risk. All staff members are trained on operational risk exposures and are engaged proactively to identify and assess these risks.

Risk and Control Self-Assessments (RCSA) are conducted by the branch network and key business units to evaluate exposures according to defined operational risk parameters. In addition to 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 risk management. Operational risk on new products, processes and activities are assessed on an ongoing basis.

Limits and tolerance levels

Specific limits and tolerance levels for operational risk indicators are defined by the Board in the Bank's Risk Appetite Statement. These include the number of internal and external loss events, the total value of operational losses as a percentage of operational expenses and the percentage of branch audits rated less than satisfactory. Regular reporting to the BIRMC and the Board ensures corrective actions are initiated when needed.

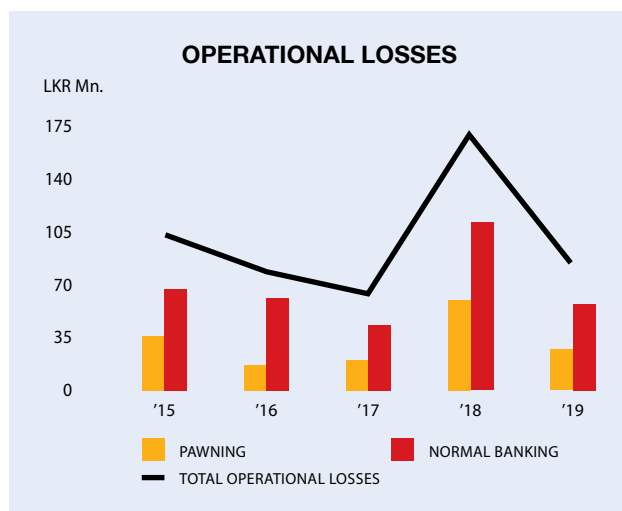
Mitigating operational risk

Risk mitigation policies and programmes have been adopted to maintain a sound operating environment within the Bank. These include:

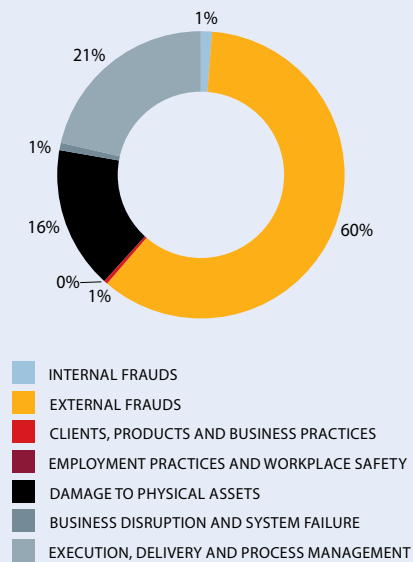
- Comprehensive framework of operational risk policies and procedures
- Disaster recovery plans and crisis management procedures to ensure business continuity
- Segregation of duties
- Transfer of risk through insurance for damages to physical assets due to natural disasters or fire and theft of pawned gold articles
- Adopting stringent criteria to select and monitor outsourced partners
- Creating a culture of risk awareness by providing continuous training to staff
- Conducting a thorough analysis of the potential impact of operational risk of new products and services prior to launch
- Operational risk management system complying to Basel II guidelines

Risk reporting

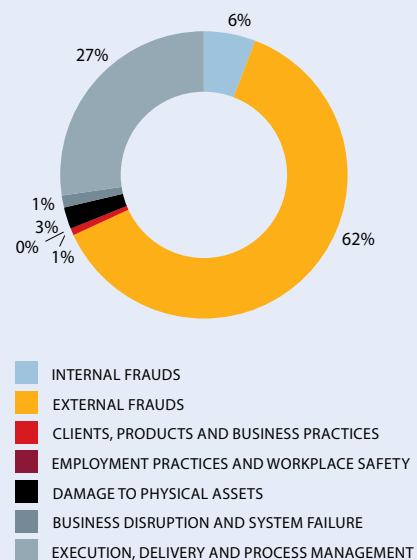
A database of operational risk events, losses and near misses is maintained by the Risk Management Department. This facilitates systematic identification of root cause, trends, and risk frequency. Quarterly reports are prepared on significant loss events, emerging issues, risk oversight, monitoring, and reviewing of risks. The information is included in the Risk Committee Report which is presented to the BIRMC. Based on its potential impact and frequency, control failures are reported to the Operational Risk Committee and escalated to the BIRMC.



OPERATIONAL LOSSES BY EVENT (NUMBERS) – 2019



OPERATIONAL LOSSES BY EVENT (VALUE) – 2019



RISK MANAGEMENT

Loss event	2019				2018			
	Number	Percentage of total	Value LKR Mn.	Percentage of total value	Number	Percentage of total	Value LKR Mn.	Percentage of total value
Internal frauds	1	0.2	5.0	5.9	6	1.2	10	5.9
External frauds	311	66.6	53.0	62.6	289	60.1	105	61.5
Employment practice and workplace safety	0	0.0	0.0	0.0	0	0.0	0	0.0
Client, product, and business practices	2	0.4	0.7	0.8	2	0.4	3	1.8
Damage to physical assets	20	4.3	2.0	2.4	77	16.0	21	12.3
Business disruptions and system failures	12	2.6	1.0	1.2	4	0.8	0.6	0.4
Execution, delivery and process management	121	25.9	23.0	27.2	103	21.4	31	18.2
Total	467	100.0	84.7	100.0	481	100.0	170.6	100.0

OPERATIONAL RISK REVIEW

The above chart depicts the comparison of operational losses in the past two years under the Basel II loss event type, both in terms of number of events and value. Loss events recorded from external frauds are the most significant sources of operational losses and comprise primarily of pawning spurious articles.

However, as a result of the Bank's tremendous efforts made to mitigate the operational risks such as rigid risk assessments, continuous awareness trainings, etc the overall operational losses of the Bank during the past five years have been drastically reduced averaging to LKR 99.8 Mn. which was over LKR 150 Mn. in the early years.

Overall, the Bank's operational risk management performance is well within the lowest thresholds defined by the Board.

TECHNOLOGY RISK

The Bank is inherently exposed to technology risk given its operations are highly dependent on information technology. The risks include cyber risks such as hacking and theft of information, systems breakdowns and failures, technological obsolescence and inadequate infrastructure to support business volumes.

Technology is a key competitive advantage to achieve operational efficiency, speed, cost savings, and accuracy. The Board IT Committee provides oversight to the Bank's IT management framework and recommends IT strategies, policies and procedures. The Committee determines the need for system integrations within the Bank and the use of new and advanced software and hardware.

The Risk Department and the IT Department regularly monitor key IT risk indicators which is imperative to ascertain the robustness of information systems within the Bank. Corresponding risk thresholds have been defined to direct management attention for appropriate corrective measures.

IT risk indicators of the Bank

Category	Systems	Availability as a percentage of total working hours and thresholds		Actual availability
High critical (online real-time systems)	– Central ATM Switch	>99.9%	Low risk	99.87%
	– NOVUS Switch	99.9%-97.5%	Moderate risk	
	– Core banking system/SIBS interface	<97.5	High risk	
	– SWIFT			
	– Credit/Debit card management system			
Medium critical	– Image capturing and presentment system	>97.5%	Low risk	99.06%
	– Web remittance system	97.5%-95%	Moderate risk	
	– Finacle treasury	<95%	High risk	
	– ATM (individual)			
	– Express banking			
	– Internet banking system			
	– Mobile banking system			
Low critical	– SLIPS system			99.98%
	– IHRM system	>90%	Low risk	
		90%-87%	Moderate risk	
		<87%	High risk	

Mitigating IT risk

- The Bank maintains a well-established IT governance structure
- To prevent risk of data loss, an online real time replication mechanism, disaster recovery systems and a separate back-up system are maintained at an off-site location
- Password and access controls to authenticate user access and activation of necessary validation and verification at information entry level
- Fire protection and smoke detectors at the server rooms and UPS rooms
- Disaster recovery plan to continue operations
- The position of Information Security Officer was segregated from the IT Department to report to the DGM risk management directly
- Obtained the ISO/IEC 27001:2013 certification, the world's highest accreditation for Information Security Management System (ISMS) from the International Organization for Standardisation (ISO) for the Bank's entire information technology systems.

IT risk review

The existence of Board approved Information Security Policy and Procedures which are reviewed periodically ensures up-to-date policies and procedures to manage the IT Risk prudently.

Conducting IT risk assessments periodically and follow up of the findings through Information Security Operations Committee (ISOC) and Information Security Steering Committee (ISSC) has

strengthened the IT Risk Management function in a highly efficient and effective manner as an ongoing process.

Comprehensive reviews of user access privileges of all critical systems are conducted on a regular basis to mitigate the risk associated. Engagement of external security consultants are in place to carry out Vulnerability Assessment (VA) and Penetration Testing (VAPT) on critical banking systems. Furthermore, continuous upgrade of Antivirus/Malware protection has been ensured.

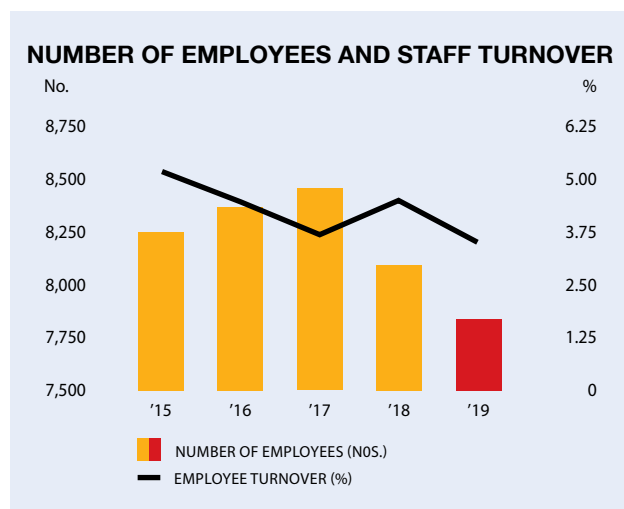
Periodic reviews of the effectiveness of the Bank's Internal IT/IS Management by IS Audit Team of Internal Audit and External Auditors appointed by Auditor General ensure that IT risk is managed by the Bank in a prudent manner.

PEOPLE RISK

People risk is the potential losses arising due to inadequate human resources, inappropriate employee activity and the Bank's non-compliance with employee related regulations. Comprehensive human resource policies and processes have been instituted to manage HR related risks and ensure uniformity in employee practices, effective recruitment practices and continuous focus on enhancing employee value propositions.

Turnover of trained skilled staff leads to deterioration in competency and productivity which impacts the competitiveness of the Bank. Hiring qualified, competent individuals and retaining the high performing employees through a rewarding work environment is a challenge.

RISK MANAGEMENT



As at 31 December	2019	2018	2017	2016	2015
Number of employees	7,836	8,093	8,454	8,249	8,368
Employee turnover (%)	3.5	4.5	3.7	4.5	5.2

People risk review

People are the most important asset in any business and they are also the most vulnerable asset. Thus anticipating and efficiently managing the people risk is highly important to the success of the Bank. Ensuring that viable succession plans are in place especially for the key functional areas that needs specialised skills to run the business has minimised the possible replacement cost to the Bank in case of resignation/retirement/transfer of such personnel. Having HR Development programmes in place as an ongoing process ensures the up-to-date knowledge/skills of the staff, minimising the risk associated to the business due to lack of knowledge/skills of the staff. Furthermore, reducing the disruptions to work, protecting the employees and their families from the financial difficulties etc. are considered as highly important in managing the people risk and the Bank has an approved staff transfer policy in place and lot of staff welfare measures are in place for the benefit of the staff and their families ensuring the staff satisfaction is at a high level while the staff turnover rate is at a minimal level. All these measures/aspects have enabled the Bank to manage the people risk prudently.

LEGAL RISK

Legal risk is the risk of loss due to incurring penalties, fines and, loss of reputation due to non-compliance with applicable regulations. Potential loss to earnings due to non-enforceability of contracts or documents forms a part of legal risk as well.

The legal risk is managed by the Bank's Legal Department. Proper internal procedures are followed when entering into contracts with clients. The business units are responsible to ensure all legally binding agreements are duly signed by the Compliance and Legal Divisions of the Bank.

REPUTATIONAL RISK

Reputational risk is an indirect loss arising from an event or incident that adversely affects the corporate brand. A negative perception or publicity about the Bank results in costly litigation, revenue reduction and a decrease of the customer base.

People's Bank has maintained an impeccable reputation for over five decades as a premier State Bank in Sri Lanka. Therefore, the negative impact on reputation has been low. A sound reputation which reflects the integrity of the Bank, the competence of staff and the high product quality forms the foundation for customer confidence.

The Bank monitors the reputation risk through early warning indicators. The customer complaint handling unit addresses all customer complaints efficiently and effectively. Several methods have been implemented for customers to forward their grievances, such as the Bank's website, Facebook page, the call centre, email and the postal address.

Reputational risk is assessed through a comprehensive scorecard developed by the Bank based on the ICAAP guidelines.

COMPLIANCE RISK

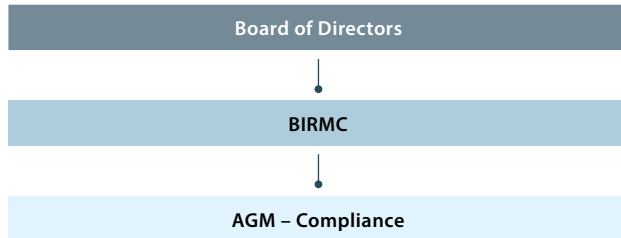
Compliance risk arises due to non-compliance with applicable laws, regulations, codes of conduct and standards of good practice that results in financial loss and reputational loss. Compliance helps to maintain and enhance the reputation of the Bank.

The Bank has established a compliance function and implemented internal policies, procedures and a governance framework to ensure employees comply with the applicable laws and regulations and best practices.

Objectives of managing compliance risk

- Elevate Bank's reputation and brand
- Increase customer confidence and trust
- Facilitate smooth and efficient operations of the Bank
- Drive employee integrity
- Provide products and services of the highest quality
- Augment the strength and stability of the Bank
- Strengthen the sustainability of the Bank

Compliance risk governance



The Board holds highest responsibility to ensure compliance with relevant external regulations and internal guidelines.

The Board is duly supported by the BAC and the BIRMC in its compliance functions. The dedicated Compliance Officer, reporting directly to the BIRMC, ensures that the Bank is fully compliant. Apart from 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.

Compliance risk is assessed through a five-point rating scale scorecard which rates Bank's compliance to internal best practices and external regulations. This scorecard is submitted to the BIRMC.

The dedicated Compliance Officer oversees the compliance status of the Bank and regularly assesses the Bank's compliance and reports the status to the BIRMC and Board of Directors.

The duties entrusted to the Compliance Department are two-fold; mandatory compliance functions and ancillary compliance functions.

Mandatory compliance functions

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

- Highlight any breaches in compliance and work with the management to address and rectify them within an acceptable time frame.
- Submit monthly compliance reports to the Central Bank of Sri Lanka on compliance with Central Bank Directives and Guidelines and as stipulated by the law.
- Prepare and submit quarterly compliance reports to the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC).
- Submit monthly compliance reports to the Board.
- Establish a customer charter based on directions issued by the Central Bank of Sri Lanka.
- Prepare a Code of Best Practice on Corporate Governance based on the Central Bank Directive on Corporate Governance for Licensed Commercial Banks and implement and monitor its compliance.
- Establish systems and controls for monitoring transactions and reporting suspicious transactions to the Financial Intelligence Unit to prevent money laundering.
- 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 minimise compliance risk and reputation risk including developing a Whistle-blowing Policy and a Code of Conduct.
- Liaise with the Credit Information Bureau to maintain updated credit details of customers.

Ancillary compliance functions

- Provide advisory services to Management and staff pertaining to regulatory, reputational, and ethical matters.
- Promote compliance as a success enabler
- Provide input in structuring new products and systems to ensure compliance with local regulatory requirements, internal compliance and ethical standards.
- Conduct assessments and reviews at regular intervals to assess compliance with internal and external regulations.
- Represent the compliance function in relevant internal and external committees.
- Clearly communicate policies on compliance to Management and staff.
- Liaise with the Bank's internal and external audit function, to address compliance issues.
- Follow up on compliance issues identified through audits.
- Liaise with the Auditors and conduct random compliance audits on risk based assessment.

RISK MANAGEMENT

Compliance reporting

Monthly compliance reports are submitted to the Board by the Compliance Department. These include sign offs from the heads of departments and branches on statutory and mandatory requirements, events of non-compliances, employee training, status of legal cases, suspicious transaction reports filed with Financial Intelligence Unit (FIU), branch assessments, reviews and department assessments. Quarterly reports are submitted to BIRMC and BAC on any special compliance related matters within the particular quarter.

Prevention of money laundering and terrorist financing

The Bank takes every effort to prevent the rising prevalence of money laundering and terrorist financing. All employees are trained on Anti-Money Laundering, Know Your Customer concept, the concept of Customer Due Diligence through structured programmes and e-learning modules. Unusually large and suspicious transactions are analysed, evaluated and reported to the Financial Intelligence Unit.

Compliance risk review

Branch wise compliance assessments are conducted by the Regional Compliance Officers and reviews are conducted by Compliance Department at selected branches. Compliance assessments of head office departments and other units are conducted on a monthly basis.

STRATEGIC RISK

Strategic risk is the potential loss to earnings and viability arising due to unfavourable business decisions, challenging business environment and inadequate response to changes in operating environment.

The Bank manages its strategic risks through the Strategic Plan approved by the Board and the Executive Management. The Strategic Plan is formulated through extensive stakeholder engagement at multiple levels and discussions with business units. In the event a risk materialises, a set of management actions are developed to prevent or mitigate the impact on Bank's earnings. The business performance is tracked on a weekly basis by the ALCO and the Board. The actual performance is monitored against the budgeted targets for each business unit and the strategies are tweaked to suit any changes in the business environment.

Strategic risk is assessed using a scorecard, taking into consideration a range of factors including the Bank's size, complexity, and sophistication of operations, environmental analysis as well as customer profiling. The scorecard is adopted to highlight areas of potential improvements to mitigate strategic risk.

GROUP RISK MANAGEMENT

The Bank's main subsidiaries, People's Leasing & Finance PLC, People's Merchant Finance PLC, and People's Insurance PLC have structured risk management frameworks to identify, assess, and monitor risk exposures. People's Bank oversees 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 and reporting structures, processes and thresholds are determined by the Bank's Board of Directors.
- Key risk indicators, trigger levels and thresholds have been defined for each Group entity and are reviewed periodically with industry benchmarks.
- People's Bank's Audit Committee and Internal Audit Department, periodically reviews and ensures the adequacy of the internal control mechanisms of the subsidiaries.
- In certain instances, People's Bank nominates Directors to the respective Boards of the subsidiaries.
- People's Bank's BIRMC periodically reviews the risk profiles of the regulated subsidiaries.
- The Bank's Board of Directors has access to the minutes of the Board meetings held in Group companies.

The Group's risk ratings for key categories of risk in 2019

	Credit risk	Market risk	Operational risk	Compliance risk	Strategic risk	Reputational risk
People's Bank	Low	Low	Low	Low	Low	Low
People's Leasing & Finance PLC	Medium	Low	Low	Low	Medium	Low
People's Insurance PLC	Medium	Low	Low	Low	Medium	Low

The background of the page features a stylized illustration of digital banking. In the top left, there is a cluster of seven circular icons on a blue dotted background. These icons represent various financial services: a hand holding cash, a hand holding a credit card, a clipboard with a checklist, a document with a pen, a banknote, a document with arrows, and a document with a grid. To the right, a tablet displays the 'PEOPLE'S WYN' logo, which consists of the word 'PEOPLE'S' in red and 'Wyn' in purple script on a yellow background. A hand is shown interacting with the tablet's screen. Below the tablet, a smartphone is depicted. The overall color scheme is light blue with white and yellow accents.

PEOPLE'S WYN

SPECIALLY DESIGNED FOR CORPORATE CLIENTS, THE MODULE IS AVAILABLE AS AN INTERNET BANKING PORTAL AND A MOBILE APP. SINCE ITS LAUNCH IN JULY 2018, OVER 3,500 CUSTOMERS HAVE AVAILED THEMSELVES OF THE BENEFITS AND CONVENIENCE OF DIGITAL BANKING.

Performance Reports

- 140 Retail Banking
- 144 Enterprise Banking
- 146 Corporate Banking
- 148 Treasury Unit
- 150 Overseas Customer Services and International Banking

RETAIL BANKING



Retail banking serves over 14 million individuals across Sri Lanka from all walks of life. We provide banking solutions to fulfil the aspirations of customers in every stage of their life cycle. Our range of banking products is delivered with a human touch to customers with services spanning across deposits, pawning, personal loans, and credit cards.

Retail banking accounts for approximately 88.7% of the Bank's total deposits and 35.5% of the Bank's total loans and advances. We are closely aligned to the Bank's strategic agenda and Government's vision of driving financial inclusion and enhancing lives through our customer and community-centric approach and largest branch network in Sri Lanka. Throughout the year, we continued to improve productivity and client experience through driving digitisation, cost efficiencies, and simplifying processes.

We augmented our reach by opening fully-connected branches, self-banking units (SBUs), kiosks and installing ATMs island-wide to serve a wider customer base. In particular, we established 29 SBUs during the year, covering key townships and branches offering our customers an efficient and uninterrupted service, 24 hours a day, 7 days a week. Customers are enabled to conveniently withdraw cash, deposit cash or pay utility bills, pawning redemption all under one roof, without any hassle.

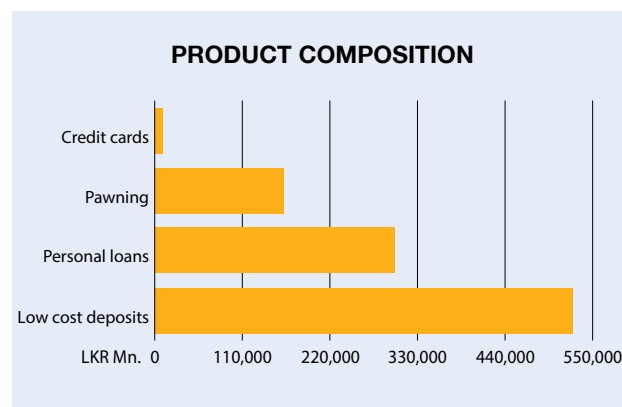
Through our express banking model, customers can open current and savings accounts and deposit money within a short time of approximately 10 minutes without the hassle of documentation. At the end of the financial year 2019, 568,495 customers were acquired through the express banking model.

Taking customer services to an unprecedented height, the Retail Loan Originating System (RLOS) was launched to automate the loan approval process for retail customers. This is a timely move and another industry-first that allow customers to obtain personal loans expeditiously and efficiently. The system facilitates the initiation, submission, recommendation, and approval process via a digital platform by eliminating the cumbersome paperwork. Depending on the loan amount and other implications, loan approval/disbursement can be done within a period ranging from an hour to seven days facilitating greater convenience, faster delivery, and increased efficiency to our customers.

To maintain the quality of our portfolio we have appointed Product Managers for each product category and strengthened our credit evaluation process. As a result we have successfully maintained the NPL ratio at a minimum of 1.5%, as at 31 December 2019.

STRATEGIC PRIORITIES

Strategic priority	Progress in 2019
Launch the Retail Loan Originating System (RLOS) to automate the retail loan approval process	RLOS was launched in 37 branches
Increase the CASA deposit portfolio	CASA portfolio grew by more than 5% YoY
Increase new customer acquisitions	667,349 new customers were acquired in FY 2019
Maintain a healthy portfolio quality	NPL stood at a low of 1.5%



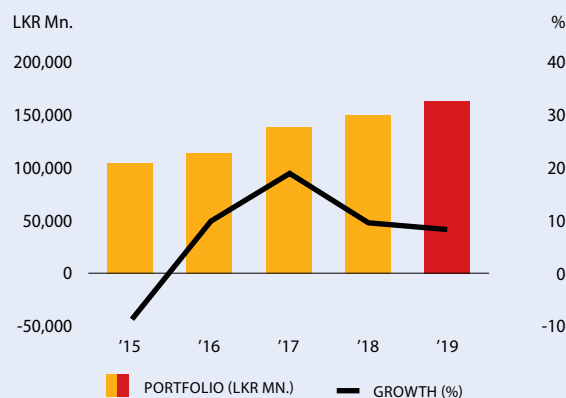
PRODUCT PORTFOLIO

Loan products	Savings products	Channel products
- Loans for professionals  People's Professional Loan - Vehicle loans  People's Auto - Education loans  People's Wisdom - Government servant housing loans  People's Bank JAYA NIVASA Housing Loans - Loan scheme for teachers Gurusettha - Loan schemes for nurses Suwa Sevana - Consumption loans Pahasu - Loan scheme for forces Deyaviru Pranama - Pawning	- Minor savings  Isuru Udana - Youth savings  YES - Women's savings  Vanitha Vasana - Others savings  Jana Jaya ISA  Parinatha Harvest Mudarabah - Fixed deposits - Demand deposits - Foreign currency deposits	- Debit and credit cards - Cash deposit machines, self-service kiosks, People's Net and People's mobile banking - School cash deposit machines

PAWNING

We are the pioneers in pawning business in Sri Lanka and we continued to hold the highest market share. Our pawning portfolio stood at LKR 162.58 Bn. as at 31 December 2019. Pawning contributes the highest to the Division's revenue. Through stringent monitoring and credit evaluation, we have successfully maintained the NPL ratio at a very low level.

GROWTH IN THE PAWNING PORTFOLIO



RETAIL BANKING

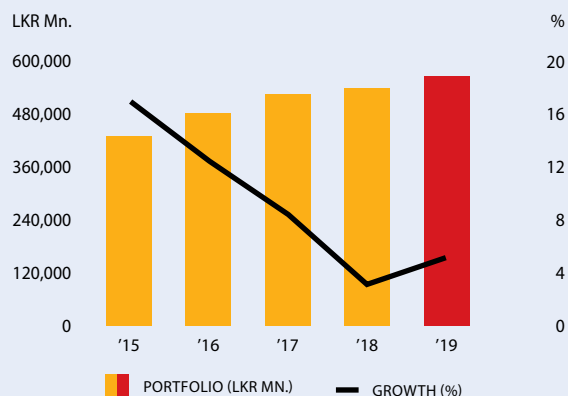
LOW COST DEPOSITS

We provide a range of products covering the entire life cycle of an individual. We have the second highest deposit base in the banking industry in Sri Lanka amounting to LKR 566.3 Bn of low cost deposits as at 31 December 2019. Throughout the year, several deposit mobilisation campaigns were launched to increase the deposit base. We give special emphasis to children, who are the future of the nation. Eight School Banking Units were launched to promote the habit of saving among children during the year. A host of services such as depositing coins and cash to their *Sisu Udana* accounts and making balance enquiries are facilitated using their handy NFC card specially designed with respective school colours and customised with student details. The parents are informed through a SMS alert each time a deposit is made by a student.

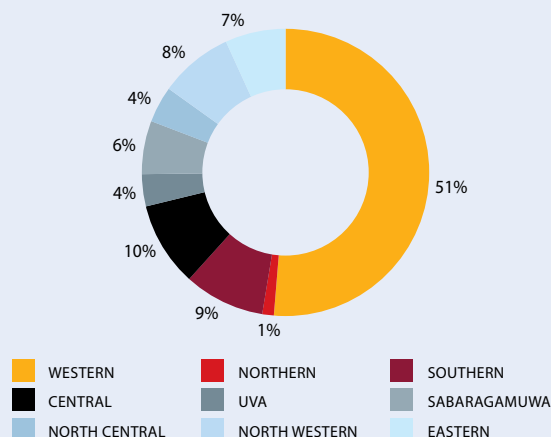
Close to 850 palm top machines were launched to collect customer deposits from the door step of the customer during the year, delivering increased customer convenience. We launched Gold-pledged loans to increase our short-term deposit base. Outstation branches continued to be the major contributor to the deposit base. This is evident by the fact that bulk of the deposits were mobilised from outside the Western Province in 2019.

The Bank has reached another milestone by introducing School Cash Deposit Machines (SCDM), a module of a self-banking unit as a part of its massive digitalisation project, in order to bring digitalisation closer to the schoolchildren as a result to promote the *Sisu Udana* account. The Bank has extended the facilities of transacting with a card.

GROWTH IN THE LOW COST DEPOSIT PORTFOLIO



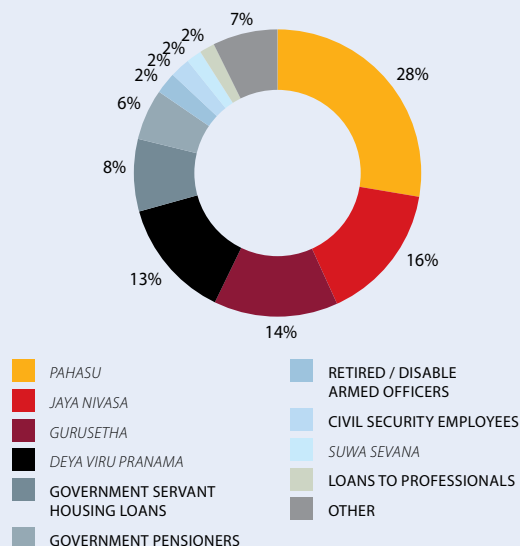
DEPOSITS MOBILISATION FOR 2019 – PROVINCE-WISE



PERSONAL LOANS

We are the market leader with the largest loans and advances portfolio in the banking industry. Our personal loans portfolio escalated to LKR 302.2 Bn. as at 31 December 2019. Personal loan products make a significant contribution to the revenue of the Bank. We offer a range of products to cater to different customer segments, such as institutions, professionals, teachers, nurses, forces, Government servants, and many more. Through stringent monitoring and credit evaluation we have successfully maintained a low NPL ratio of 1.5% for the retail banking sector.

PERSONAL LOANS COMPOSITION 2019



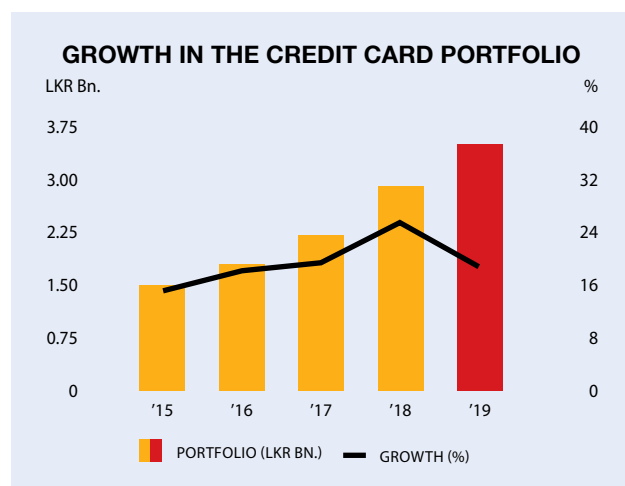
CREDIT CARDS

We have the license to issue both - VISA and Mastercard branded credit cards. Our portfolio includes VISA Classic, Gold, Platinum, and Signature and Mastercard Gold and World.

We have the latest state-of-the-art system to issue and process our credit card operations efficiently. All our credit cards are NFC (Near Field Communication) technology enabled delivering added protection to every purchase made via the credit card to minimise fraud. Further, as per international regulations, all cards are EMV (Electronic Magnetic Verification) enabled as well.

Premier credit card facility consists of three categories as Platinum, Visa Signature and Master World. These premier cards have several benefits such as travel insurance and lounge-key facilities.

We continued to grow our card-spend by launching attractive seasonal and year-long promotions, offering incentives, and other privileges to card holders. During the year, we extensively deployed the merchant acquiring POS machines.



Dharmaraja College School Banking Unit opening

FUTURE FOCUS

- Launch the RLOS system to 100 branches across the island to enable more customers to obtain qualitative personal loans
- Launch the express banking model to all branches
- Launch "People's Power" a special current account for VIP customers
- Increase the low-cost deposit base by launching branded products
- Extend the school cash deposit machine project up to 100 schools
- Facilitate pawned articles to be redeemed by depositing money to kiosks in SBUs island-wide
- Increase the retail customer base

ENTERPRISE BANKING



The enterprise banking arm of People's Bank serves all micro, small and medium enterprises (SME), and commercial businesses, considered as the engine of economic growth of Sri Lanka. We work with the Government of Sri Lanka and global aid agencies to gain access to concessionary funding lines.

Our approach is two-pronged. It includes, conventional lending products such as term loans, trade and working capital facilities, cash margins loans etc, that are designed specifically to cater to the needs of all business enterprises across our nation whilst the other includes special funding lines that promote the concept of development banking through concessional funding lines. Combining both these channels, we offer a unique value proposition that is personalised to provide each client a bespoke world-class banking solution.

As at end December 2019 the enterprise banking loan portfolio amounted to LKR 218 Bn., constituting over 38,521 facilities.

Our credit processing mechanism was decentralised with 24 Regional Credit Units (RCUs) to offer a personalised and efficient service to our clients. The RCU model which is tied to the Bank's long-term sector diversification strategy has freed our branch credit teams to focus solely on business generating activities. This has paved the way to venture into untapped sectors such as Education, Financial Services and ICT. However, we continued to maintain a selective lending approach towards increasing our exposure to these sectors.

During the year under review, priority was given to empowering women by supporting women entrepreneurship. Women form approximately 57% of total population of Sri Lanka and they make a significant contribution to the rural economies. Under the ADB funded Wifi loan scheme, financial support was granted to women led enterprises, providing grants up to 35% of the loan value, based on the location and other conditions. By participating in the Enterprise Sri Lanka exhibitions held in Monaragala, Anuradhapura,

and Jaffna we educate customers on areas such as financial discipline and financial and non-financial schemes available under the "Enterprise Sri Lanka" loan schemes. Many customers who could not obtain facilities from other financial institutions were accommodated during the year.

A significant contribution was made to uplift the tourism industry by supporting entrepreneurs in the tourism industry through our regional branches. Even though, the sector was significantly impacted during the year, the portfolio quality was maintained by extending the credit moratorium granted by the Central Bank of Sri Lanka to the impacted customers in the tourism and other related industries after the Easter Sunday terrorist attacks in 2019. We have also taken prudent measures to rehabilitate the sick industries. Despite the challenging economic conditions during the year, non-performing loans (NPL) were maintained at a healthy rate following a stringent credit evaluation process, nurturing strong customer relationships through Relationship Managers and providing financial advisory and customer education services. During the year several customer education seminars were held in several parts of the island to empower our customers.

OUR CONTRIBUTION TO NATIONAL ECONOMIC DEVELOPMENT

Enterprise banking	2019	2018	2017
Advances (LKR Mn.) (Cumulative)	205,483	195,992	172,778
Non-performing loans (LKR Mn.) (Cumulative)	13,098	7,815	5,911

STRATEGIC PRIORITIES

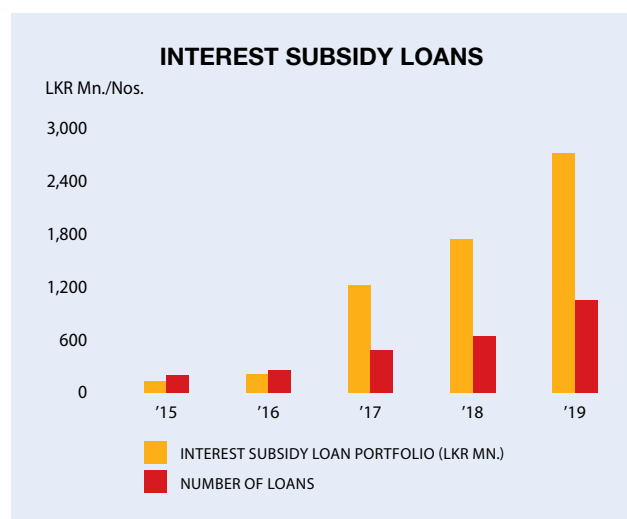
Strategic priority	Progress in 2019
Development of enterprises	Granted loans, advances and trade facilities to 49,451 enterprises to support entrepreneurship
Promote financial inclusion	Loans channelled to Northern and Eastern Provinces amounted to LKR 2,875.97 Mn.
Support women entrepreneurship	Granted 13 loans to the value of LKR 18.1 Mn. under the Wifi loan scheme
Support environmental sustainability	Granted 124 solar loan facilities under the solar power scheme
Enhance customer experience	Strengthened customer relationship management by establishing RCUs
Maintain a healthy portfolio quality	Despite the challenges faced by the customers due to adverse operating environment, the NPL was maintained at a healthy level which was below the industry average

REFINANCE LOANS

These facilities carry low interest rates with comfortable tenures extending up to 10 years. During the year we granted refinance facilities to empower 1,105 customers amounting to LKR 4.86 Bn. Highest number of loans were granted to the Western Province.

INTEREST SUBSIDY LOANS

The main product under this category was the Enterprise Sri Lanka Loan Scheme, an initiative by the Government to stimulate investment and expansion by entrepreneurs. In our commitment to partner Government's national development agenda, we became a key lender of the scheme. We actively participated in more than 20 loan schemes offered under the initiative with the maximum loan amount extending up to LKR 700 Mn. and the tenure up to seven years. By end December 2019 we disbursed over 15,893 facilities with a total value of LKR 7.76 Bn. under this scheme.



CREDIT GUARANTEE SCHEME

These facilities are granted without collateral and up to 60% of the loan is guaranteed by the Government. We disbursed over LKR 461 Mn. facilities in 2019 under the new comprehensive rural credit scheme aimed to uplift the socio-economic conditions of micro and small-scale farmers who engage in cultivation of paddy and short-term crops.

FUTURE FOCUS

- Develop enterprises, drive financial inclusion, provide counselling and improve financial literacy
- Develop home grown sustainable growth strategies for self-sufficiency and export oriented economy
- Support use of renewable energy
- Support credit schemes through innovations and technology
- Support food security
- Strengthen the Regional Credit Units (RCU) and creating stronger customer relationships
- Maintain a healthy profitable credit portfolio
- Revive sick business units and reduce the non-performing loans portfolio
- Strengthen the customer relationships for long-term business development

CORPORATE BANKING



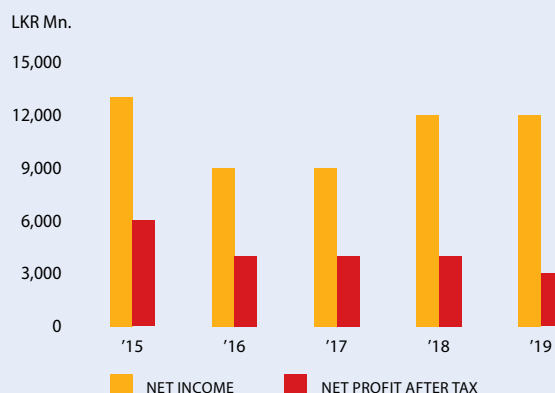
Corporate banking serves a diverse client base comprising mid to large scale corporates including local, international and off-shore corporates, BOI entities and State-Owned Enterprises (SOEs). We offer a total value proposition to our clients spanning loans, working capital and trade finance, project financing, and cash management facilities. We continue to be in the forefront supporting the national interest of Sri Lanka's socio-economic and infrastructure development.

Despite the challenging environment during the year as evidenced by the decline in imports, exports and remittances and the lackluster investment environment, corporate banking contributed 42.4% to the Bank's operating profit and 45.9% of total loans and advances. By leveraging our expertise, extensive experience in diverse industries and strong local and international networks, we contributed 15.8% to the Bank's net interest income and 24.7% to the Bank's non-funded income during the financial year 2019. Whilst the NPL ratio edged up to 3.3% due to the adverse external environment, the ratio is still below the industry average due to the adoption of prudent risk management practices.

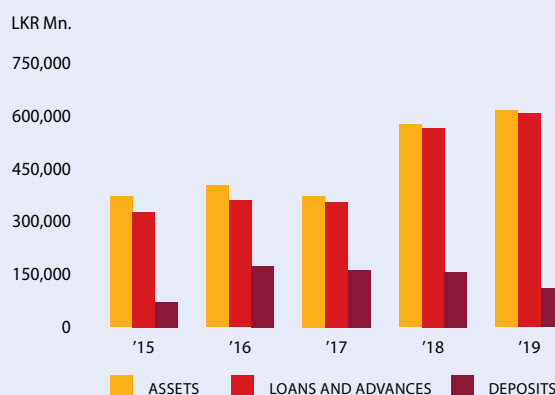
We continued to lay the foundation to achieve growth and increase efficiency by making corporate banking a self-contained unit with dedicated Relationship Managers and industry specialists. We simplified our processes to expedite the loan approval process and offer a total value proposition to our clients. Under the Bank's digitalisation drive, a corporate internet banking and mobile banking platform was launched enabling corporate clients to carry out all their transactions from their office or from anywhere in the world they may be. We are also in the process of digitalising all processes from loan origination to disbursement, resulting in faster delivery and increased efficiency.

We are continuously up skilling our people through certification and training programmes, empowering them to offer exceptional service to our clients.

PERFORMANCE



BUSINESS VOLUMES



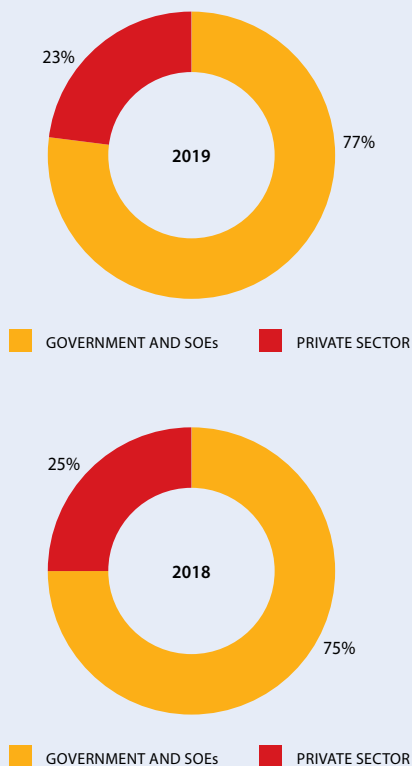
KPI	2019	2018	2017	2016	2015
Net income (LKR Mn.)	12,465	12,339	9,022	8,752	13,283
Net profit after tax (LKR Mn.)	3,142	4,082	4,013	4,367	5,894
Assets (LKR Bn.)	613,818	574,903	372,251	402,397	370,212
Advances (LKR Bn.)	606,422	564,799	354,524	359,879	325,978
Deposits (LKR Bn.)	109,845	156,831	162,130	172,925	70,804
NPL ratio (%)	3.3	2.5	1.5	1.4	1.6
Lending to SOEs (LKR Bn.)	464,876	425,033	247,493	296,567	282,512

Percentage	2019 %	2018 %
Government and SOEs	77	75
Private sector	23	25

STRATEGIC PRIORITIES

Strategic priority	Progress in 2019
To be the top corporate banking solutions provider offering a suite of value-based solutions to all corporates	Corporate banking offers a variety of value-based solutions ranging from import and export financing, project financing, equity financing, syndicate loan facilities and cash management facilities
Diversify more into trade and working capital financing	Value of trade and working capital financing facilities handled for the year 2019 was LKR 116.6 Bn.
Focus on syndicate loans and project financing for Sri Lankan companies going offshore	Syndicate loans amounting to USD 25 Mn. were granted during 2019 to Sri Lankan companies going offshore.
Increase the contribution of corporate banking to the Bank	Corporate banking is a significant contributor to the Bank's performance, accounting to 45.9% of Bank's total loans and advances and 42.4% of Bank's operating profit for 2019

SECTOR EXPOSURE



FUTURE FOCUS

- To continue providing a comprehensive suite of financial solutions leveraging on our digital platform, product range and the expertise of our people. Develop industry specialists and continuously up skill our people.
- Diversify our loan portfolio to private sector and diverse industries including sustainable businesses such as renewables and businesses that promote female entrepreneurship.
- A comprehensive transaction banking solution for cash management, collections and payments.
- By leveraging on our island-wide branch network, launch supply chain financing by extending financial solutions across the value chain. We aim to elevate the life styles of clients and support the national vision of sustainable and inclusive financing.
- Increase our contribution to Bank's bottom line by increasing trade and working capital financing and fee based income.

TREASURY UNIT



Treasury unit, considered as a key division of the Bank, is responsible for the management of funding and liquidity requirements and optimum usage of funds. We also play an important role in managing the market risk of Bank's investment portfolios, foreign exchange, and cash instruments. Treasury unit is responsible for the achievement of overall foreign exchange income, trading income, and realised/unrealised gains of the Bank.

Our investment banking unit which commenced operations in 2012, has become one of the top three investment banks in Sri Lanka within a short period of seven years.

Our main functions include:

- Foreign Exchange Desk – dealing in foreign currency (FX) corporate transactions, FX interbank transactions, management of FX liquidity, FX Money Market transactions, and quoting rates for foreign currency fixed deposits and transactions in USD denominated Sri Lanka Development Bonds.
- Money Market Desk – managing the Bank's Statutory Reserve Ratio, management of Sri Lankan rupee liquidity, Repurchase and Reverse Repurchase transactions and quoting of rates for local currency fixed deposits
- Primary Dealer Unit – trading in Treasury Bills and Treasury Bonds to earn capital gains and management of Sri Lankan rupee denominated Government Securities portfolios.
- Investment Banking Unit – management of Bank's equity portfolio, structuring and placement of short and long-term corporate instruments including IPO's, management of equity and debt IPO's, providing of trustee and placement agent services

OUR ROBUST OPERATIONS

We continue to set the benchmark in raising funds from foreign banks. In a landmark development in the Sri Lankan financial services sector, we signed a USD 200 Mn. 8 year, bilateral funding facility with a foreign bank in 2019. This is one of the largest ever and the longest tenor bilateral funding facility secured by any commercial bank in Sri Lanka to date. This partnership is a clear reflection of the confidence placed on our Bank, our governance structure, expertise and impeccable track record relating to financing complex and nationally significant projects such as infrastructure development, power, energy etc.

We continue to build strong relationships with our foreign banking partners across the world, mainly in the Gulf region, Japan, China, Taiwan, India and North America by maintaining cordial bilateral relations and, a high level of engagement at all times. We have been successful in securing substantial short and long-term foreign currency funding facilities to the Bank. It is noteworthy to mention that a 225 year old North American bank conducted their first-ever transaction in the South East Asian region with People's Bank recently.

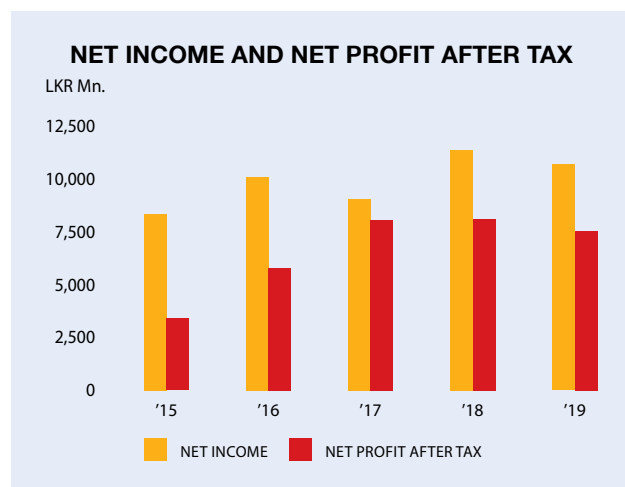
Our Investment Banking Arm successfully raised LKR 10 Bn. to increase the Tier II Capital of the Bank by issuing five and eight year unlisted subordinated debentures at very attractive levels through a private placement in November 2019. This debenture issue was closed on the opening day itself, which is a strong testament of the investor confidence in our Bank. The Investment Banking Unit acted as the Manager to the Issue for the aforesaid debenture issue.

Our governance, compliance and the risk management aspects remain strong with the main functions of the Department segregated into three independent areas – Front Office, Back Office, and Middle Office, independently managed by three Deputy General Managers.

Several operational improvements were effected in 2019, most noteworthy among them being the upgrade of the Treasury system. Investment Banking Unit was integrated to the Treasury system and the upgrade has a host of new value added features such as the online limit monitoring module.

PERFORMANCE

Compared to 2018, the operating environment was less conducive in 2019 due to the lower volatility in the US Dollar exchange rate and decreased volatility in Sri Lankan Rupee interest rates. However, we successfully achieved all our key performance indicators, making a significant contribution to the Bank's income whilst effectively managing the liquidity position.



KPI	2019	2018	2017	2016	2015
Net income (LKR Mn.)	10,728	11,417	9,100	10,121	8,371
Net profit after tax (LKR Mn.)	7,547	8,125	8,089	5,796	3,418
Assets (LKR Mn.)	563,980	512,031	446,219	388,746	446,650

FUTURE FOCUS

- Consolidation of present activities
- Launch fund management services

OVERSEAS CUSTOMER SERVICES AND INTERNATIONAL BANKING



The Overseas Customer Services (OCS) engages in foreign currency (FX) accounts, FX related transactions, facilitating remittances, and currency repatriation. International banking engages in trade transactions, guarantees and other international banking related activities.

OVERSEAS CUSTOMER SERVICES

With over three decades of expertise in handling inward remittances of the Bank, we are one of the most trusted banking partners to thousands of Sri Lankans living and working overseas. Leveraging our digital expertise, we facilitate speedy and smooth inward remittances through our People's Remittance web product, via our correspondent agents.

Our expertise, reliable and efficient service has enabled us to secure a considerable market share in the inward remittances market. We have continued to nurture strong relationships with a vast network of global partners across the world. New partners were onboarded during 2019, including new tie-ups with several exchange companies.

Investments were also made in staff training, to enhance the product knowledge and service quality. On-the-job training sessions and training sessions for front line employees were conducted by OCS during the year.

INTERNATIONAL BANKING

Our global transactions are facilitated through our network of over 1,000 overseas correspondents in 110 nations. We engage in the whole gamut of trade products including offshore transactions, loans and deposits.

Leveraging on our years of expertise, we are the first point of call for overseas investors and for local exporters registered with the Board of Investment (BOI).

By joining the Asian Development Bank's (ADB) Trade Finance Programme (TFP) in 2011, we have successfully provided attractive pricing to our clients by securing guarantees to support trade. Backed by the ADB guarantee, we are able to tap foreign banks which may not have provided funding facilities to Sri Lanka. As a result, the offer rates of funding facilities have become more competitive.

Considering the number of transactions done with ADB, we were named the leading partner bank of the Asian Development Bank Trade Finance Programme for 2019.

During the year under review 2,970 trade guarantees were issued.

In recognition of the quality of our trade services products, which ensure the security and efficiency of the import/export services offered by us, we were awarded the SLS ISO 9001:2015 accreditation by the Sri Lanka Standards Institute.

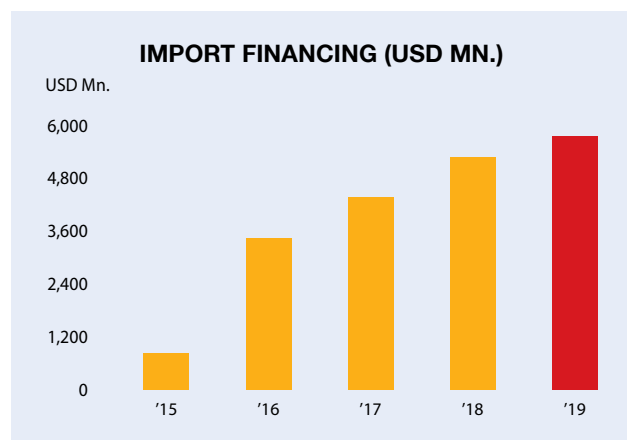
Training was conducted for branch staff to enhance trade product knowledge and service quality – on-the-job training sessions and - training sessions for front line employees were conducted by International Division during the year.

HIGHLIGHTS

- Import financing grew by 9% to LKR 5,765 Mn. in 2019 compared to LKR 5,286 Mn. in 2018
- Export financing recorded a 47% decrease to LKR 527 Mn. from LKR 997 Mn. in 2018
- Awarded the SLS ISO 9001:2015 accreditation by the Sri Lanka Standards Institute
- Leading Partner Bank of the Asian Development Bank Trade Finance Programme for 2019

PERFORMANCE – INTERNATIONAL BANKING

KPI	2019	2018	2017	2016	2015
Import financing (USD Mn.)	5,765	5,286	4,392	3,440	830
Export financing (USD Mn.)	527	997	596	487	108
Import turnover (USD Mn.)	76	83	53	32	26
Fee and commission income (USD Mn.)	17	18	16	15	16
Average LC processing time (hours)	4	4	4	4	5
Number of trade guarantees	2,970	2,939	3,167	3,141	2,865
Inward remittances (USD Mn.)	2,419	2,565	1,622	1,013	609
Outward remittances (USD Mn.)	5,659	4,642	3,378	3,098	1,294

**FUTURE FOCUS**

- Leverage on our extensive correspondent banking network to increase trade turnover
- Expand our global partner network to facilitate remittances.
- Accelerate the ongoing trade product awareness among staff of network to promote more trade transactions and financing of trade
- Promote digital solutions to further enhance trade services value proposition to customers



PEOPLE'S WEB

OUR INTERNET BANKING PORTAL LAUNCHED IN MAY 2018 WHICH IS IN SYNC WITH THE PEOPLE'S WAVE MOBILE APP. OVER 350,000 CUSTOMERS USE THIS PORTAL TO CONDUCT THEIR BANKING TRANSACTIONS WITH CONVENIENCE, AND WITH UTMOST SECURITY.

Governance Reports

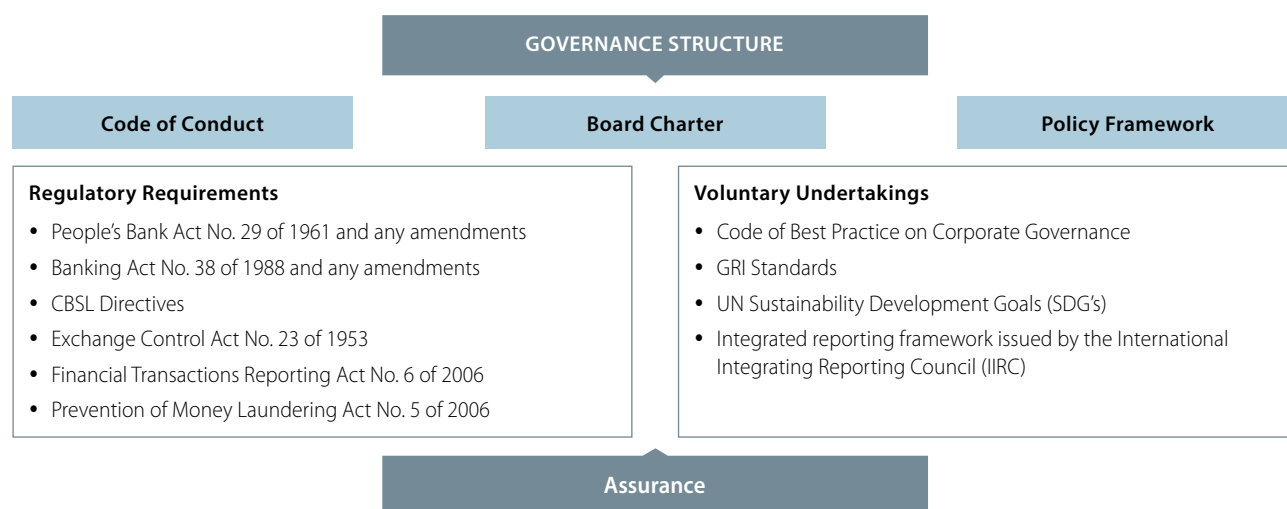
- 153 Corporate Governance
- 172 Board Subcommittee Reports
- 177 Directors' Statement on Internal Controls
- 179 Auditor General's Assurance Report on Internal Controls

CORPORATE GOVERNANCE

Corporate governance is the framework by which the Bank is directed and controlled. The Board of Directors of the Bank are responsible for the governance of the Bank. Bank's approach to corporate governance is to promote strategic decision-making to achieve its long and short-term objectives while creating sustainable shared value for its stakeholders and the wider society.

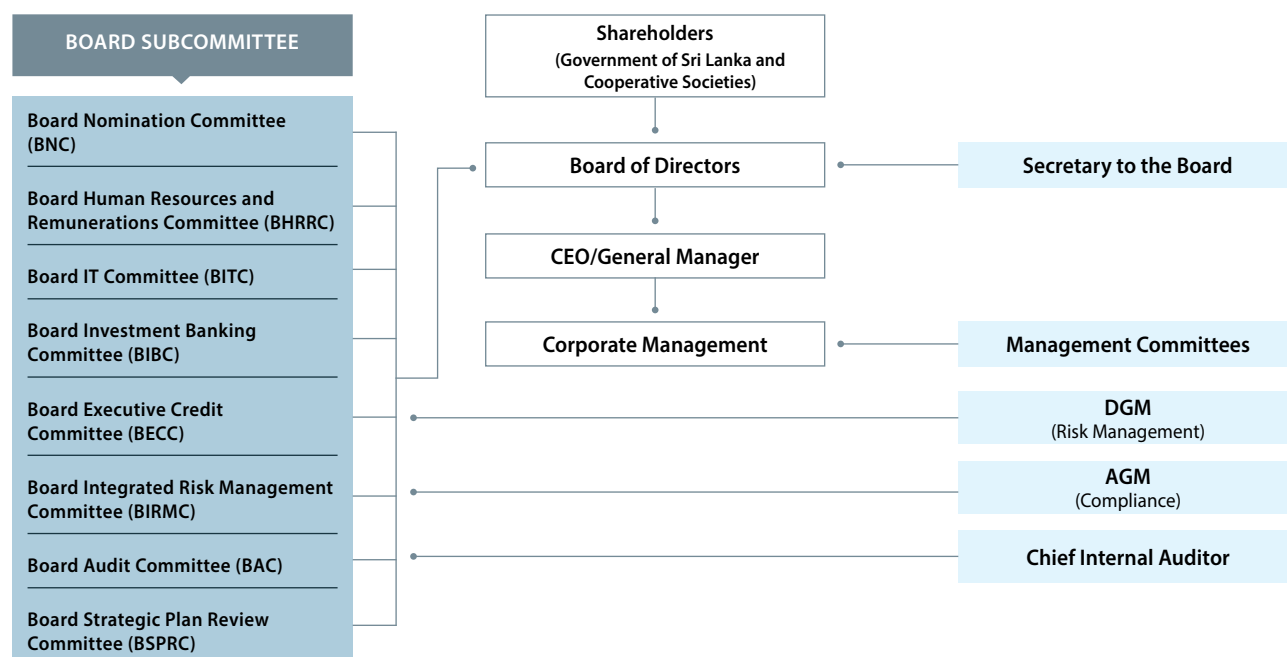
▼ GRI 102-18, 102-22

PEOPLE'S BANK'S CORPORATE GOVERNANCE FRAMEWORK



GOVERNANCE STRUCTURE

Bank's corporate governance structure consists of several layers. The Board provides oversight and deliberates with the Executive Management about the Bank's strategic direction, financial goals, resource allocation and risk appetite. The management is responsible to execute the policies of the Board to create shared value for all its stakeholders.



CORPORATE GOVERNANCE

KEY FOCUS FOR 2019:

- Establish/roll out the industry revolutionary Self Banking Unit Concept (SBU) to further expand customer reach and facilitate 24/7, all day Banking for the benefit of all customers.
- Review and approve the Bank's policies, procedures, key metrics and realign them as and where necessary in line with the Bank's Strategic Plan.
- Focus to drive its business with efficiency, innovation and technological advancement as part of its progressive strategy.
- Creating a highly secured technological environment comprising advanced electronic delivery channels, with features and services that are available in today's fast growing world.
- Maintain high level of Customer Service Quality (CSQ)

ASSURANCE

The Auditor General provides assurance on the Financial Statement of the Bank and on the Directors' Statement on Internal Controls over Financial Reporting which are published on pages 183 to 184 and 177 to 178 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.

▼ GRI 102-22, 102-23, 102-24

COMPLIANCE WITH THE CODE OF BEST PRACTICE FOR CORPORATE GOVERNANCE

The Board (Principle A.1)

Board of Directors of People's Bank are appointed by the Minister of Finance. The current Board comprises the Chairman, and Non-Executive Directors. All Directors are eminent professionals of the State and private sector. The Chairman, is a well experienced professional with over 30 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. Profiles of the Directors are given on pages 26 to 27.

▼ GRI 102-33

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 only 10 times during the year 2019, and all Board meetings were characterised 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 2019 are detailed below:

Name of Director	Status	Board meeting	BAC	BHRRC	BIRMC	BECC	BNC	BIBC	BITC	BSPRC
Ms Sujatha Cooray	Independent Non-Executive	1/1		1/1						
Mr Hemasiri Fernando	Non-Independent Non-Executive	9/4		3/1			1/0			
Mr K D N Ranjith Asoka	Non-Independent Non-Executive	11/11	4/4		4/3		2/2	4/4		
Mr K S Gunathilaka	Independent Non-Executive	1/1								
Mr D Widanagamachchi	Independent Non-Executive	1/1								
Mr A H W Ambawatta	Independent Non-Executive	1/1		1/1						
Mr Jayampathy Molligoda	Independent Non-Executive	1/1								
Ms Damitha Ratnayake	Non-Independent Non-Executive	1/1								
Mr K A D N Nanayakkara	Independent Non-Executive	10/10		2/2			2/2			2/2
Mr A M P M B Atapattu	Non-Independent Non-Executive	10/10	4/4		4/4			4/4		2/2
Mr N M Pieris	Independent Non-Executive	10/10			4/2	15/15			11/11	
Dr D A M Perera	Independent Non-Executive	8/8				15/15		4/4	11/11	
Mr Naomal Fernando	Independent Non-Executive	7/7	4/0							2/2
Mr Lahiru Pathmalal	Independent Non-Executive	8/8		2/2		15/15		4/4	11/11	
Mr M S A Mutumala	Independent Non-Executive	5/5			4/2		1/1			

Role of the Board (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 behaviour 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 summarised in the table below:

Governance	Strategy and directions	Risk management accountability and control
- Review of governance arrangements - Terms of reference for and membership of Board Committees	- Approval of strategy and annual budgets - Authorisation of acquisition and disposal activity - Affirmation of risk management strategies and risk appetite	- Approval of financial statements, other updates to market and recommendations on dividends - Approval of authority levels, financial, and treasury policies - Review of internal control and risk management - Approval of health and safety policies

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 172 to 176 of this Report.

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

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

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 Committees and maintains the minutes of all Board meetings and Committee meetings. Other responsibilities of the Board Secretary include:

- Coordinating matters pertaining to the conduct of Board meetings and Subcommittee meetings
- Conducting proceedings in accordance with the 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.

CORPORATE GOVERNANCE

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 play a distinctive role which complements each other to ensure balance of power and authority and avoid unfettered powers of decision and control for one individual.

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

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 26 and 30 of the Annual Report.

▼ GRI 102-23

Chairman's role (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 good governance practices and provides oversight to ensure effective communication with shareholders and other stakeholders.

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 Director's to discuss issues in a timely manner
- Promoting a culture of transparency and encouraging Non-Executive Directors to engage in constructive and healthy exchange of views pertaining to matters of the Board and thereby facilitating contribution to the effective functioning of the Board
- Ensuring the Board plays a full and constructive role in developing and assessing Group's strategies and policies, and ensuring Board decisions are taken in the best interest of the Bank and fairly reflect Board's consensus
- Providing leadership for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board

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 seven function in an independent capacity. This is above the minimum stipulated by Code of Best Practice for Corporate Governance issued jointly by the Securities Exchange Commission and 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 due to the segregation of positions of the Chairman and the CEO/GM.

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 Bank 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.

▼ GRI 102-24

Appointments to the Board (Principle 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.

Appraisal of Board performance (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 26 and 27.
- Number of Board and Committee meetings held in year 2019 and attendance on page 154.
- Names of committees in which the Director serves as the Chairman or a member on page 153.
- Related party transactions on pages 265 to 269.

Appraisal of the CEO (Principle A. 11)

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

CORPORATE GOVERNANCE

Director's and Executive remuneration procedure (Principle 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 173. The aggregate remuneration paid to the Directors is given on page 212.

Relations with shareholders (Principle 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 and 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 46 to the Financial Statements, Related Party Disclosures on pages 265 to 269.

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 requirement 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 on page 182 includes a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements
- Independent Auditors Report on pages 183 to 184 includes a statement of their responsibilities
- Directors' Statement on Internal Control over Financial Reporting on pages 177 to 178
- Management Commentary on pages 40 to 58.
- Statement of going concern of the Company is set out in the Statement of Directors' Responsibility on page 182.
- Related Party Transactions are disclosed on pages 265 to 269 of the Directors' Report and in Note 46 in the Financial Statements

Internal control and Audit Committee (Principle D. 2 and 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 managements 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 172 and 176, respectively.

BIRMC is supported by the Risk Management Department of the Bank. A comprehensive report on Bank's risk management process is included on pages 110 to 138. 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 under review the scope and results of such audits and its effectiveness. 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 (Principle 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 remains 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 159 to 171, 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 (Principle 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.

▼ GRI 102-18, 102-19, 102-32

Sustainability report (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 – Financial Capital on pages 63 to 68.

Principle 2 – Environment – Natural Capital on pages 106 to 109

Principle 3 – Labour Practices – Human Capital on pages 78 to 88

Principle 4 – Society – Social and Relationship Capital on pages 89 to 105

Principle 5 – Product Responsibility – Social and Relationship Capital: Customer on. Pages 89 to 95

Principle 6 – Stakeholder identification, engagement and effective communication – Stakeholder Engagement on pages 60 to 62

Principle 7 – Sustainable reporting to be formalised as part of the reporting process and to take place regularly – About this Report on pages 01 to 03.

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	Board approved Strategic Plan 2016 - 2020 is in place and strategic objectives have been communicated to the Business Unit Heads and to the operational level staff. Monthly progress of Strategic Plan 2016 - 2020 has been reviewed by the Board. Board has granted approval to the tactical actions to be implemented under Phase II of the Tactical Plan 2019-2020. Budget 2019 has been presented by Head of Finance and the Board has granted approval for the Scenario I.	Complied with
b.	Approval of overall Business Strategy including Risk Policy and Management	Strategic Plan includes strategic objectives and overall business strategy of the Bank. Risk management procedures and mechanisms are in place. Board has reviewed the Risk Management Policy of the Bank. Measurable goals for the next three -year period from 2019 to 2023 are included in the ICAAP Report 2019 of the Bank under Projected Financial Statements.	Complied with
c.	Risk management	BIRMC takes the initiative in the assessing of all risks of the Bank with the assistance of the CRO and the relevant KMPs. Bank will initiate a process where the Board members discuss new strategies of the Bank, the risks arising out of new strategies and further the ways and means to mitigate such risks.	Complied with
d.	Communication with all stakeholders	The Board has approved and implemented an effective two-way communication policy with all stakeholders.	Complied with

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied
e.	Internal Control System and Management Information Systems	There is an annual Board mechanism to identify the accuracy of the financial information and the internal control systems through the process over design and effectiveness of internal control over financial reporting. Further, Internal Audit Department (IAD) adds value to the process. IAD is in the process of reviewing the internal control systems with the collaboration of respective heads of departments. As an initial step, IAD has identified Non-Financial MIS Reports which have been reviewed by the Board and confirmed satisfied with the accuracy and adequacy of the MIS of the Bank. Further, Director/CEO has informed the Board that the Management is in the process of taking appropriate action to improve the process as per the Report.	Complied with
f.	Key Management Personnel (KMPs)	Board has defined CEO, DGMs and AGMs of the Bank as KMPs as defined in Banking Act Determination No. 3 of 2010 and Bank Supervision Department. Guideline No. 02/17/550/0002/003 issued on 2.12.2015. Board has further defined and designated the following categories as KMPs in line with the above Banking Act Determination. This consists of CEO/GM, SDGMs, DGMs, AGMs, CRO/ DGM(RM), HOF, CIA, Compliance Officer, Head of Treasury, Head of Legal, Head of IT, Board Secretary, Officers serving as consultants, Adviser to the Board or Bank and any other officers falling under the definition of Section 3 (l) (i) (f) of the Banking Act Direction.	Complied with
g.	Define areas of authority and key responsibilities for Directors and KMP	There is clear segregation of authority and responsibilities between the Directors and the KMP. Board members are responsible for taking strategic decisions of the Bank. KMPs are responsible for carrying out the decisions made by the Board and for operations. People's Bank Act defines the areas of authority and key responsibilities for the Board of Directors including the CEO. Key responsibilities of the KMP are entirely operational based and are specified in their respective job descriptions. Authority of key management personnel are defined under delegation authority limits.	Complied with
h.	Oversight of affairs of the Bank by KMP	Board has exercised appropriate oversight of the affairs of the Bank by key management personnel.	Complied with
i.	Assess effectiveness of own governance practices		
	(i) The selection, nomination and election of Directors and key management personnel;	People's Bank Act No. 29 of 1961, Section 8 defines the selection and appointment of Directors by the Minister and two of them shall be nominated by the Minister in charge of the subject of Corporate.	Complied with
	(ii) The management of conflicts of interests; and	People's Bank Act No. 29 of 1961, Section 11 speaks on the conflicts of interest of the Board of Directors. Further, the Code of Best Practice, Section 2.13.G approved by the Board in September 2011 speaks on conflicts of interests of the Board members.	Complied with
	(iii) The determination of weaknesses and implementation of changes where necessary.	Bank has a self-evaluation process in place for the Board of Directors which include the evaluation of Board Directors' own governance practices. Further, the Code of Best Practice, Section 2.23.G approved by the Board in September 2011 speaks on self-evaluation process. Self-evaluations for the year 2019 have been collected by the Board Secretary. A summary has to be submitted to the Board for their review and to discuss areas of weaknesses and recommend changes where necessary.	Complied with

Section	Principle	Compliance and Implementation	Complied
j.	Succession plan for KMP	Board approved Succession Plan for CEO and Key Management Personnel is in place.	Complied with
k.	Regular meetings with KMP	Key Management Personnel are called regularly when the need arises by the Board to explain matters relating to their area of functions.	Complied with
l.	Regulatory environment and maintaining an effective relationship with regulator	Board has taken measures and processes in place to understand the regulatory environment and that the Bank maintains a relationship with regulators. On appointment as Directors, the Board Secretary furnishes them with Code of Best Practice on Corporate Governance, details of existing Directors etc. CBSL Statutory Examination Report as at 30.9.2018 has submitted to the Board for their information and to take actions where necessary. Attendance of the CEO at CBSL meetings further evidence the relationship maintained with the regulator.	Complied with
m	Hiring External Auditors	By People's Bank Act Section 34, the Auditor General is the auditor of the Bank. As per the Code of Best Practice on Corporate Governance (CBPCG) Section 6.1 (2) Terms of Reference, the Board Audit Committee (BAC), recommends the appointment and oversee the work of the external auditors.	Complied with
3.1 (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities	As per the People's Bank Act, Section 10, Minister shall appoint the Chairman of the Board from among the members of the Board. Section 2.22 and 2.23 of Code of Best Practice on Corporate Governance of the Bank defines the Powers and Roles of the Chairman. Code of Best Practice on Corporate Governance (CBPCG) Section 3.9 Annex III of the Bank defines the Roles, Duties and Responsibilities of the CEO/GM.	Complied with
3.1 (iii)	Regular Board meetings	Bank has held only 10 meetings during the year 2019. There were no Board meetings held during the months of February, November, and December due to non-existence of Board of Directors. There were no circular resolutions passed during the year 2019.	Not 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. Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.	Complied with
3.1 (v)	Notice of meetings	Duties of the Secretary to the Board (Annex iv) given in the Code of Best Practice on Corporate Governance includes a provision that the preparing the calendar of regular Board meetings for each year is the duty of the Board Secretary with the approval from the Board. Further as a practice, notice of at least seven days is given for the Board to provide all Directors an opportunity to attend regular meetings.	Complied with
3.1 (vi)	Directors attendance	As per the Board Attendance schedule submitted by the Board Secretary, all the Directors have attended two-thirds of the meetings held during the year 2019 except for Mr Hemasiri Fernando.	Not complied
3.1 (vii)	Appointment and setting responsibilities of the Board Secretary	Board has appointed Mr Rohan Pathirage as DGM/ Secretary to the Board with effect from 8.8.2010. Board Secretary is an Attorney at Law who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988. Board also has appointed him as the Senior Deputy General Manager – HR and Legal in addition to his duties as Secretary to the Board in 2018. As per the CBSL concern to have two separate positions for the above two positions. Accordingly, the Board has decided to appoint Ms Shyama Wijekoon, Assistant Board Secretary as Acting Secretary to the Board of Directors w.e.f. 1.4.2019. She is an Attorney at Law who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988.	Complied with
3.1 (viii)	Directors access to advice and services of Board Secretary	Section 2.25 of the Code of Best Practice on Corporate Governance has a provision in this regard.	Complied with

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied
3.1 (ix)	Maintenance of Board minutes	Duties of the Secretary to the Board (Annex iv) given in the Code of Best Practice on Corporate Governance (version 1.2) approved by the Board includes a provision in this regard.	Complied with
3.1 (x)	Minutes to be of sufficient detail and serve as a reference for regulators and supervisory authorities	Detailed Board minutes contain the required details such as individual views of the members, ultimate decision of the Board, complies with strategies and policies of the Bank and further on data, reports and information used by the Board members in arriving at the decisions.	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 ▼ GRI 102-25	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 the 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 not been counted in the quorum. Section 2.13 of Code of Best Practice of the Bank approved by the Board also has a provision with regard to this.	Complied with
3.1 (xiii)	Formal schedule of matters reserved for Board decision	Board Charter of Code of Best Practice of the Bank approved by the Board, Section 2.28 defines the Powers Reserved for the Board.	Complied with
3.1 (xiv)	Inform Central Bank if there are solvency issues	Such an instance has not arisen during the year 2019.	Complied with
3.1 (xv)	Capital adequacy	Board has capitalised the Bank at levels required by the Monetary Board which 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	Board has published its Corporate Governance Report in compliance with Section 3 of this Direction on page 159 to 171 of the Annual Report 2019.	Complied with
3.1 (xvii)	Self-assessment of Directors	The Bank has a scheme of self-evaluation of Directors in place and the Board Secretary annually obtains the evaluation forms from all the Directors.	Complied with
3.(2)	The Boards composition		
3.(2) (i)	Number of Directors	The Board comprised not less than seven (7) Directors during the year 2019 except for the months February, March, November, and December 2019 due to non- existence of Board of Directors.	Not complied
3.(2) (ii) (a) & (b)	Period of service of a Director	None of the Directors has exceeded the service of nine years during the year 2019. All the Directors have been appointed during the period 2018 and 2019 by the Minister in Charge of the subject.	Complied with
3.(2) (iii)	Board balance	There are no Executive Directors in the Bank's Board.	Complied with
3.(2) (iv)	Independent Non-Executive Directors	The Board comprised an adequate number of Independent Non-Executive Directors on the Board to comply with the direction during the current year.	Complied with
3.(2) (v)	Alternate Independent Directors	There is no provision in the People's Bank Act to appoint alternate Directors and such a situation does not arise.	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, under Section 8 of the People's Bank Act No. 29 of 1961.	Complied with
3.(2) (vii)	More than half the quorum to comprise Non-Executive Directors	All the Directors of the Bank are Non- Executive and as per the Code of Best Practice of the Bank the stipulated quorum of the Board is five. In the financial year 2019 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 2019 on page 154.	Complied with

Section	Principle	Compliance and Implementation	Complied
3.(2) (ix)	Formal and transparent procedure for appointments to the Board	The appointments to the Board are made by the Minister of Finance, under Section 8 of the People's Bank Act No. 29 of 1961.	Complied with
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 Directors.	Complied with
3.(2) (xi)	Communication of reasons for removal or resignation of Director	People's Bank Act, Section 8, provides 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 CBSL.	Complied with
3.(2) (xii)	Prohibition of Directors or employees of a Bank becoming a Director at another Bank	Code of Best Practice, Section 2.1 of People's Bank has a provision with regard to this.	Complied with
3.(3)	Criteria to assess fitness and propriety of directors		
3.(3) (i)	Age of Director should not exceed 70	None of the persons who serves as Director does not exceed 70 years during the year 2019.	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.	Complied with
3.(4)	Management Functions delegated by the Board		
3.(4) (i)	Understand and study delegation arrangements		Complied with
3.(4) (ii)	Extent of delegation should not hinder Board ability to discharge its functions	The Board is empowered by the 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) (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.	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	No such requirement has arisen to appoint a Senior Independent Director since Chairman is an Independent Non-Executive Director.	Complied with
3.(5) (iii)	Disclosure of identity of Chairman and CEO and any relationships with the Board members	Bank has a process in this regard. As per the declaration for the year 2019 there are no financial, business, family or other material/relevant relationships between, Chairman, CEO, and among Directors.	Complied with
3.(5) (iv)	Chairman to provide leadership to the Board	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

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied
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
3.(5) (vii)	Encourage active participation by all Directors and lead in acting in the interests of the Bank	Board has a scheme of self-evaluation for the Board of Directors which complies with the said requirement.	Complied with
3.(5) (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors	Self-evaluation process covers the contribution of Non-Executive Directors.	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 the functions and responsibilities of the CEO, he is the apex executive-in-charge of the day-to-day management of the Bank's operations and business.	Complied with
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 four additional Board subcommittees. Reports/minutes of such committees are submitted and tabled at the Main Board for the information and review by the Board. Annual Report 2019 includes individual reports of each Board subcommittee on pages 172 to 176 and such report includes a summary of its duties, roles and performance of each committee.	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	As required by the direction, Board has to initiate actions to appoint an independent, Non-Executive Director who possesses qualifications and experience in accountancy and/or audit as the Chairman of the BAC for better governance. Further, Board need to initiate actions to have proper succession arrangements to the position of Chairman of the BAC in order to comply with the direction throughout the year.	Not complied
b.	Committee to comprise solely of Non-Executive Directors	All members of the Committee are Non-Executive Directors.	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

Section	Principle	Compliance and Implementation	Complied
	(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 Bank's Auditor is the Auditor General.	Complied with
e.	Provision of non-audit services by an External Auditor	This is not relevant since the Bank's Auditor is the Auditor General.	Complied with
f.	Determines scope of audit	Committee has discussed and finalised the nature and scope of the audit, with the External Auditors in accordance with SLAuS before the audit commences.	Complied with
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 HOF.	Complied with
h.	Discussions with External Auditor on interim and final audits	Committee has held a confidential meeting with the representative of Auditor General at the BAC meeting.	Complied with
i.	Review of Management Letter and Bank's response	Audit Committee has noted and reviewed the Management Letter 2018 of Messrs Ernst & Young being the independent auditor appointed by the Auditor General's Department.	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 IAD. Further, Committee also has reviewed the resources of the IAD such as staff position in number of instances.	Complied with
	(ii) Internal audit programme and results of the internal audit process	CIA has presented the Audit Plan 2019 to the Committee and BAC has discussed the scope of the internal audit and the new features added to the Audit Plan. Committee has reviewed the results of internal audit reports submitted with regard to the Bank's departments. Committee has reviewed progress of the Internal Audit Plan from time to time.	Complied with
	(iii) Any appraisal or assessment of the performance of the head and senior staff members of IAD	Performance appraisal of the CIA for the period 18.1.2018 to 17.1.2019 has been tabled at the Committee and Committee has reviewed and satisfied with the performance of CIA. Committee also has reviewed the performance of three members of the IAD who are in the AGM Grade.	Complied with

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers	As per HIA, no appointment or termination of the head, senior staff members of IAD took place during the year 2019. IS Audit function has been outsourced to Messrs PwC for the year 2019.	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;	As per HIA, no resignations of senior staff of IAD taken place during the year 2019.	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.	IAD has confirmed the independence of the Internal Audit activity with reference to provisions of the Internal Audit Charter of the Bank. As per BAC minutes the Internal Audit Department performs with impartiality, proficiency, and due professional care.	Complied with
k.	Internal investigations	As per HIA, major findings of internal investigations have not taken place during the year 2019.	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
m.	Explicit authority, resources, and access to information	Board approved Code of Best Practice on Corporate Governance Section 6.1 (d) speaks of the rights of the Board Audit Committee and ensures that the Committee has such authority. Committee has reviewed the Charter/ TOR of the BAC and recommended the same for the approval of the Board. TOR of the BAC has been further reviewed by the Committee and recommended the same for the approval of the Board.	Complied with
n.	Regular meetings	BAC has held four (04) meetings during the year 2019 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 disclosed in the Annual Report 2019 on page 172. The number of meetings and the details of attendance of each individual Director at such meetings disclosed on page 154.	Complied with
p.	Maintain minutes of meetings	The Board Secretary has been appointed as the secretary of the Board Audit Committee and keeps detailed minutes of the meetings.	Complied with
q.	Whistle blowing policy and relationship with External Auditor	Board approved whistle blowing policy established in the year 2013 has been reviewed again at the BAC.	Complied with

Section	Principle	Compliance and Implementation	Complied
Human Resources and Remuneration Committee			
3.(6) (iii) (a)	Remuneration policy relating to Directors, CEO/GM and Key Management Personnel of the Bank. ▼ GRI 102-35, 102-36	Remuneration of the Directors are decided by the guidelines set up by the Ministry of Finance. Committee has implemented a compensation/remuneration policy to determine the remuneration (salaries, allowances, and other financial payments) relating to CEO and KMPs.	Complied with
(b)	Set goals and targets for the Directors, CEO/GM and the Key Management Personnel	Goals and targets for CEO and the Key Management Personnel (DGMs and AGMs) for the year 2019 has been submitted to Board at meetings held in March and April 2019. However, goals and targets of CEO and KMPs has to be considered by the Committee for better governance.	Complied with
(c)	Evaluating the performance of the CEO and Key Management Personnel	Board reviews performance of CEO and KMPs on a quarterly basis. However, Committee has to initiate actions to consider performance evaluations of CEO and Key Management Personnel against the set goals and targets going forward for better governance.	Complied with
(d)	The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Board approved BHRRC Charter evidence that the CEO shall attend all meetings of the Committee except when matters relating to him are being discussed. The Committee has not considered performance evaluations of CEO/GM.	Not complied
Nominations Committee			
3.(6) (iv) 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. Procedure to select/appoint a new CEO is in place in the Succession Plan document approved by the Board. Further, the Nomination Committee has implemented a procedure to select/appoint KMPs of the Bank.	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 the Key Management Personnel) included in their job descriptions. Further, Committee has granted approval for the evaluation criteria for the selection and appointment of KMPs in the Bank.	Complied with
d.	Fit and proper persons	Declarations of Directors and, CEO have been submitted to the CBSL through the Board. Committee has to initiate actions to submit declarations of Directors through the Committee going forward.	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.	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 K D N Ranjith Asoke who is a Non-Independent Director (appointed on 9.11.2018). Other members are Mr K A D N Nanayakkara, (Independent – appointed on 18.2.2019), Mr M S A Muthumala (Independent – appointed on 4.4.2019). CEO participates at the BNC meetings by invitation. Committee has to be chaired by an Independent Director to comply with the direction.	Not complied

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied
3.(6) (v)	Integrated Risk Management Committee/Board Risk Management Committee		
a.	Composition of BIRMC	Committee consists of three Non-Executive Directors, CEO/GM and DGM – Risk Management. Chief Internal Auditor and AGM Compliance participate by invitation.	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 on a monthly basis through relevant risk indicators and management information and such risks are reported to IRMC through Quarterly Risk Report and Risk Matrix table.	Complied with
c.	Review of management level committees on risk	Committee has evaluated the adequacy and effectiveness of all managerial level committees against their current Terms of References (TOR).	Complied with
d.	Corrective action to mitigate risks exceeding prudential levels	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 (04) meetings during the financial year 2019.	Complied with
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action	At the Bank, risks are identified by the BIRMC and as such decisions are taken collectively.	Complied with
g.	Risk assessment report to Board	Committee submits risk minutes to the Board for their review. However, Committee has to initiate actions to submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with
h.	Compliance function	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 Report on Compliance Risk to the BIRMC. Quarterly Report on Compliance is submitted to the IRMC. Further, Compliance Officer has initiated actions to submit a monthly compliance report to the Board for their awareness from January 2020 onwards. Compliance function annually obtains a confirmation from all department heads to ensure Bank's compliance with internal controls and approved policies on all areas of business operations of the Bank.	Complied with
3.(7)	Related Party Transactions		
3.(7) (i)	Avoid conflict of interest ▼ GRI 102-25	Code of Best Practice of the Bank Section 2.14 (approved by the Board on 30.9.2011) includes a documented Related Party 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. HOF has established a Related Party Transaction Policy which has been recommended by the BAC and approved by the Board which has been further revised based on CBSL recommendations and approved by the Board.	Complied with
3.(7) (ii)	Related party transactions covered by direction	Board approved Code of Best Practice of the Bank Section 2.14 includes a documented policy which identifies types of related party transactions and for the Bank to avoid any conflicts of interest that may arise from any transaction with the related parties.	Complied with

Section	Principle	Compliance and Implementation	Complied
3.(7) (iii)	Prohibited transactions	As per the Board approved Code of Best Practice of the Bank Section 2.14 there is a documented policy which identifies types of related party transactions and to ensure that the Bank does not engage in such transactions in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same transaction with the Bank. 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. This ensures that the Bank would not offer any "favourable treatment" to related parties than that accorded to other constituents of the Bank carrying on the same business.	Complied with
3.(7) (iv)	Granting accommodation to a Director or close relation to a Director	As per the Board approved Code of Best Practice Section 2.14.D, there is a documented policy which speaks on granting accommodation to any of its Directors or to a (close relation) and key management personnel, and that such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary Board.	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	Board approved Code of Best Practice of the Bank Section 2.14 includes a documented policy as required by point No. 3.(7) v.	Complied with
3.(7) (vi)	Favourable treatment or accommodation to Bank employees or their close relations	As per the Board approved Code of Best Practice Section 2.14.G there is a process in place at the Bank in this regard. No accommodation has granted to employees on a favourable basis other than the general schemes applicable to all employees of the Bank, such as staff loan facilities.	Complied with
3.(7) (vii)	Remittance of accommodations subject to Monetary Board approval	As per the Board approved Code of Best Practice Section 2.14.G there is a process in place at the Bank in this regard.	Complied with
Disclosures			
3.(8) (i)	Publish annual and quarterly financial statements	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 182 of the Annual Report 2019.	Complied with

CORPORATE GOVERNANCE

Section	Principle	Compliance and Implementation	Complied																								
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 over Financial Reporting" on page 177 and 178 in the Annual Report 2019.	Complied with																								
c	External Auditor's certification on the effectiveness of the internal control mechanism	"Auditor General's Assurance Report" on Internal Controls disclosed on page 179 in the Annual Report 2019.	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;	Details of Directors, including names, qualifications and experience disclosed under profiles of Directors are given on pages 26 and 27. Directors' Emoluments have been disclosed under Note 13 to the Financial Statements on page 212. Aggregate Value of Remuneration and Transactions with Directors 2019. <table><thead><tr><th></th><th>LKR '000</th></tr></thead><tbody><tr><td>Short-term employee benefits</td><td>7,952.3</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 and advances including credit cards</td><td>3,771.9</td></tr><tr><td>Deposits</td><td>8,077.1</td></tr><tr><td>Investments</td><td>–</td></tr></tbody></table>		LKR '000	Short-term employee benefits	7,952.3	Post-employment pension	–	Termination benefits	–	Share-based payments	–	Other long-term benefits	–	Loans and advances including credit cards	3,771.9	Deposits	8,077.1	Investments	–	Complied with						
	LKR '000																										
Short-term employee benefits	7,952.3																										
Post-employment pension	–																										
Termination benefits	–																										
Share-based payments	–																										
Other long-term benefits	–																										
Loans and advances including credit cards	3,771.9																										
Deposits	8,077.1																										
Investments	–																										
e	Total accommodations granted to each category of related parties and as a percentage of the Bank's regulatory capital	Total accommodation granted to related parties 2019. <table><thead><tr><th></th><th>LKR '000</th><th>Percentage of Bank's regulatory capital</th></tr></thead><tbody><tr><td>Directors</td><td>3,772</td><td>0.005</td></tr><tr><td>Closed Family Members of the Directors</td><td>2,035</td><td>0.003</td></tr><tr><td>Key Management Personnel (KMP)</td><td>63,993</td><td>0.082</td></tr><tr><td>Closed Family Members of the KMP</td><td>2,047</td><td>0.003</td></tr><tr><td>Subsidiaries</td><td>7,019,920</td><td>9.007</td></tr><tr><td>Government and Government Related Entities</td><td>763,892,621</td><td>980.09</td></tr><tr><td>Concern in which any of the Bank's Directors or close family member of any of the Bank's Directors has a substantial interest</td><td>–</td><td>–</td></tr></tbody></table>		LKR '000	Percentage of Bank's regulatory capital	Directors	3,772	0.005	Closed Family Members of the Directors	2,035	0.003	Key Management Personnel (KMP)	63,993	0.082	Closed Family Members of the KMP	2,047	0.003	Subsidiaries	7,019,920	9.007	Government and Government Related Entities	763,892,621	980.09	Concern in which any of the Bank's Directors or close family member of any of the Bank's Directors has a substantial interest	–	–	Complied with
	LKR '000	Percentage of Bank's regulatory capital																									
Directors	3,772	0.005																									
Closed Family Members of the Directors	2,035	0.003																									
Key Management Personnel (KMP)	63,993	0.082																									
Closed Family Members of the KMP	2,047	0.003																									
Subsidiaries	7,019,920	9.007																									
Government and Government Related Entities	763,892,621	980.09																									
Concern in which any of the Bank's Directors or close family member of any of the Bank's Directors has a substantial interest	–	–																									

Section	Principle	Compliance and Implementation	Complied																		
f.	Aggregate values of remuneration to, and transactions with KMP	Aggregate value of remuneration and transactions with KMP 2019. <table><thead><tr><th></th><th>LKR '000</th></tr></thead><tbody><tr><td>Short-term employee benefits</td><td>527,047.6</td></tr><tr><td>Post-employment pension</td><td>31,683.2</td></tr><tr><td>Termination benefits</td><td>18,051.7</td></tr><tr><td>Share-based payments</td><td>–</td></tr><tr><td>Other long-term benefits</td><td>–</td></tr><tr><td>Loans and advances including credit cards</td><td>63,993.0</td></tr><tr><td>Deposits</td><td>353,635.3</td></tr><tr><td>Investments</td><td>1,147.1</td></tr></tbody></table>		LKR '000	Short-term employee benefits	527,047.6	Post-employment pension	31,683.2	Termination benefits	18,051.7	Share-based payments	–	Other long-term benefits	–	Loans and advances including credit cards	63,993.0	Deposits	353,635.3	Investments	1,147.1	Complied with
	LKR '000																				
Short-term employee benefits	527,047.6																				
Post-employment pension	31,683.2																				
Termination benefits	18,051.7																				
Share-based payments	–																				
Other long-term benefits	–																				
Loans and advances including credit cards	63,993.0																				
Deposits	353,635.3																				
Investments	1,147.1																				
g.	External Auditors certification of compliance	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 182 of the Annual Report 2019.	Complied with																		
i.	Non-compliance report ▼ GRI 102 - 34	As per their Corporate Governance Report there were no supervisory concerns on lapses in the Bank's Risk Management Systems or non-compliance with these directions that have been pointed out by the Director of Banks Supervision of the CBSL.	Complied with																		

BOARD SUBCOMMITTEE REPORTS

BOARD AUDIT COMMITTEE REPORT (BAC)

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 of 3 non executive independent directors as at the end of the year.

- Mr A M P M B Athapattu (Chairman)
- Ms K D N Ranjith Asoka
- Mr Naomal Fernando

The quorum for a BAC meeting is two (02) members.

The Actg. Board Secretary functions as the Secretary to the BAC. Chief Internal Auditor, Deputy General Manager (Risk Management) and Assistant General Manager (Compliance) attend the BAC meetings on invitation. The Superintendent of the Government Audit also attends these meetings.

The BAC in particular

- Reviews the financial reporting process to ensure the compliance with financial reporting requirements under 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 and in particular the guidelines of the Central Bank of Sri Lanka.

The Committee during the year under review attended to the following:

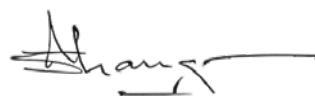
- Approved the annual audit plan prepared based on risk profiles of the areas of the Bank for the year 2019.
- Reviewed and discussed the Management Letter and the Report of the Auditor General issued in terms of Section 13 (7) (a) of the Finance Act No. 38 of 1971 for the year 2018 and the management responses thereon.
- Reviewed quarterly financial performance of the Bank for the year 2019 and recommended to submit the same to the Board.

- Reviewed and discussed issues raised at CBSL Statutory Examinations and follow-up examinations in 2017/18 and monitored the progress of rectification.
- Periodic review of internal audit reports and the performance of the Internal Audit Department.
- Reviewed Information System Procedures and recommended appropriate changes and monitored the progress of their implementation.
- Reviewed the special reports such as Root Cause Analysis over deficiencies of Branch Operations and Non performing Loans.

Four (04) meetings were held during the financial year ended 31 December 2019. The BAC considered the internal audit reports, the deficiencies observed therein, responses given by the respective DGMM/Heads of the Departments and monitored corrective actions taken to rectify deficiencies observed. 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 2019 on matters raised by CBSL Statutory Examination Reports and by the Auditor General in the report for the year ended 31 December 2018.

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 were complied with all material aspects.



SUADHARSHAN AHANGAMA

Chairman
Board Audit Committee

25 March 2020

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE (BHRRC) REPORT

Scope

The BHRRC is responsible for formulating human resource (HR) and remuneration policies and initiating strategies in relation to human resource management. The Committee ensures these policies are reviewed regularly and are adhered to in all circumstances.

The Committee plays a key role in recruitment and determining salaries and other employee benefits. It has vested authority to consider service extensions of the Executive Management and make recommendations to the Board. The Committee reviews employment contracts of the members of the Corporate and Executive Management as well.

Composition

The Committee consists of at least two Directors of the Board and the Chief Executive Officer/General Manager (CEO/GM). The previous members of BHRRC were:

- Mr Nissanka Nanayakkara – Chairman (From 18.2.2019 to 27.11.2019)
- Mr Hemasiri Fernando – Director (From 28.1.2019 to 12.10.2019)
- Mr Lahiru Pathmalal – Director (From 7.2.2019 to 12.12.2019)
- Mr Rasitha Gunawardana – CEO/GM

Present members of BHRRC are:

- Mr Sujeewa Rajapakse – Chairman
- Mr Malindu Ranasinghe – Director
- Mr Manjula Wellalage – Director
- Mr M A B Silva – Acting CEO/GM

SDGM (HR) and DGM (HR) attends meetings on invitation and any other officer of the Bank may be present at meetings by invitation.

Committee meetings

The Committee meets once in two months to address matters within its scope and report to the Board. The quorum for the BHRRC meeting is two Directors of the Board and the CEO/GM.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC) REPORT

Scope

The BIRMC is responsible for implementing the risk strategy of the Bank as stipulated by the Board of Directors. The Committee has been given the responsibility to approve frameworks for efficient functioning of the business units and monitoring of risks.

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, and strategic risks, using appropriate risk indicators and management information and make recommendation to the Board.

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 and takes corrective action promptly to mitigate the risks.

Composition

The Committee consists of at least three Directors of the Board and the CEO/GM. The previous members of BIRMC were;

- Mr A M P M B Atapattu – Chairman (From 14.2.2019 to 13.12.2019)
- Mr K D N Ranjith Asoka – Director (From 9.11.2018 to 27.11.2019)
- Mr M S A Muthumala – Director (From 4.4.2019 to 27.11.2019)
- Mr Rasitha Gunawardana – CEO/GM

Present members of BIRMC are:

- Mr Sudarshan Ahangama – Chairman
- Mr K A Vimalenthirarajah – Director
- Mr Isuru Balapatabendi – Director
- Mr M A B Silva – Acting CEO/GM

DGM (Risk Management) and any other officer of the Bank may be present at meetings by invitation.

Committee meetings

The Committee meets quarterly to address matters pertaining to risk management and makes recommendations to the Board. The quorum for the BIRMC meeting is two Directors of the Board and the CEO/GM.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD SUBCOMMITTEE REPORT

BOARD EXECUTIVE CREDIT COMMITTEE (BECC) REPORT

Scope

The BECC is authorised to approve all credit proposals over the limit of CEO/GM and to the members of the staff above the grade of Assistant General Manager grade.

The BECC is also empowered to consider credit rescheduling proposals and lump sum settlement.

Composition

The Committee consists of at least two Directors of the Board and the CEO/GM. The previous members of BECC were:

- Dr Aminda M Perera – Chairman (From 24.4.2019 to 27.11.2019)
- Mr Nilanka M Pieris – Director (From 28.1.2019 to 29.11.2019)
- Mr Lahiru Pathmalal – Director (From 7.2.2019 to 12.12.2019)
- Mr Rasitha Gunawardana – CEO/GM

Present members of BECC are:

- Mr Kumar Gunawardana – Chairman
- Mr Keerthi Goonatillake – Director
- Mr Manjula Wellalage – Director
- Mr M A B Silva – Acting CEO/GM

Any other officer of the Bank may be present by invitation.

Committee meetings

The Committee meets at least twice a month. The quorum for the meeting of BECC is three members including two Directors of the Board.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD NOMINATION COMMITTEE (BNC) REPORT

Scope

Main function of the BNC is to implement a procedure to select/appoint a CEO/GM and Key Management Personnel. The Committee sets the eligibility criteria for appointment or promotion to the post of CEO/GM and the key management positions.

The Committee is also responsible for consideration and recommendation of the requirement for additional/new expertise and the succession arrangements for retiring Key Management Personnel.

Composition

The Committee consists of at least three Directors of the Board. The previous members of BNC were:

- Mr Nissanka Nanayakkara – Chairman (From 18.2.2019 to 27.11.2019)
- Mr Hemasiri Fernando – Director – (From 28.1.2019 to 12.10.2019)
- M K D N Ranjith Asoka – Director (From 9.11.2018 to 27.11.2019)
- Mr M S A Mutumala – Director (From 4.4.2019 to 27.11.2019)

The CEO/GM attends the meeting on invitation.

Present members of BNC are:

- Mr Sujeewa Rajapakse – Chairman
- Mr Sudarshan Ahangama – Director
- Mr Malindu Ranasinghe – Director

Acting CEO/GM attends the meetings on invitation.

Committee meetings

The Committee meets at quarterly intervals and reports to the Board. The quorum for the meetings of BNC is three Directors of the Board.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD INVESTMENT BANKING COMMITTEE (BIBC) REPORT

Scope

The BIBC was constituted to regularly review the investment banking model and operations of Investment Banking Unit of the Bank. The Committee is authorised to grant approval for share trading limits, new investment products and deploying stock brokers, trading platforms and IT Systems.

Composition

The Committee consists of at least two Directors of the Board and the CEO/GM. The previous members of BIBC were:

- Mr K D N Ranjith Asoka – Chairman (From 9.11.2018 to 27.11.2019)
- Ms A M P M B Atapattu – Director (From 14.2.2019 to 13.12.2019)
- Dr Aminda M Perera – Director (From 24.4.2019 to 27.11.2019)
- Mr Lahiru Pathmalal – Director (From 7.2.2019 to 12.12.2019)
- Mr Rasitha Gunawardana – CEO/GM

Present members of BIBC are:

- Mr K A Vimalenthirarajah – Chairman
- Mr Kumar Gunawardana – Director
- Mr Isuru Balapatabendi – Director
- Mr M A B Silva – Acting CEO/GM

Head of Treasury and investment banking, DGM (Risk Management) and any other officer of the Bank may attend the meetings on invitation.

Committee meetings

The Committee meets quarterly to attend on the matters within its scope. The quorum for the meeting of BIBC is three members including two Directors of the Board.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD INFORMATION TECHNOLOGY COMMITTEE (BITC) REPORT

Scope

The BITC was established to facilitate the degree of reliance on information technology and assist the Bank with the growing demand for IT Governance.

The Committee is responsible to formulate overall strategies for IT and make recommendations to the Board on the latest technologies to cater the impending demands.

Composition

The Committee consists of two Directors of the Board. The previous members of BITC were:

- Mr Nilanka M Pieris – Chairman (From 28.1.2019 to 29.11.2019)
- Dr Aminda M Perera – Director (From 24.4.2019 to 27.11.2019)
- Mr Lahiru Pathmalal – Director (From 7.2.2019 to 12.12.2019)

Present members of BITC are:

- Mr Keerthi Goonatilake – Chairman
- Mr Kumar Gunawardana – Director
- Mr Malindu Ranasinghe – Director

Any other officer of the Bank may attend the meetings on invitation. The quorum for the meeting of BITC is two members.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

BOARD SUBCOMMITTEE REPORT

BOARD STRATEGIC PLAN REVIEW COMMITTEE (BSPRC) REPORT

Scope

The Board Strategic Plan Review Committee was established to regularly review the smooth implementation of the objectives cited in the Strategic Plan. The Committee is authorised to review the performance of all business heads and assist them to achieve business goals within the stipulated time period.

Composition

The Committee shall be appointed by the Board and it consists of at least two Directors and the CEO/GM.

The previous members of BSPRC were:

- Mr Nissanka Nanayakkara – Chairman (From 18.2.2019 to 27.11.2019)
- Mr A M P M B Atapattu – Director (From 14.2.2019 to 13.12.2019)
- Mr Naomal Fernando – Director (From 31.1.2019 to 28.11.2019)
- Mr Rasitha Gunawardane – CEO/GM

Present members of BSPRC are:

- Mr Sujeewa Rajapakse – Chairman
- Mr Isuru Balapatabendi – Director
- Mr Keerthi Goonatilake – Director
- Mr M A B Silva – Acting CEO/GM

DGM (Strategic Planning and Performance Management) and any other officer of the Bank may be present at meetings by invitation.

Committee meetings

The Committee meets quarterly and the quorum for the meeting is two members.



SHYAMA WIJEKON
Acting Secretary to the Board

24 March 2020

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 Controls 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, and 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 APPLYING IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

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

- 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 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, 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 172)
- In assessing the internal control system, 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.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

- 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 Board took necessary steps to implement requirements of the Sri Lanka Accounting Standard – SLFRS 16 (leases) which become effective from 1 January 2019.
- 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 2018 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

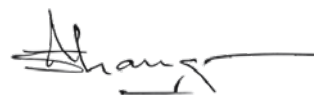
Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed the above Directors' Statement on internal control included in the Annual Report of the Bank for the year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Bank.

The Assurance Report of the External Auditors in connection with internal control over financial reporting is appearing on pages 177 and 178 of the Annual Report.

For and on behalf of the Board.



SUDHARSHAN AHANGAMA
Chairman
Board Audit Committee

25 March 2020

AUDITOR GENERAL'S ASSURANCE REPORT ON INTERNAL CONTROLS



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

BAF/BAF/D/PB/IC/2019

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

13 May 2020

ASSURANCE REPORT OF THE AUDITOR GENERAL TO THE BOARD OF DIRECTORS ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OF PEOPLE'S BANK

Introduction

This Report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") of People's Bank included in the Annual Report for the year ended 31 December 2019.

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 People's Bank.

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

This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material aspects, the Statement on Internal Control. For the purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

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

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all 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 have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

W P C WICKRAMARATNE
Auditor General



This Annual Report is Carbon Neutral

Produced by VisageSpice (Pvt) Limited, a carbon neutral company that offsets its direct and indirect GHG emissions through verified sources.



Global Standard Annual Report Number®
LKA8355PEBXX1900000E106



www.VisageSpice.com

www.carbonfund.org

www.peoplesbank.lk