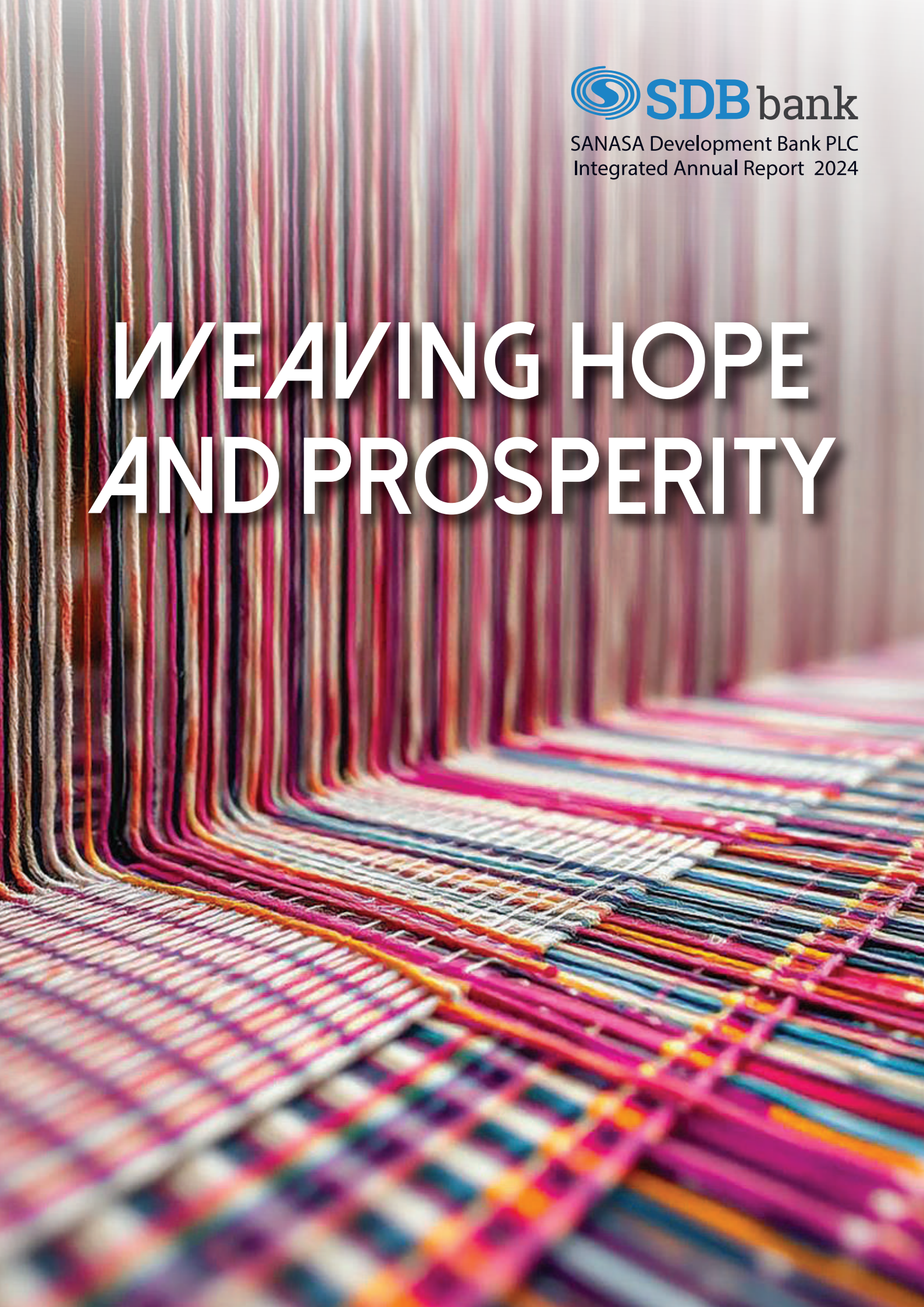
SDB bank

SANASA Development Bank PLC
Integrated Annual Report 2024

WEAVING HOPE AND PROSPERITY





WEAVING HOPE & PROSPERITY

SANASA Development Bank envisions a future where every thread of effort contributes to a tapestry of growth and progress. Like the intricate craft of weaving, whether it's fabric, reed, cane, or beeralu lace, the bank intertwines diverse initiatives to build a foundation of hope and prosperity for all.

Each strand symbolizes the unity of grassroots communities, innovative solutions, and unwavering dedication to empowering lives across Sri Lanka. Together, these strands create a strong and vibrant framework that uplifts individuals and drives economic growth at every level.

With a steadfast focus on fostering financial inclusion and strengthening rural development, SANASA Development Bank continues to bring together people, ideas, and opportunities to craft a brighter, more prosperous tomorrow for the nation.

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OUR VISION

SANASA Development Bank PLC will be the apex Bank of the cooperative sector and a leading partner of national development with a global focus.

OUR MISSION

By providing high quality innovative and competitive financial products and services, offered through the best customer-friendly channels, assisted by cutting-edge technologies, with a team of diverse talents working in synergy to provide a total solution to our stakeholders and operating in a culture of learning and continuous value creation, we strive to become the most responsible financial institution in Sri Lanka.

OUR STRATEGIC PILLARS

- Superior Customer Service
- Propelling SDB as the Bank of the masses
- Create wealth at community level
- Leading the digital adaptation/ innovation
- Design and implement a winning operating model
- Role model in sustainable banking practices

OUR VALUES

- To foster and maintain the highest ethical standards at all levels of the Bank and its agencies in dealing with customers, stakeholders and competitors.
- To be innovative and demand driven in providing financial services
- To be courteous and professional in all business dealings.
- To avoid discrimination on the grounds of religion, sex, ethnicity, social status and language.
- To refrain from extending financial services for unethical and illegal pursuits.

OUR GOALS

- Improve the asset base to stay competitive and resilient in the market.
- Transition from a largely microfinance focus to a broader SME corporate focus.
- Establish SDB as the Bank of the choice for the cooperative sector.
- Introduce a comprehensive digital platform to future proof the Bank.
- Provide a delightful experience to customers through value added service.
- Maintain a highly motivated and competent team aligned with the mission of the Bank.
- Role model Bank for responsible finance in Sri Lanka.



The Loom of Strategy

ABOUT THIS REPORT

Reporting on its performance for the financial year 2024, SANASA Development Bank PLC ("SDB Bank" or "the Bank"), has continued to adopt the Integrated Reporting Framework to indicate the changes to its capitals during the 12 months under review, as well as describe its strategic progress. By voluntarily disclosing such non-financial information, the Bank's objective is to communicate to all stakeholders the Bank's sustainable business practices, and future value creation potential.

The most recent past report is for the Financial Year 2023, and can be accessed on our corporate website – www. sdb.lk



Digital View

The Annual Report is available on our official website,
www.sdb.lk/en/investor-relations/annual-reports

SCOPE AND BOUNDARY

As the Bank has no subsidiaries, the scope of this report is limited to the Bank and extends to the core business operations of the Bank, its level of compliance with applicable regulations and codes of conduct, the Bank's commitment to sustainability, growth strategy, business model, engagements with key stakeholders and management of risks.

The reporting time frame is the 12-month period of 1st January 2024 to 31st December 2024, which is both the financial reporting period as well as the sustainability reporting period.

STANDARDS AND PRINCIPLES OF PREPARATION

The following frameworks and guidelines have been adopted in compiling this Annual Report.

FINANCIAL REPORTING

- **Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka**
- **Companies Act No. 07 of 2007**
- **Banking Act No. 30 of 1988 and amendments thereto**
- **Listing Rules of the Colombo Stock Exchange (CSE)**

CORPORATE GOVERNANCE

- **Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka**
- **Banking Act Direction No. 05 of 2024 of the Central Bank of Sri Lanka on "Corporate Governance for Licensed Banks in Sri Lanka" and amendments thereto.**
- **Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto.**

SUSTAINABILITY REPORTING

- **International Integrated Reporting Framework 2021 of the International Integrated Reporting Council (IIRC)**
- **United Nations Sustainable Development Goals (SDGs)**

FORWARD-LOOKING STATEMENTS

Forward-looking statements and forecasts pertaining to SDB Bank's financial performance, position and operations may imply an element of uncertainty due to many factors in the external environment. Therefore, readers are cautioned not to place undue reliance on such "forward-looking statements" as the actual results may differ from the projected conclusions.

BOARD RESPONSIBILITY STATEMENT

The Board of SDB Bank takes full responsibility for the accuracy of this report and to the best of our knowledge, this report complies with the Integrated Reporting principles and guidelines.

Our assurance on this report extends to the Company's financial statements and other quantitative and qualitative data provided in this report, for the reporting period. The extent of our assurance for this report is further supported by the following statutory reports.

Independent Auditors' Report on page 166

Statement of Directors' Responsibilities on page 165



Signature/s

Date : 7th May 2025

FOR FEEDBACK ON THIS REPORT

Head of Finance

SANASA Development Bank PLC
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Phone : +94 11 283 2529
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Email : sanjeeva@SDB.lk
Website : www.sdb.lk

OUR EVOLUTION

SDB Bank is Sri Lanka's only private development bank and has an established history as a community-based, inclusive financial services provider due to its historic links to the SANASA Movement. With a long-standing relationship with the majority of cooperative networks in Sri Lanka.

rural economies and MSMEs, SDB Bank has a unique place in Sri Lanka's banking industry for its strong community links and ESG focus, which has ingrained sustainable thinking into SDB's banking model and attitudes. While rapidly transitioning its banking model onto digital platforms, SDB Bank has retained its traditional values and sustainable business principles. The Bank continues to serve its traditional customer base of cooperative association and their members, which include a large number of MSMEs and SMEs, as well as women entrepreneurs, in every part of Sri Lanka, and continues to promote and advocate sustainable business practices through sustainable and green credit lines.

SDB Bank was originally incorporated in 1997 as a Licensed Specialised Bank registered with the Central Bank of Sri Lanka, under the Banking Act No. 30 of 1988 (as amended by the Banking Act of 1995 & 2024). The Bank was listed on the Main Board of the Colombo Stock Exchange in 2012, and its customer base currently consists of a mix of individuals and small and medium businesses, as well as island-wide cooperative societies and their members. The Bank's physical footprint extends across the country through its network of 94 branches, over 5000 ATMs via Lanka Pay and its own 13 ATM's which allows SDB Bank customers to access funds through any ATM, anywhere in the country. The Bank also has a rapidly expanding digital services model with its state-of-the-art digital wallet UPay, Business Internet Banking (BIB) which are being leveraged to bridge the digital divide between Sri Lanka's larger urban corporates and micro businesses.

Today, SDB bank continues to retain its development banking focus by not only channelling funds to the country's SME backbone but also by channelling essential development services such as financial mentoring, strengthening the value chain of the businesses, enabling new market opportunities, to upgrading local entrepreneurs & businesses to the next level.



1997

- SANASA Development Bank Ltd. incorporated with a capital of ***Rs. 123 Mn,*** contributed largely by primary SANASA Societies

1998

- The ***10th*** branch opened in Kandy

1999

- Total assets reached over ***Rs. 100 Mn***

2004

- ***"Uttamavi"*** Women Entrepreneurship Product Launched and received international recognition

2006

- ***10-year*** development plan initiated

2007

- Celebrated ***10 years*** of excellence
- Branch network expanded to ***25***
- SDB Bank is ranked among the Top ***50*** Microfinance Institutions in the World from a field of ***641*** microfinance Credit providers.

2008

- Winner of the National Excellence Award
- Total assets increased to ***Rs. 10 Bn***
- Employee cadre expanded to ***500***

2009

- SANASA Group loan scheme introduced
- Share capital increased to ***Rs. 1 Bn,*** from ***Rs. 123 Mn***
- Branch network expanded to ***50***
- ***"Jawaya"*** Youth product launched

2010

- Head Office relocated to a new building, which is located in Kirulapone
- Ranked as the second-best microfinance institution in the World, by Mix Market Global – USA
- Branch network expanded to ***75***
- Acclaimed the BB+(lka) Fitch Ratings

2011

- ***"Sarisara"*** Tourism Product Launched

2012

- Introduced debit cards and ATM facilities
- Listed on the Main Board of the Colombo Stock Exchange
- ***"Dinetha"*** Product Launched

2013

- Total assets increased to ***Rs. 29.7 Bn***

2014

- Employee cadre increased to ***1,000***
- First rights issue of shares oversubscribed
- Issued share capital exceeds ***Rs. 3 Bn***

2015

- ***Rs. 60 Bn*** asset base
- ***Rs. 4 Bn*** debenture and ***Rs. 5 Bn*** capital base

2016

- ***Rs. 66 Bn*** asset base
- ***Rs. 5.5 Bn*** capital base
- Tele Collection Unit launched in Malabe
- New logo (SDB Bank) launched

2017

- ***Rs. 82 Bn*** asset base
- ***Rs. 7.3 Bn*** capital base
- Celebrated ***20 years*** of excellence
- ***USD 22 Mn*** investment from SBI/FMO and IFC

2018

- ***Rs. 96 Bn*** asset base
- Awarded the title of ***"The Fastest Growing MSME Bank in Sri Lanka"*** by the Global Banking and Finance Review, UK, at the Global Banking and Finance Awards 2018
- Corporate Top Saver launched

2019

- ***Rs. 107.8 Bn*** asset base
- Tier II Capital injection of ***USD 18 Mn*** from DGGF and BIO
- Digital payment platform ***"UPay"*** acquired
- ***"SDB Mobile"*** Banking launched
- Business Internet banking with CEFTS and SLIPS connectivity launched targeting SMEs connected to LankaPay ATM network
- New website launched

2020

- Highest-ever performance of the Bank
- Global Banking and Finance Awards 2020
  - Best CSR Bank in Sri Lanka 2020
  - Banking customer satisfaction and happiness
- Ranked ***45th*** place on the Brand Finance Sri Lanka's ***100*** most valuable brands Annual List for 2020
- Recognised by International Investor Magazine Awards 2020
- SDB Bank Facebook page receives the official ***"Blue Tick"*** verification
- Asian Banking and Finance Awards 2020
  - Rural/Cooperative Bank of the Year – Sri Lanka
  - Financial inclusion initiative of the year – Sri Lanka
  - Digital Wallet Initiative of the Year – Sri Lanka
- First digital rights issue
- The rights issue was oversubscribed
- Loan book exceeded ***Rs. 100 Bn***

2021

- Highest ever profit of the Bank
- Awards
  - Global Banking & Finance award for the ***"Best SME Bank"*** and the best bank for social media in 2021
  - Ranked ***43rd*** place on the Brand Finance Sri Lanka's ***100*** most valuable brands Annual List for 2021
  - SDB Bank Placed Among Top-50 in LMD's Inaugural Edition of ***"Most Awarded"***
  - SDB Bank was honoured at the National Business Excellence Award 2021, receiving the Merit Award in the Banking Sector
  - SDB Bank was honoured that their effort to empower women in the workplace has been rewarded at the first CIMA Women Friendly Workplace.
- SDB Bank successfully recorded yet another oversubscription at its Secondary Public Offering
- SDB Bank received ***USD 40 Mn*** loan facility from US International Development Finance Corporation (DFC) to nurture SMEs and female entrepreneurship
- SDB Bank Hosted Asia Pacific Chapter of the Global Alliance for Banking on Values
- SDB Bank's rating upgraded to BBB with a Stable Outlook by ICRA Lanka

2022

- SDB Bank Celebrates ***25 years*** of service to Sri Lankans.
- SDB Bank partners with ADB on a Line of Credit project to support SMEs, and Tea Small Holder Development Projects in Sri Lanka.
- SDB Bank has surpassed ***100 Bn*** FD and savings portfolio.
- ***82.8%*** growth in the pawning loan book from ***Rs. 2.9 Bn*** to ***Rs. 5.3 Bn***

2023

- Total equity of the bank crossed the ***Rs. 14 Bn*** mark
- The total deposit base increased to ***Rs. 108 Bn*** (including savings deposit to ***Rs.16.5 Bn***)
- Number of successful UPay transactions exceeded ***3 Mn*** transactions for the year worth ***Rs. 58 Bn***

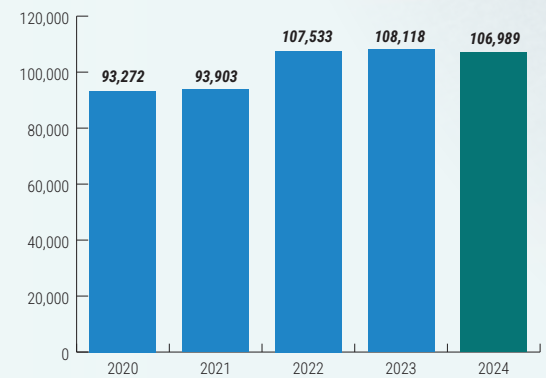
2024

- SDB Bank climbs up 9 notches in LMD 100 best corporate rankings to position as the 53rd Corporate entity in Sri Lanka
- The Saving Portfolio has grown to ***Rs. 20.5 Bn*** by ***Rs. 4.01 Bn,*** for the year representing a significant milestone as a part of our low-cost funding strategy.
- The Total Pawning portfolio and leasing portfolio have increased by ***Rs. 1.21 Bn*** & ***Rs. 1.41 Bn,*** respectively, during the year.

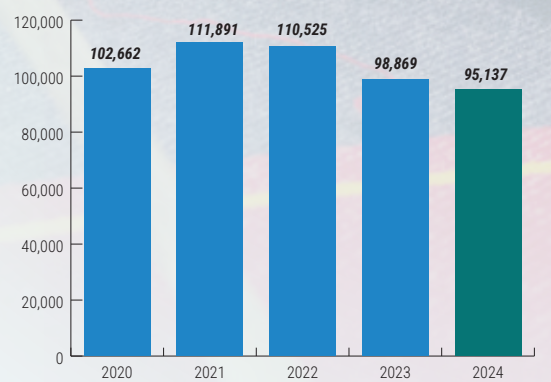
FINANCIAL HIGHLIGHTS

For the year ended 31st December	2024	2023	Change
	LKR	LKR	%
Financial Performance			
Gross Income	**21,062,580,699**	30,792,731,045	(31.60)
Interest Income	**20,005,051,598**	29,904,604,368	(33.10)
Interest Expenses	**12,184,587,605**	21,402,708,282	(43.07)
Profit Before Tax	**684,262,920**	771,926,149	(11.36)
Profit After Tax	**409,534,246**	466,822,213	(12.27)
Total Comprehensive Income	**341,615,936**	606,640,711	(43.69)
Financial Position at the Year End			
Net Advance to Customers	**95,137,106,867**	98,868,895,650	(3.77)
Deposit From Customers	**106,989,899,941**	108,118,121,881	(1.04)
Total Assets	**145,155,949,959**	156,957,400,105	(7.52)
Total Equity	**14,586,500,364**	14,265,855,626	2.25
Growth In Advances	**(3.77%)**	3.92%	-
Growth In Deposit	**(1.04%)**	0.54%	-
Investor Information			
Earning Per Share (Rs.)	**2.49**	2.84	
Net Assets Per Share (Rs.)	**88.85**	88.77	
Market Value Per Share (Rs.)	**45.90**	31.50	
Price Earning Ratio (Times)	**18.40**	10.86	
Ratios			
Net Interest Margin - %	**5.18**	5.37	
Retrun On Assets (ROA) - %	**0.96**	0.49	
Retrun On Equity (ROE) - %	**2.84**	3.34	
Impaired loans (Stage 3) to total Loan, Ratio	**6.93**	8.82	
Statutory Ratios			
Common Equity Tier 1 Ratio % - (Minimum requirement - 2024:7.00% 2023:7.00%)	**15.00**	14.85	
Tier 1 Ratio % - (Minimum requirement - 2024:8.50% 2023:8.50%)	**15.00**	14.85	
Total Capital Ratio % - (Minimum requirement - 2024:12.50% 2023:12.50%)	**16.37**	16.45	
Liquidity Coverage Ratio % - (Minimum requirement - 2024:100% 2023:100%)	**279.65**	287.38	
Net Stable Funding Ratio %- (Minimum Requirement - 100%)	**173.02**	192.78	

DEPOSIT FROM CUSTOMERS *Rs. Mn*

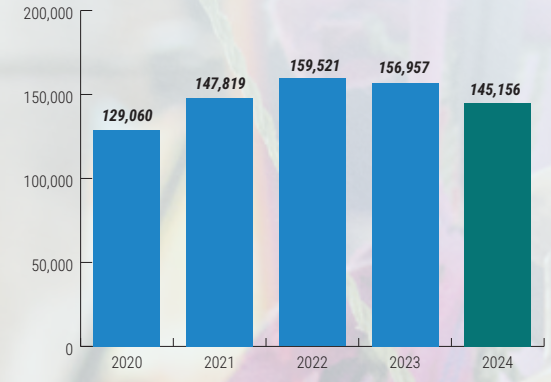


NET ADVANCE TO CUSTOMERS *Rs. Mn*



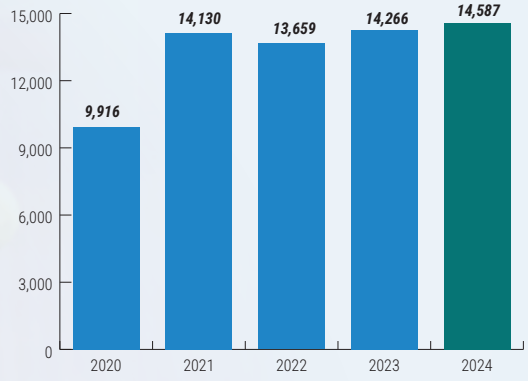
TOTAL ASSETS

Rs. Mn



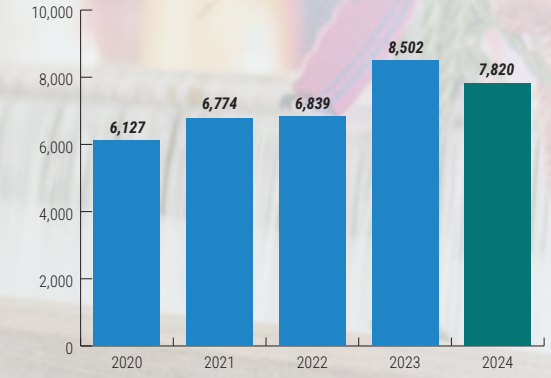
TOTAL EQUITY

Rs. Mn



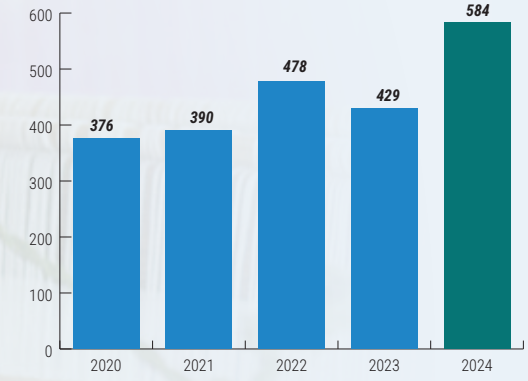
NET INTERSET INCOME

Rs. Mn



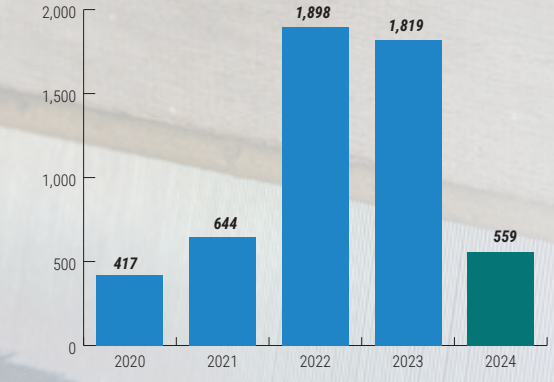
NET FEE INCOME

Rs. Mn



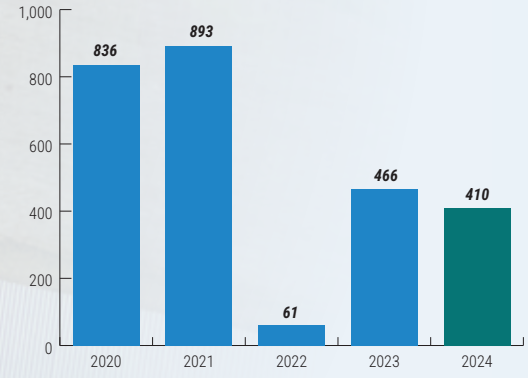
IMPAIRMENT CHARGE

Rs. Mn



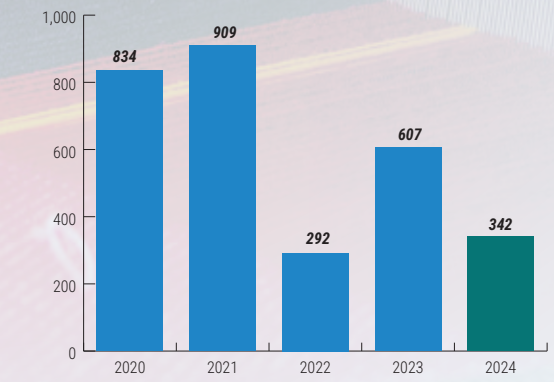
PROFIT AFTER TAX

Rs. Mn



TOTAL COMPREHENSIVE INCOME

Rs. Mn



YEAR IN REVIEW

OPERATING ENVIRONMENT

- Macroeconomic Conditions: 2024 marked the end of a prolonged economic contraction, with the Sri Lankan economy recording a 5% growth
- Inflation: The rate of inflation continued to decline
- Exports and Imports: The value of total exports increased by 7.2% year-on-year, while the value of total imports grew by 12.1%
- Interest Rates: Backed by policy easing, the interest rates continued to decline in 2024

WHAT WE DELIVERED

- Refinance Funds Obtained during the year 2024.

Funding Institution	Scheme	Amount
Ministry of Finance	ADB & Other	2,256,159,712.37
The Central Bank	PAMP RF & STaRR	238,976,253.86
Ministry of Industries	SMILE III	82,855,000.00
Coconut Cultivation Board	Kapruka Ayojana	13,960,000.00
Total		2,591,950,966.23

- Continually improved portfolio quality and recovery strategies, thereby reducing impairment costs and Impaired Loans (Stage 3) Total loan Ratio (%) to 6.93% from 8.82%
- Quality of new lending was stringently controlled to improve overall portfolio quality
- Sustainability initiatives were significantly strengthened with the launch of the Rural Upliftment Program. Please refer to page 30 for more information
- Enhanced brand visibility by revamping 15 branch locations in 2024
- We enhanced our digital facilities and infrastructure, resulting in a significant increase in POS and Online Banking transactions, exceeding 11 million transactions with a total value of over LKR 97 Bn during the year
- Strengthened the Digital communication touchpoints
- Established customer experience unit with a greater focus on improving customer satisfaction.
- Improved customer convenience and expanded customer base
- Revamped HR administration to support long-term human capital development
- Implementation of rate reductions for vulnerable customer segments adversely impacted by the previous high-interest rate environment

SUSTAINABLE PROGRESS

- Commenced developing a new business strategy in collaboration with Rabo Partnerships to enhance sustainable value creation across the value chain
- In line with the bank's strategy, we turn to strengthen the Value Chain Finance (VCF) arm of the bank, providing financial and non-financial arrangements with a special focus on agriculture.
- Signed an MOU with Value for Women to incorporate a gender lens into the business strategy
- Expanded support to rural communities through the implementation of the "Rural Upliftment Program." With the support of different government and private organisations.
- Increased SME financing and support
- Strengthened relationship with cooperative associations
- Work has commenced on incorporating climate resilience as a key element of our long-term strategy.
- Enhanced partnerships for stronger resilience and collaborative development (Eg: MOU with USAID)

STRATEGIC PRIORITIES IN THE YEAR 2024

- Inclusive economic recovery: Provide financial and advisory support for the rural, SME and MSME sectors to ensure inclusive economic recovery, as the national economy returns to a growth trajectory
- Support women's empowerment: Empower women entrepreneurs through a comprehensive assistance package that goes well beyond financial support
- Reduce the digital divide in financial services: Expand digital financial services into the rural, SME and MSME sectors through low-cost digital strategies
- Support the expansion of sustainable economic recovery: Encourage sustainable and climate-friendly business activities through special funding packages

FORWARD STRATEGY

- Diversify services and customer base to build a foundation to transition into a universal bank from the current development banking category
- Integrate mechanisms to measure our sustainability impacts across the value chain
- Fast-track digitization into business processes to contain costs and expand the customer base
- Increase financial support to sustainable initiatives.

WHAT WE OFFER

SAVINGS PRODUCTS

SDB Lakdaru

- Savings for the child's future
- Hospitalisation Insurance cover (including government hospitals)
- Higher interest rate compared to regular savings
- Attractive gifts for saving slabs

SDB Uththamavi

- Savings product specially for women
- The best benefits in the market for women's savings
- Bill payments through UPay App

SDB Jawaya

- Attractive interest rate
- Digital banking facilities via the UPay App

SDB Dayada

- Lump sum deposit ensures a guaranteed return despite interest rate fluctuations
- Investment certificate can be encashed upon turning 18 years of age

SDB Corporate Top Saver

- Earn high interest on savings
- Interest calculated on daily basis based on the day-end balances and credited monthly
- Multiple convenient digital banking platforms UPay & Business Internet Banking (BIB)

SDB Business Saver

- A comprehensive Business Savings Account for the business community
- Save time and money as all business transactions can be handled through digital banking services
- Earn high interest on savings.

SDB Top Saver Plus

- Access savings anywhere, at any time.
- Greater flexibility to withdraw any number of times without any interest penalties

SDB Ayojana

- Monthly Contracted Savings Account for Co-operative Societies and Individuals
- Customer can build up target maturity amount

FIXED DEPOSIT PRODUCTS

SDB Fixed Deposits

- Attractive higher rate of interest
- Immediate cash back facility of up to 90% of deposits

SDB Fixed Deposits Upahara

- Attractive interest rate for those over 55 years of age senior citizen
- 90% cash back facilities

WHAT WE OFFER

LOAN PRODUCTS

SDB Housing Loan

- Longer repayment period
- Flexible approach and fast approval
- Attractive and competitive low-interest rate

SDB Personal Loan

- Top-up option for facility
- Choice of fixed or floating interest rates
- Processing within a maximum of three working days

SDB Ranmini

- Purchasing options for gold jewellery, gold coins or gold biscuits at competitive interest rates

SDB Uththamachara

- For Army/Navy/Air Force/Police & Police STF Ex Military Personnel and their Dependent Family Members
- Loans up to LKR 5 Mn without guarantors
- Repayment period up to 10 years and 75 years of age
- Loan protection covers for all Uththamachara credit facilities
- Lower insurance charges
- Assistance in SWIFT transfer of salaries from relevant Pay and Record offices
- Convenience and quality service to customers

SDB Gold Loan

- Short term loan (1, 3, and 6 months)
- Maximum advance amount for gold sovereign (8g) 18/24kt of gold
- Competitive low interest rate
- Benchmarked services that guarantee speed, privacy and the highest level of confidentiality

SDB Upahara

- For Retired Government servants and Ceylon Electricity Board Pensioners
- Loans up to LKR 5 Mn without guarantors
- Repayment period up to 10 years, and 75 years of age
- Extended support to transfer the pension remittance to the account quickly.
- Loan protection insurance cover with lowest insurance charge.
- Convenience and quality service to customers

SDB Pawning

- Maximum advance amount for a gold sovereign (8g) 18K/24K of gold
- Competitive low interest rates
- Ensured accuracy of gold weight and value with the latest equipment
- Benchmarked services that guarantee speed, privacy and the highest level of confidentiality

SDB SME Plus

- Reasonable rate of interest with a suitable grace period
- Loan values to suit business requirements with a flexible repayment schedule aligned with income
- Pattern and payment capacity
- Business guidance and consultancy services
- Availability of credit lines
- Open for SME business segments
- Promoting Environmental, Social, and Governance (ESG) in financing

SDB SME Jawaya

- Loan facilities up to LKR 1 Mn with two guarantors
- Repayment period of up to 5 years for capital financing and up to two years for working capital for applicants who hold 50% or more ownership of a business

SDB Uththamavi

- Microfinance loans
- SME loans
- Personal loans up to LKR 10 Mn
- Insurance Benefit for those obtaining a loan

SDB Business Plus

- Financial assistance for pensioner entrepreneurs
- Easy access for attractive rates and other benefits for business improvements
- Target to service for sectors of women, agri exporters, service and industry

SDB Leasing

- Customised leasing packages to suit individual requirements with flexible repayment schemes at competitive rates
- Attractive discounts on premature settlements
- Easy accessibility to leasing facilities through island-wide branch network
- Leasing facilities available for private and commercial vehicles

SDB Divi Saviya SME

- For the upliftment of Micro and Small businesses
- Open for Micro and Small businesses
- Availability of Credit lines

SDB SME Value Chain Financing

- In line with the Bank's three-year strategy, value chain financing (VCF) will play one of the most important roles in establishing an efficient and effective ecosystem to reach small, medium, and corporate-level customer bases and fulfill their financial requirements, while also assuring the markets, especially in the manufacturing and agricultural sectors. Large corporates, exporters, and manufacturers will onboard to the bank as anchors, along with their supplier bases.

CO-OPERATIVE PRODUCTS

SDB Co-operative Project Loans

- To finance start-ups of new projects & develop existing projects carried by registered cooperative societies
- Repayment period up to ten years in monthly installments, with a 6 month grace period
- Loan amount depends on the capacity of the society & project cost

SDB Co-operative Relending Loans

- Re lend to society members for their income generating & consumption purposes
- Repayment can be made monthly, or as a bullet repayment base on requirement
- Loan amount depends on the capacity of the society

SDB Co-operative Top Saver

- Highest interest rate for savings interest calculated on a daily basis based on the day-end balances and credited monthly
- Loan facilities against savings balances with the ability to avail up to 80% of the deposit for a one year loan renewal period

SDB SME COOP/NGO Savings

- Savings product tailored for Multi Purpose Co-operatives (MPCs) and NGO's

SDB Coop Saver

- Highest interest rate for savings interest calculated on daily basis based on the day-end balances and credited monthly. Coop Saver Savings Account is a smart option for co-operative & non-co-operative other societies to earn a higher interest rate while ensuring the real value of returns are not lost at all times.
- Digital solution for fund transfers/payments -The main concern of transacting business account is to maintain smooth fund management of the co-operative business with easy handling of cash in and out.

WHAT WE OFFER

SDB Sahanya

- Special product to meet the requirements of death donation societies, welfare societies, NGOs, and Non-cooperative societies.
- Special interest rates
- Special interest rates Bonus Interest of 40% of the cumulative interest will be paid only if the required average balance of Rs. 200,000 is maintained during a period of one year.
- Bonus Interest of 50% of the cumulative interest will be paid only if the required average balance is maintained at 1 million or above during a period of one year
- 60% cash back loan facilities

SDB Samupa Saviya

- Additional 0.25% interest for fixed deposits
- Coverage for entire co-operative segment

SDB Bancassurance

- As a provider of all financial requirements for customers, market and sell a variety of Life Insurance products through the branch network.

SDB Refinance Loans

- Providing low-cost loans for income generating projects
- To finance working capital requirements to strengthen the projects & businesses
- Attractive rates with grace periods & flexible Repayment periods
- Providing financial literacy & capacity development of beneficiaries
- Increased significant portfolio in refinancing in 2024
- Cooperation and Collaboration with ADB, CBSL, Ministry of Finance, Ministry of Industries, Ministry of Agriculture, Coconut Cultivation Board and other funding institutions.



Interlacing Foresight with Adaptability

OPERATING ENVIRONMENT

GLOBAL ECONOMY

The global economy remained resilient in 2024, despite increased geopolitical volatility, with economic growth recorded at 3.2% by the World Economic Outlook (WEO) of the International Monetary Fund (IMF). The global inflation rate of 5.8% for 2024 was projected to decline to 4.2% in 2025, while global economic growth was forecast to rise marginally to 3.3% and remain below the historical (2000–19) average of 3.7%.

However, developments in the first quarter of 2025 indicated rising uncertainty, particularly with regard to international trade, following a proposed new US tariff regime under the Trump administration. The IMF has also revised its world trade volume expectations slightly downwards for 2025, claiming a sharp increase in trade policy uncertainty. Geopolitical conditions are also being recalibrated, with tensions in the Middle East easing somewhat with the Israeli-Hamas ceasefire, but continuing unpredictability regarding the Russian-Ukraine war. The IMF expects energy commodity prices to decline by 2.6% in 2025, more than originally predicted in October 2024, due to a decline in oil prices driven by weak Chinese demand and strong supply from countries outside of OPEC+ (Organization of the Petroleum Exporting Countries plus selected non-member countries, including Russia), partly offset by increases in gas prices as a result of colder-than-expected weather and supply disruptions, including ongoing conflicts in the Middle East and outages in gas fields. Nonfuel commodity prices are expected to increase by 2.5% in 2025, on account of upward revisions to food and beverage prices, driven by bad weather affecting large producers.

Monetary policy rates of major central banks are expected to continue to decline, though at different paces, reflecting variations in growth and inflation outlooks. The fiscal policy stance is expected to tighten during 2025–26 in advanced economies, including the United States and, to a lesser extent, in emerging markets and developing economies.

SRI LANKAN ECONOMY

Against the backdrop of global turbulence, the Sri Lankan economy continued to stabilise and align to its charted recovery trajectory in 2024. Significant progress was made on the fronts of debt restructuring as well as the Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF) with the domestic debt optimisation finalised and external debt restructuring making progress. The completion of the Domestic Debt Optimisation in 2023 and progress in External Debt Restructuring in 2024, coupled with greater political stability following Presidential and General Elections, also contributed towards uplifting economic confidence, while declining interest rates and inflation rates contributed directly towards encouraging economic activities.

Faster-than-expected recovery in domestic economic activity was supported by renewed business and consumer confidence, and the spike in inflation was brought under control. External buffers were rebuilt, eliminating the foreign exchange crisis.

Under the ongoing fiscal consolidation plans, government revenue rose by 32.2% year-on-year (y-o-y) to LKR. 3,650.9 billion in the first eleven months of 2024, achieving 88.9% of the annual target of LKR 4,107 billion, with taxes on goods and services contributing to LKR 1,974.5 Bn. Meanwhile, total expenditure increased marginally by 1.9% y-o-y to LKR 4,881.9 Bn, representing 70.9% of the annual estimate, according to the Department of Fiscal Policy (DFP).

The DFP also stated that the primary balance recorded a surplus of LKR. 927.8 Bn, a 180% y-o-y improvement, surpassing the annual estimate of an LKR. 199.8 Bn deficit, while the budget deficit stood at LKR. 1,217.3 Bn. Government borrowing reached LKR 1,713.4 Bn out of an estimated LKR 2,333.4 Bn, with loan disbursements amounting to USD 1,524.4 Bn, including USD 53.3 Mn in bilateral disbursements. The reduction in expenditure was attributed to lower interest costs, supported by a 5.9% decline in the three-month treasury bill rate.

GDP GROWTH

Sri Lanka's economy expanded by 5.0% in 2024, marking a recovery after two years of contraction and the highest annual growth since 2017. All three sectors of the economy, agriculture, industry and services expanded by 1.2%, 11.0% and 2.4%, respectively. Within the services sector, 'Financial service activities' increased by 1.5%, while the 'Accommodation, food and beverage serving activities' sector reported the highest growth at 31.4%, reflecting the recovery of the tourism sector and its contribution to GDP. In terms of share of GDP, the services sector represented 57.5% of the national GDP, with the industry sector accounting for a quarter of the GDP, agriculture 8.3% and taxes less subsidies accounted for 8.7%.

INTEREST RATES

The Central Bank eased monetary policy on three occasions during 2024, and between March and July, policy rates were cut by 75 basis points (bps), which was a cumulative 725 bps reduction since May 2023, affecting considerable downward adjustments in market interest rates. In November, the CBSL decided to relax the monetary policy stance once more and set the Overnight Policy Rate (OPR) at 8.00%, compared to the current level of AWCMR around 8.50%, which can be expected to stimulate demand and support domestic economic activity. Credit to the private sector from Licensed Commercial Banks continued to expand notably from May 2024, and by the third quarter, credit to the private sector demonstrated growth across all major economic sectors, which the CBSL expects will gain momentum. However, credit obtained by the public sector contracted, freeing up financial resources for private-sector investment. A significant change in 2024 was the Central Bank adopting a single policy interest rate mechanism from its previous dual policy interest rate system. The "Overnight Policy Rate (OPR)" was the primary tool of monetary policy from November 2024.

INFLATION

Sri Lanka's rate of inflation was brought under control in 2024, reaching deflationary levels in September 2024, below the Central Bank target of 5%, driven by downward revisions to the energy prices, stronger currency and the decline in food prices. Consequently, in September 2024, headline inflation reached deflationary levels for the first time in nine years.

In December 2024, headline inflation, as measured by the year-on-year(Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100) remained in the negative territory for the fourth consecutive month, recording a deflation of 1.7%, compared to the deflation of 2.1% in November 2024. On a month-on-month basis, the CCPI recorded an increase of 1.19% in December 2024 due to the combined effect of a 1.24% increase in the prices of items in the Food Category and a 0.06% reduction in the prices of items in the Non-Food Category. Meanwhile, core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy, remained unchanged at 2.7% in December 2024.

Headline inflation is expected to remain in the negative territory in the next few months, driven by the persistent effects of significant downward adjustments in energy prices and the reduction in volatile food prices, coupled with the considerable base effect, owing to the price increases experienced in early 2024 due to tax amendments. Nevertheless, inflation is expected to turn positive thereafter and gradually align with the targeted level of 5% over the medium term.

LABOUR MARKETS

The number of unemployed persons is estimated at 341,199 during the third quarter of 2024. The unemployment rate for the third quarter of 2024 is 4.2 %, which is a decline from 4.7% in the second quarter and 5.2% in the third quarter of 2023. As per table 8, the overall unemployment rate reported for females is 7.2 %, and it is 2.6 % for males. The youth unemployment rate (age 15 – 24 years) corresponding to the third quarter of 2024 is 21.8 %, and that is the highest reported unemployment rate among all age groups.

EXTERNAL SECTOR

Gross Official Reserves (GOR) stood at USD 6.1 Bn at end 2024 compared to USD 4.4 Bn at end 2023, supported by net purchases by the Central Bank from the domestic foreign exchange market during 2024 at historically highest levels and funds received from multilateral institutions.

Workers' remittances in 2024 amounted to USD 6,575 Mn, compared to USD 5,970 Mn in 2023, recording a y-o-y growth of 10.1%. Total inflows to the services sector in 2024, excluding earnings from tourism, amounted to USD 3,714 Mn, compared to USD 3,348 Mn in 2023.

EXCHANGE RATE

Following the 10.7% appreciation in 2024, the Sri Lanka rupee depreciated by 1.7% against the US dollar during January 2025. Meanwhile, reflecting cross-currency movements, the Sri Lanka rupee depreciated against other major currencies in January 2025. In line with the nominal appreciation of the Sri Lanka rupee during the year 2024, the real effective exchange rate against the basket of 24 currencies (REER 24) also appreciated. Accordingly, the REER 24 index (2017=100) increased from 70.2 at the end of 2023 to 76.7 at the end of 2024, reflecting a reduction in external competitiveness during the period.

BANKING SECTOR PERFORMANCE

Sri Lanka's banking sector recorded a solid performance in 2024, reflecting its resilience and adaptability in a recovering economy. With continued economic stabilisation and supportive monetary policies, the sector is well-positioned to contribute to sustained economic growth in the coming years.

KEY HIGHLIGHTS ABOUT THE SRI LANKAN BANKING SECTOR IN 2024

Reduced NPL ratio: While still comparatively high, the banking sector's NPL ratio has declined slightly due to improved debt collection processes.

Positive impact of debt restructuring: The restructuring of government debt, including foreign currency banking unit loans, has contributed to the stabilisation of the banking sector.

Improved capital adequacy: Banks have strengthened their capital positions through recapitalisation plans, ensuring financial stability.

Gradual credit growth: Private credit has started to expand modestly after a sharp contraction in the previous period.

Positive external sector performance: Robust inflows from tourism and worker remittances have supported the banking sector by improving foreign exchange reserves.

The banking sector's profits after tax increased to LKR 309.7 Bn by end 2024, from LKR. 192.6 Bn by the end of 2023. The Net Interest Income of the sector increased from LKR 713.8 Bn in 2023 to LKR 916 Bn. The impairments for loans and other losses decreased from LKR 171.6 Bn in 2023 to LKR 66.5 Bn, contributing towards the sector's Profit Before Tax, which increased from LKR 377 Bn to LKR 719 Bn.

The total assets of the banking sector grew by 8.7%, reaching LKR 22.2 Tn, from LKR 20.4 Tn as at the end of 2023. Total deposits continued to expand from LKR. 16.6 Tn to LKR 17.9 Tn.

Total borrowings decreased by LKR 117.4 Bn and stood at LKR. 1,280 Bn with rupee borrowings making up 0.2% and foreign currency borrowings at 27%. Banking sector investments increased year-on-year by 24.4%, to LKR 9,083.7 Bn by the end of 2024.

The sector's credit quality continued to improve with stage 3 loans to total loans decreasing to 12.3%, from 12.8% as at end 2023. The sector NPL ratio improved from 54.1% to 49.0%

OUTLOOK

- **Fitch Ratings upgraded Sri Lanka's Long-Term Local-Currency IDR to 'CCC-' in September 2023, reflecting the completion of the local-currency portion of Sri Lanka's domestic debt optimisation plan. Therefore, the successful completion of the External Debt Restructuring (EDR) is expected to improve the sovereign rating, reduce uncertainties further and bolster investor confidence which would pave the way for accessing further financial resources from the external sector, within prudent limits.**
- **The World Bank in its Sri Lanka Development Update, stated that inflation would gradually increase towards the target of 5% as demand picks up. Debt restructuring and continued fiscal consolidation are expected to reduce the overall fiscal balance in the medium term. Sri Lanka has an untapped export potential estimated at $10 billion annually, which could create approximately 142,500 new jobs. There is a significant opportunity for diversifying and expanding exports in manufacturing, services and agriculture, provided the necessary reforms are implemented. The report projects a GDP growth of 3.5% for 2025 and is then expected to follow a modest path over the medium term due to the scarring effects of the economic crisis. Poverty is expected to gradually decline but remain above 20% until 2026.**

STAKEHOLDER ENGAGEMENT

SDB Bank maintained continuous communications with all major stakeholder groups during the 2024 financial year to ensure transparency and also to accommodate stakeholder concerns or feedback, if required, in order to strengthen existing relationships. As the Bank is fully cognizant of the influence of its key stakeholders on business continuity, the Bank has implemented formal procedures for engagement with different stakeholder groups.

SDB Bank's engagements with its major stakeholder groups are summarised below. For further details, please refer to the Social and Relationship Capital chapter, the Human Capital chapter and the Natural Capital chapter.

RELATIONSHIP WITH SANASA COOPERATIVES

SDB Bank's long standing relationship with SANASA cooperatives makes SDB Bank unique among private banks in Sri Lanka. As SDB Bank was originally instituted to serve as the primary bank for SANASA cooperatives, the cooperatives are at once shareholders of the Bank, customers, local suppliers, and also long-term business partners.

To put the SDB-SANASA relationship into perspective, the SANASA cooperative network is the largest cooperative network in Sri Lanka, with over 8,000 cooperatives in all parts of the island, including in the most remote parts, and with over three million members.

- Today, nearly 30% of SDB Bank's deposit base is from SANASA cooperatives, making the SANASA network a key source of funding for the Bank.
- In turn, SDB Bank is the primary source of concessionary funding for SANASA societies and their members, from the government as well as international funding agencies.
- SDB Bank supports capacity building of SANASA cooperatives by providing specialised training for cooperative staff and digital solutions, as well as training for members.
- SDB Bank's community development projects are also conducted with underserved SANASA-member communities.

The SANASA cooperatives that stem from the grassroots SANASA Movement are entirely owned and operated by communities. Together, these societies form the SANASA Federation. These cooperatives are nationally regulated by the Department of Co-operatives. Since its inception 27 years ago, SDB Bank has continued to maintain direct linkages with SANASA cooperatives by participating in their meetings and discussions.

STAKEHOLDER ENGAGEMENTS IN 2024

Stakeholder	How We Engaged	Key Concerns	Strategic Response
Regulators • Central Bank of Sri Lanka (CBSL) • Colombo Stock Exchange (CSE) • Securities and Exchange Commission • Company registrar	• Accommodated CBSL audits and submission of periodic returns to CBSL • Submitted progress reports and quarterly financial statements • Submitted mandatory disclosures to CSE	• Compliance with the new Banking Act and CBSL Directives • Compliance with SLFRS S1, S2 frameworks	• Commenced enhancing risk management systems to accommodate S1, and S2 requirements • Accommodated all requirements under the Banking Act • Improved compliance monitoring through digital interventions
Shareholders	• Annual general meeting • Annual report • Quarterly earnings update • Press releases • Announcements to the CSE	• Shareholder returns • Financial performance • Transparent reporting and disclosures • Good governance	• SDB Bank commenced work on a new growth strategy. Please refer Chairperson's Message and the CEO's Review of plans. • Shareholders have been kept informed of the financial status

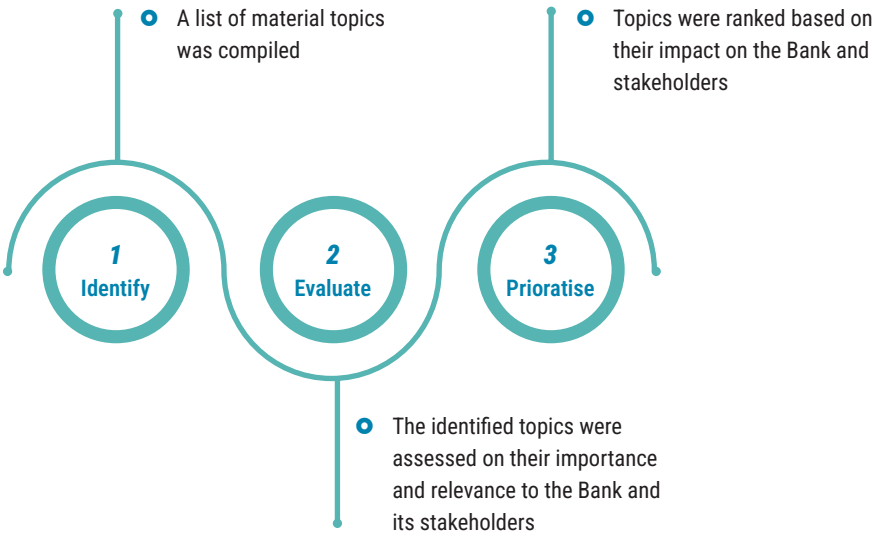
Stakeholder	How We Engaged	Key Concerns	Strategic Response
 **Customers** • SMEs • SANASA and other cooperative societies • Larger businesses • Individual/retail customers Please refer to the Social and Relationships Capital chapter for details on how the Bank engaged with each of these different customer segments during the year.	• Rural Upliftment program • DevPro project • Interaction at branch level • Marketing campaigns • Formal complaint handling mechanism • Corporate website • Social media channels	• Safety of deposits • High returns for deposits • Credit at low cost • Convenience	• Digital banking facilities, as well as customer data protection were enhanced during the year. Please refer to the Intellectual Capital chapter • Engagements with cooperative societies were increased • The branch network was improved • ATM services were maintained without any interruption
 **Employees**	• SDB Bank reviewed all HR policies and strategies during the year and updated the organisation structure as well as HR administration structures.	• Good remuneration and benefits • Career growth • A safe workplace	• Please refer to the Human Capital chapter for details on employee engagement in 2024.
 **Communities** (These are consumer segments who may not be direct customers of the Bank, including women's groups that are supported by the Bank)	• Engagements are generally through SANASA cooperatives and MPCs	• Community infrastructure development • Livelihoods generation	• Please refer to the Social Capital and Natural Capital chapters for community and environmental activities
 **International Agencies**	• Periodic fact-finding visits • Annual reviews • Direct engagement with consultants • Industry forums	• Operational transparency • Sustainable and ethical operations	• SDB Bank continued collaborating with Rabo Partnerships to develop its new growth strategy and with a number of other international agencies during the year. Please refer to the Social Capital and Natural Capital chapters for information on these engagements.
 **Business Partners** • SDB Bank has a network of 400+ suppliers	• Regular communications • Meetings	• Timely payments • Long term relationships	• SDB Bank maintained its relationships and the policy of local purchasing
 **Trade Unions**	• Meetings with union representatives	• Working conditions, wages, work-related facilities and benefits	• The Bank signed a new collective agreement from 2024 to 2026

MATERIALITY

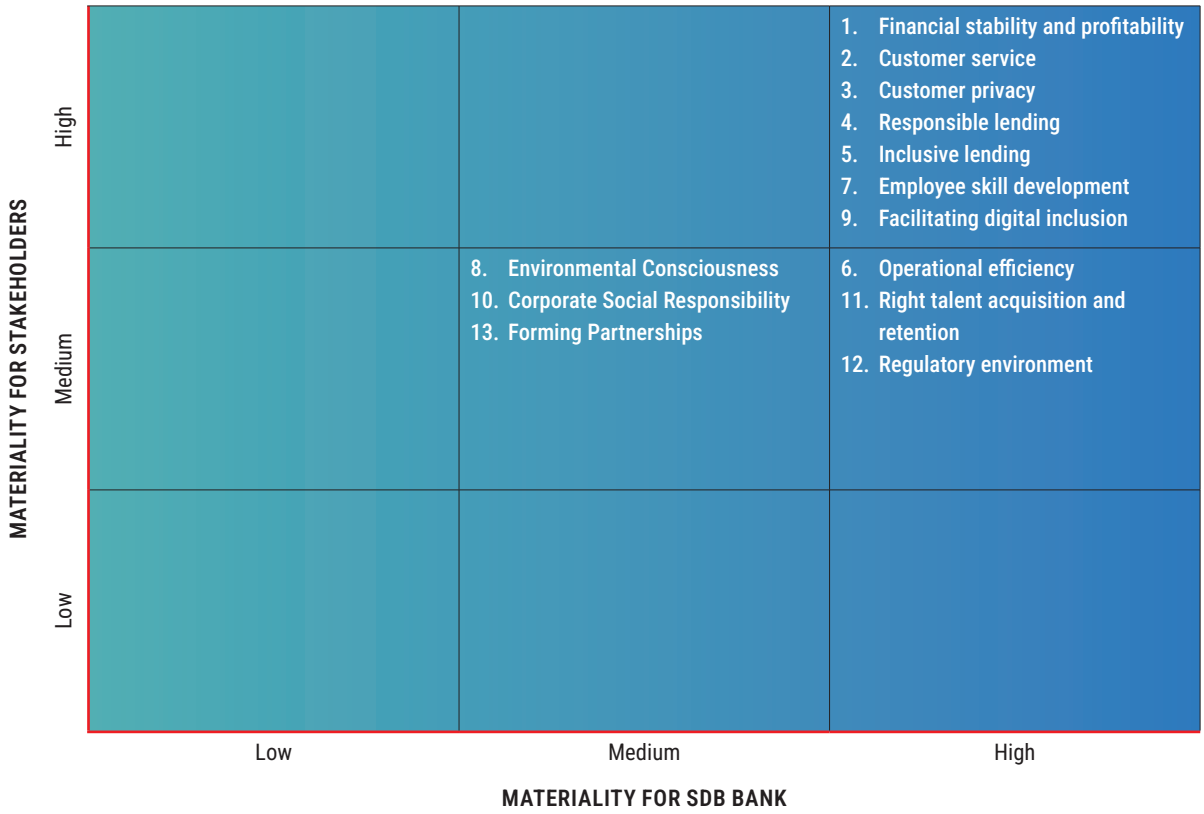
Material topics for discussion for the financial year 2024 were selected by the Bank by evaluating the previous financial year's material topics against the changes to the macro environment and assessing new threats and opportunities that emerged during the year. Stakeholder inputs as well as expectations from the Bank were also taken into account in identifying a list of material topics and in prioritising material topics for discussion in this report.

DETERMINING MATERIALITY

SDB Bank adopted the following process to identify material topics for disclosure in the annual report:



The topics that are of high priority to stakeholders as well as the Bank, were selected for discussion in this report.



LIST OF MATERIAL TOPICS AND THEIR IMPACT

Material Topic	Impact		SDGs
	To Stakeholder	To the Bank	
Stability and profitability: Sustain profits while retaining long-term financial sustainability	H	H	8 DECENT WORK AND ECONOMIC GROWTH
Customer Service: Expand the customer base	H	H	8 DECENT WORK AND ECONOMIC GROWTH
Customer privacy: Customer data protection to manage reputational risk	H	H	5 GENDER EQUALITY
Responsible lending: Improve portfolio quality and expand sustainable/green lending	H	H	13 CLIMATE ACTION
Inclusive lending: Funding for rural masses, MSMEs, SMEs and women	H	H	5 GENDER EQUALITY
Employee skill development: Enhance capacity and competitiveness	H	H	8 DECENT WORK AND ECONOMIC GROWTH
Facilitate digital inclusion: Provide access to digital banking facilities for the rural masses	H	H	5 GENDER EQUALITY
Operational efficiency: Gain cost efficiencies	M	H	8 DECENT WORK AND ECONOMIC GROWTH
Right talent acquisition and retention: Build technical expertise	M	H	8 DECENT WORK AND ECONOMIC GROWTH
Regulatory environment: Ensure total compliance	M	H	8 DECENT WORK AND ECONOMIC GROWTH
Environmental consciousness: Environmentally responsible lending and operations, and managing climate change risks	M	M	13 CLIMATE ACTION
Corporate Social Responsibility: Uplift communities	M	M	2 ZERO HUNGER
Forming Partnerships: Forming alliances for better opportunities for value creation	M	M	17 PARTNERSHIPS FOR THE GOALS

H High, **M** Medium, **L** Low

HOW WE CREATE VALUE

CAPITAL INPUTS

FINANCIAL CAPITAL

Our capital base, as well as our retained profits, are used to support our clients and ensure sustainable operations.

- Equity of **Rs. 14.5 Bn**
- Deposits of **Rs. 106.9 Bn**

INTELLECTUAL CAPITAL

Our intangible assets include brand, reputation, innovation capacity, knowledge and expertise, as well as strategic partnerships.

- Expertise in SME and co-operative banking
- Range of products under the SDB Bank brand

HUMAN CAPITAL

Our people, whose collective knowledge, skills and experience enable innovation and competitive solutions for our clients and value for all stakeholders.

- Total employees **1,298**
- Remuneration and benefits, Total paid **3,750 Mn+**
- Learning and development
- Team spirit

MANUFACTURED CAPITAL

Our physical and digi-tal infrastructure

- Branches **94**
- ATMs **13**
- POS Machines **7700+**

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder relation-ships, including the communities in which we operate, that ena-ble us to create value.

- **1.6+Mn** Relationships
- Customer digital adoption

NATURAL CAPITAL

Natural resources that we draw upon for our operations (electricity, water, etc) and natural ecosystems that our clients are reliant on for livelihood and sustenance.

- Environmental and Social Management System in Lending
- Managing the footprint of internal operations
- Strategic sustainability initiatives to re-store and enhance natural ecosystems

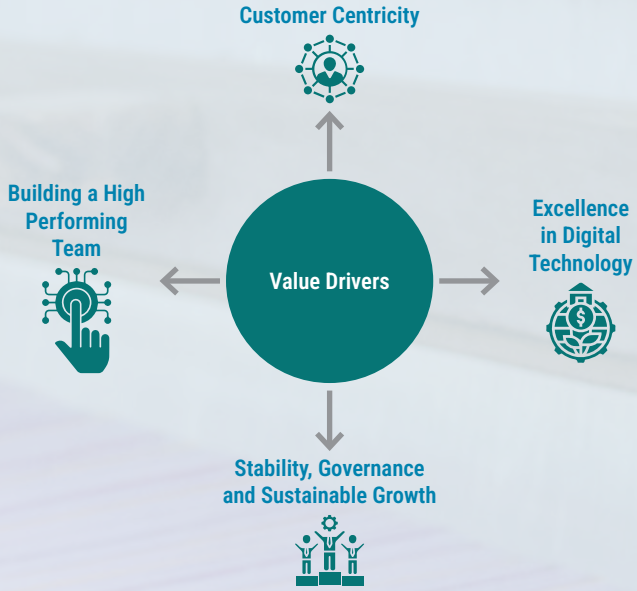
VALUE-ADDING BUSINESS ACTIVITIES

OUR MISSION

OUR VISION

OUR STRATEGIC PILLARS

1. Consistent Brand Image
2. Robust Credit Process
3. Agile Operating Model
4. Robust Internal Growth engine
5. Innovative banking solutions
6. Sustainability everywhere



KEY ENABLERS

- Business lines - SME, Retail, Co-Operative, Business
- Banking
- Core functions - Finance, Administration, Legal, IT, HR, Treasury, Credit

GOVERNANCE

RISK MANAGEMENT

CAPITAL INPUTS

FINANCIAL CAPITAL

- PAT Rs. 410 Mn
- ROE 2.84%
- EPS Rs. 2.49
- CAR
  - TIER-I 15.00%
  - TIER-II 16.37%

INTELLECTUAL CAPITAL

- Fitch rating BB+(lkr)

HUMAN CAPITAL

- Fair representation within the Bank Male 52%
- 26% female representation in the corporate management
- Training employees 1200+
- Training hours per employee 8.30 hrs+
- Training man hours 13,000 hrs+

MANUFACTURED CAPITAL

- Branches 94
- ATMs 13
- POS Machines 7700+

SOCIAL AND RELATION-SHIP CAPITAL

- Largely focuses on the rural masses, especially agriculture, dairy farming, and women-based enterprises
- Investment in CSR

NATURAL CAPITAL

- Climate adaptation
- Sustainable agriculture financing
- Green financing
- Energy conservation
- Climate Risk Identification

VALUE CREATED



SHAREHOLDERS

- Prudent growth
- NAV per share Rs. 88.85
- Cash dividend paid last 10 Years 1,140 Mn+



CUSTOMERS

- Assistance for business restructuring and recovery
- Finances for sustainable businesses
- Faster processing of loans
- Multi-channel footprint
- Operational efficiency
- Customer satisfaction and convenience



EMPLOYEES

- Valued organisational culture
- Efficient and safe working environment
- Engaged employees
- Career progress
- Empowerment



REGULATORS

- Support for economic recovery through SME credit
- Taxes paid Rs.1,041 Mn
- Compliance with regulatory requirements



COMMUNITIES

- Training to develop businesses
- Financial inclusion Improvements in quality of life
- Training hours of cooperative engagement 370 hrs+



ENVIRONMENT RECYCLING OF WASTEPAPER

- 9 Full-Grown Trees
- 878 L of Oil
- 2,000 kwh of Electricity
- 15,980 litres of Water
- 2 cubic meters of Lanf Fill
- 500 Kg of Car-bon Equivalent
- Renewable energy generated 33,500 kwh+

OUR STRATEGY

In 2022, SDB Bank was forced to deviate from its previously mapped-out growth strategy and adopt a contingency strategy following the unprecedented economic collapse in the wake of the economic crisis. At that point in time, the priority was to ensure the Bank's stability in order to withstand unpredictable and widespread economic shocks and to protect the assets of Shareholders and customers. Following extensive reviews of macroeconomic dynamics as well as the Bank's priorities, a new 3-year growth plan from 2023-2025 was crafted, taking into account the changing operating environment and emerging threats and opportunities in local markets. As a strategic priority, the Bank also accelerated its digitisation deployment to simultaneously enable efficiency gains, stronger internal controls and enhanced risk management capabilities, while containing operating costs within a high inflation backdrop.

THE STRATEGY FOR 2023 - 25

The strategy for the period 2023 to 25 is based on 6 broad pillars

1. Consistent Brand Image
2. Robust Credit Process
3. Agile Operating Model
4. Robust Internal Growth engine
5. Innovative banking solutions
6. Sustainability everywhere

PROGRESS OF EACH STRATEGY PILLAR

Strategy Pillar	Progress	Plans
Consistent Brand Image	• A comprehensive brand positioning strategy was designed focusing on the SME development, Cooperative development, Women empowerment, Digital Inclusion, ESG focus with a special attention to Rural Upliftment and empowering progressive individuals as key verticals. • The integrated communication will be in place to spread the uniform message across all customer touchpoints • A mystery shopper survey was conducted to understand the service gaps and address them via suitable training and workshops.	The communication & brand establishment will be capitalized on the following key focus areas. • Integrated, uniform & continuous communication to establish a substantial brand equity • Strong employer perception building (Employer Branding) • Uniform brand visibility • Establishing the purpose of existence in connection with the Brand Promise • Performance-driven Marketing with a detailed focus on the communication mix (Product Focus) • Uniform customer experience in every touch point

Strategy Pillar	Progress	Plans
Robust Credit Process	• Credit department has been strengthened with the appointment of a Chief Credit Officer to lead the Credit Department, bringing enhanced leadership and oversight to the function. • The Credit Policy was comprehensively revised to align with the Bank's strategic direction, evolving business model, and regulatory expectations. • Reinforcing credit discipline, the Bank continued to emphasize cash flow-based and secured lending, ensuring that loan approvals were grounded in sound repayment capacity and collateral strength, thereby reducing default risk. • To improve credit transparency and control, the entire loan portfolio was reclassified based on loan purpose, industry sector, and legal entity. • A Risk-Based Customer Rating and Pricing Framework was introduced, enabling differentiated pricing aligned with customer risk profiles, thus enhancing the Bank's risk-return balance. • In alignment with the Central Bank of Sri Lanka (CBSL) directives, the Bank formally established a Business Revival and Rehabilitation Unit. This unit is currently focused on assisting financially distressed SME borrowers through tailored interventions such as restructuring, rescheduling, advisory support, and additional financing. It also manages special assets, improves the quality of the stressed loan portfolio, and ensures compliance with CBSL and government-led revival frameworks, supporting broader economic recovery • Collaborated with the Information Technology (IT) Department to identify and implement process enhancements aimed at streamlining operations and improving turnaround times	• Establishment of TAT for each product to ensure an efficient process • Monitoring of deviation requests based on which specific action will be initiated, including awareness programmes, etc • Development of customer personas • Engaging with IT on possibilities for process improvements
Agile Operating Model	• Reassessment of high-cost expense lines and renegotiation with vendors. • Implementing a new expense DA structure to improve processing times and decentralise decisions to establish ownership and accountability • Elimination of paper in the payment process • Centralisation of expense processing in finance from the branch network • Evaluation of the use of Green Tape as a procurement platform • Centralisation of the cash management process, resulting in effective pooling of excess funds in the branch network • Implementation of a data distribution platform using Power BI and an underlying data warehouse. • Cost Centres established, and the expense details of each head office department were shared with the relevant cost owner to establish ownership and accountability • Cost allocation methodologies for Level 2 costs to the profit centres were established • CAU operations conducted across 4 locations were centralised in one location in Horana • Training the operations team on 5S principles • Branch grading completed	• Establishment of TAT for key operational processes • Evaluate relocation of all satellite offices + HO to one location • Development of a more robust and scalable Data Warehouse • Review key processes for process reengineering (Re-engineering of administrative department is currently ongoing) • Establish process champions in each department to digitize processes • Continuation of the Cost Optimisation Committee
Robust Internal Growth Engine	• Established of KPI's for each KMP had been done at the beginning of the year • Conducted a JD reassessment, competency mapping and identified skill gaps of the staff to offer the development plans. • A Talent Pool Development has been commenced for two levels for the Senior Management and Middle Management levels, identifying skill/knowledge gaps and create Personal Development Plans to ensure sustainable growth • Strengthened the foundation for a performance-driven culture at SDB Bank • Conduct Trainings align with core-competencies to achieve the company goals and targets.	• Completion of the competency mapping exercise • Establishment of PDP's for each KMP and second level • Conducting a staff engagement survey • Conducting more staff engagement events • Establishment of a service credo

OUR STRATEGY

Strategy Pillar	Progress	Plans
Innovative Banking Solutions	• Value chain facilitation, including the cooperative sector • Engagement with anchors for value chain financing • Launch of the Cooperative Saver product as a sector specific savings product • UPay was revamped and set up on a robust and scalable platform, enabling the bank to provide value-added digital services • Commenced Bancassurance service through the bank's branches	• Disbursement of Value chain financing loans • Roll out the value chain facilitation scheme in other parts of the island, leading to lending opportunities • Cooperative award scheme launched in Central Province to encourage Production Cooperatives • Recruit a Head of Digital Banking • Revitalise the remittances business
Sustainability Everywhere	• Integration of the sustainability concept into all strategic decision-making levels, including the main Board. • Development of Value Chain Financing with a special focus on agri • Laid the foundation for conducting carbon footprint assessments internally and in collaboration with counterparties • Changes to the loan review cycle to capture sustainability related information • Product development was enriched with sustainable concept • Enhancement of the focus on reduction of resource consumption • Enhanced staff preparedness for emergencies and ensure a strong safety culture within the Bank. • Commenced conducting regional awareness programs to increase skillset and capabilities pertaining to sustainability • Partnered to integrate climate adaptation into internal processes	• Establish a robust program for 2024 on the sustainability goals • Evaluate the implementation of a sustainability framework • Seek more TA opportunities to further strengthen the sustainability objectives • Enhancement of the women focus

FOCUS ON SUSTAINABLE AND INCLUSIVE FINANCE

1. Sustainability as a Strategic Driver

At SDB Bank, sustainability is a core strategic pillar integrated into all decision-making processes. Guided by the principle "Sustainability is Everywhere," it is seen not as a separate initiative but as a key enabler of long-term value. Rooted in cooperative values, the bank's operations inherently promote inclusive growth, environmental responsibility, and community empowerment.

SDB Bank has always prioritized women's inclusion, recognizing their critical role in socio-economic development. In 2024, we elevated this commitment by launching a more focused and inclusive approach to understand and address the unique needs of Sri Lankan women. As part of this strategy, we partnered with the international organization "Value for Women" to strengthen gender-smart solutions.

At the same time, climate resilience was given elevated strategic importance across both lending and operational planning. Through these targeted interventions—such as climate-resilient lending, rural upliftment programs, green financing, and digital financial inclusion for MSMEs—we actively contribute to SDGs related to Zero hunger, poverty reduction, decent work, gender equality, climate action and partnerships for the goals.

By aligning sustainability with our core strategic goals, SDB Bank not only meets regulatory expectations and contributing to national development goals—but also positions itself as a resilient, inclusive, and future-ready institution, delivering long-term impact across economic, environmental, and social dimensions.

2. Commitment to Agri financing

As part of its core development mandate, the Bank is committed to advancing the agricultural sector through innovative, inclusive, and sustainable approaches.

This strategic framework enables the bank to support a wide range of agricultural clients, from grassroots-level farmers to high-end Agripreneurs, while maintaining a strong, balanced Agri loan portfolio.

This commitment is delivered through mainly:

2.1 Agri Value Chain Financing (VCF))

Value Chain Financing (VCF) is a strategic business model introduced to address financing gaps across all stages of the agricultural value chains, including producers, processors, suppliers, and distributors.

By offering both CAPEX and working capital solutions under VCF, the bank aims to build a high-quality SME loan portfolio and strengthen the Agri loan book with reduced credit risk.

2.2 Dairy Development

The dairy sector is identified as one of the key focus sectors under the Bank's Agri strategy, given its strong potential for both the Bank and the overall development of the country's dairy sector. The Bank supports this sector through a combination of financial and non-financial interventions.

A dedicated Dairy Program was launched for farmers with the objective of uplifting smallholder farmers through, providing technical assistance and capacity building, supporting value chain linkages, encouraging sustainable livestock practices

2.3 Non-Financial Solutions Tailored to Sector Needs

Beyond financing, the Bank plays a catalytic role in sector development through Knowledge sharing, training and institutional partnerships such as Rabo and other international agencies.

3. **Rural Upliftment Program**

The SDB Bank Rural Upliftment Program aims to significantly improve the economic conditions of rural communities in Sri Lanka through a multifaceted approach that involves enhancing Cooperative societies, Empower SMEs, woman entrepreneurship development through establishing cottage industries, facilitating access to markets for agricultural produce, attracting investment for infrastructure development, and supporting startups. This program is designed to directly contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), as adopted by Sri Lanka, highlighting the bank's commitment to sustainability and social progress. By serving as a conduit for technical support, concessionary funding, and risk capital, the program supports to establish the bank as the leading financial institution for social development in Sri Lanka. The Rural Upliftment Program is positioned as SDB Bank's flagship initiative for sustainability and social impact.

Rural Upliftment Strategies

3.1 Livelihood Support

Through this strategy, we focus on enhancing economic opportunities and self-sufficiency for rural communities by providing skills, resources, and market access. This approach ensures sustainable income generation and improves living standards.

3.2 Skill Development & Vocational Training

Equipping individuals and cooperatives with vocational skills ensures economic independence and uplifts communities.

3.3 Infrastructure Development

Through this initiative, we focus on creating delivery channels for rural entrepreneurs to access markets, with support from both government and private organizations.

3.4 Community-Based Tourism

Promoting eco-friendly and community-driven tourism allows rural communities to showcase their cultural heritage while generating income.

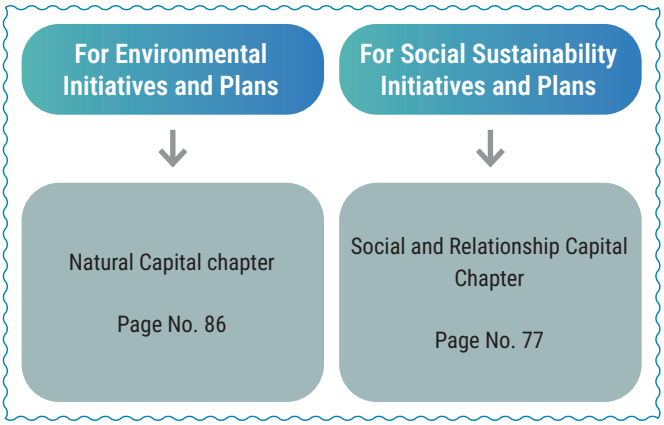
3.5 Women Empowerment

Empowering women through education, entrepreneurship, and financial inclusion enhances social development.

ENGAGEMENT OF A CONSULTATIVE PARTNER FOR FUTURE STRATEGY FORMULATION AND IMPLEMENTATION

The Bank floated an RFP seeking the services of a suitable partner to bring the necessary skills and experience to develop and implement the strategic plan for 2025-2029 on a consultative basis. Following this, Rabo Partners (a subsidiary of Rabo Bank of the Netherlands) was selected. Rabo Partners has been accepted as a suitable partner for this purpose by FMO and BIO, making the engagement eligible to receive technical assistance from FMO and BIO.

All parties are working on the development of this plan in keeping with the purpose and vision of the bank as well as the development needs of the country and certain critical aspects arising from this initiative has been already implemented given the high value addition envisaged.



SDB BANK'S COMMITMENT TO SUSTAINABILITY

In 2024, SDB Bank deepened its commitment to becoming a sustainable financial services provider by committing to a new business strategy that fully integrates sustainability principles across the value chain.

SUSTAINABILITY FRAMEWORK

SDB Bank has established a dedicated governance framework on sustainability, which encompasses Environmental and Social Risk Management and the Universal Standards for Social and Environmental Performance Management.

In 2024, the Bank's progress on sustainability continued to be reviewed, guided and led by its Board Subcommittee on Sustainability and its Executive Committee on Sustainability. The progress of SDB Bank's sustainability management approach is summarised below.

1. **Environmental and Social Risk Management System (ESMS)**

   The Bank continued applying environmental and social risk assessments for all business purpose loans above LKR 500,000. The projects were screened for E&S risks by client relationship officers and validated by its Centralised Credit Department. In the case of loans that have medium and high environmental and social risk, the Bank's sustainability unit conducted advanced Environmental and Social Due Diligence. If there are any deviations on Environmental and Social aspects, the Bank advises and supports rectifying them before the disbursement (if the risk is high), and expects them to develop an environmental and social management plan.

   Furthermore, the Bank extended its support to customers and organisations (where applicable) by identifying opportunities for process development, as well as environmental and social enhancement.

2. **Social Performance Management (SPM)**

   SDB Bank is committed to aligning its internal operations with its core purpose and stakeholder expectations by ensuring responsible business practices and strong client protection. In this journey, the Bank is progressively adopting the Universal Standards for Social and Environmental Performance Management, with its social and environmental objectives closely aligned to its priority Sustainable Development Goals (SDGs). Consistently upholding ethical banking principles, SDB Bank integrates these values into its products and services. Departments such as SME, Cooperative, and VCF exemplify this commitment by not only providing financial support but also offering non-financial assistance through initiatives like financial literacy training, capacity building, and business development support.

   The Bank has developed a framework to capture the outcomes and outputs of the SPM initiatives to a certain extent.

   The Bank conducted a SPI Self-Assessment in 2023 to identify its adherence to global responsible finance best practices, and the major findings were incorporated into the 2024 Sustainability Focus and Action Plan, and the top management was made aware of the findings

3. **Sustainable and Inclusive Finance (SIF)**

   Sustainable Inclusive Finance (SIF) is at the heart of our commitment to fostering economic resilience, environmental stewardship, and social equity. By integrating climate adaptation strategies and sustainability-focused value chain finance, we provide innovative financial solutions that support businesses and communities in transitioning to a sustainable future. Our approach aligns with global sustainability frameworks, ensuring financial inclusion while addressing environmental and social challenges. Key initiatives include climate-resilient agriculture loans, green SME financing, circular economy credit lines, and impact-based financing. Through these efforts, we reinforce our role as a key enabler of sustainable growth, creating long-term value for all stakeholders.

   As part of this commitment, SDB Bank collaborated with the USAID Climate Adaptation Project. SDB Bank employees have already received training on Climate adaptation and climate adaptation-related credit assessment, and the Bank is looking at value chain financing with a focus on the agri-food sector, which is vulnerable to climate change. In 2024, the Bank conducted an initial study to facilitate sustainable financing for agriculture. A number of programmes were launched to enhance funding and support for women in business as well.

   The Bank will continue to explore sustainable finance opportunities in the areas of:

   - Sustainable agriculture
   - Financing for women entrepreneurs
   - Financing and enabling linkages for circular economy initiatives
   - Digital Inclusion
   - Green tech and infrastructure: Renewable energy, energy efficiency, green buildings, green transport and green industry
   - Promoting sustainable business practices among MSMEs and Cooperatives

4. **Operational Footprint (OPF)**

   The Bank has continued to address its internal footprint, including its carbon footprint, through a range of energy and resource conservation initiatives. Please refer to the Natural Capital chapter for further details on activities and plans in this regard.

   The Bank has consistently prioritised reducing its operational footprint, with a particular focus in 2024, on minimising paper and electricity consumption, two of the most significant resource-intensive areas.

Throughout the year, the Bank introduced various digital solutions aimed at optimising resource usage while enhancing customer convenience.

In addition to paper reduction efforts, the Bank made substantial progress in improving energy efficiency. With the support of management and the Board, targeted initiatives were implemented to reduce electricity consumption across operations. Branch renovations prioritised energy-efficient air conditioning systems and LED lighting upgrades to lower overall energy demand. Furthermore, transportation efficiency was enhanced by encouraging carpooling among employees whenever it was feasible.

As part of its structured approach to sustainability, the Bank is now registered with the Sustainable Energy Authority (SEA) and has appointed an Energy Manager through SEA to oversee and drive energy efficiency initiatives. The Bank decided to assess its carbon footprint (CO_2eq) internally in phases, initially focusing on Scope 1 and Scope 2 emissions to better understand its GHG emissions profile and overall environmental impact.

These initiatives and progress are detailed, reflecting their dedication to environmentally responsible operations and continuous improvement in resource management.

5. Operational Resilience and Excellence (OPR)

The Bank remained committed to strengthening its operational resilience and business continuity in 2024. Regular reviews and enhancements were undertaken to ensure robust business continuity planning, with oversight from the Operational Risk function. These efforts were further reinforced by a strong focus on employee and customer well-being, including health, safety, accessibility, and human rights considerations.

Sustainability aspects were integrated into the recruiting and interviewing process to identify passionate employees for the sustainability unit and the other relevant positions. Diversity, inclusion and equity is included in relevant HR policies.

Additionally, security practices were continuously assessed and improved to mitigate risks and ensure a safe operational environment. The Bank's commitment to operational excellence is reflected in its proactive measures to enhance service reliability, minimise disruptions, and safeguard key stakeholder interests.

6. Sustainable Brand, Culture and CSR (SBCR)

The year 2024 marks a milestone year for the Bank's SBCR initiatives, as it expanded its vision beyond traditional CSR efforts to drive meaningful and long-term community impact. This year, the Bank introduced the Rural Upliftment Programme (see details in Social Capital), reinforcing its commitment to fostering economic resilience and sustainability in rural communities.

While continuing its well-established CSR initiatives, led by HR, employees, and branches, the Bank strategically shifted towards a sustainable development model. The Rural Upliftment Programme goes beyond short-term financial aid by implementing sustainable solutions that empower rural families to build self-sufficient livelihoods. The programme is designed to ensure that even after the Bank's direct involvement concludes, these initiatives will remain financially viable and continue generating income for the beneficiaries.

Activities under the Rural Upliftment Programme during the year included training 246 cooperative societies and 95 individuals, commencing small-scale projects involving 35 selected plantation workers in Dunsinane Estate in Elpitiya Plantations, conducting trade fairs for entrepreneurs, and a maize cultivation project with the Kahatagasdigiliya Multi-Purpose Cooperative Society.

SDB Bank is expanding its external and internal communications regarding its sustainable brand and CSR activities to raise awareness externally and to build employee commitment for a sustainability-oriented culture. Throughout the year, extensive internal and external communications were conducted to promote the Bank's sustainability initiatives and enhance knowledge on sustainability.

7. Integrated Strategy and Reporting (ISR)

The Bank has already made considerable headway in integrating sustainability aspects into its policies and daily operations.

The Bank has an integrated strategy designed to leverage opportunities and address risks arising from national and global transitions in the sustainability and climate agenda. To further embed sustainability within the organisation, in 2024, the Bank released its integrated sustainability policy with 7 prolonged management approaches covering all the sustainability strategic focus areas. Further, as a strategic approach, sustainability was incorporated as a major focus area in the main board meetings, and sustainability aspects were successfully integrated into various Board Committees and leadership team job descriptions, reinforcing accountability and long-term strategic alignment. These initiatives are aimed at setting long-term targets and KPIs to drive measurable impact.

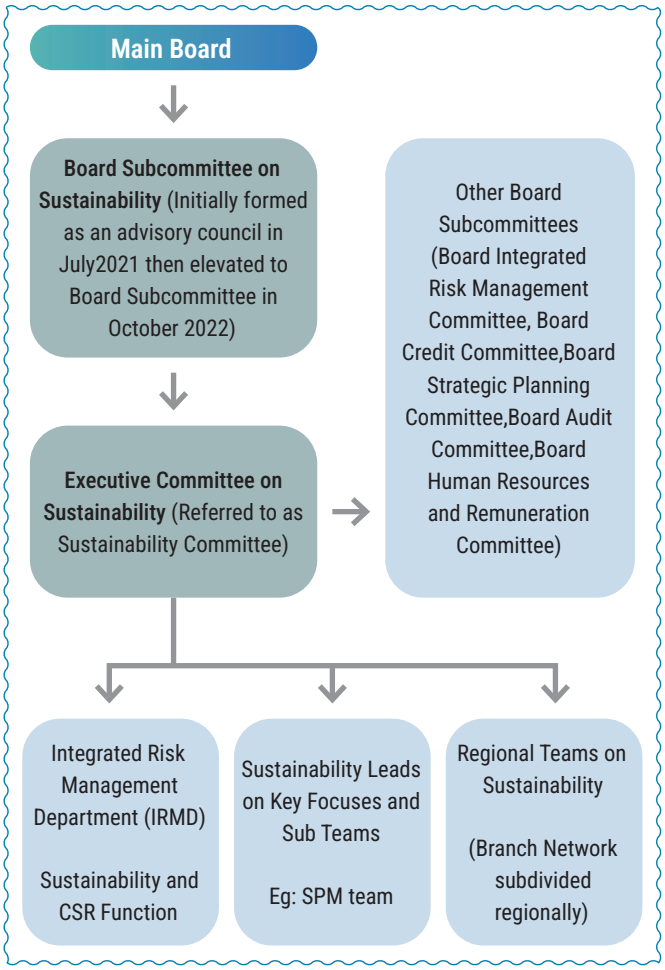
With the upcoming new version of the Central Bank's Sustainability Roadmap, the Bank has proactively mapped and integrated the new focus areas into its 2025 sustainability strategy, ensuring alignment with national regulatory developments and international best practices.

A key challenge has been establishing baseline data to define long-term sustainability targets. In 2024, as part of its net-zero strategy, the Bank started work on data gathering, marking a significant step toward operational sustainability. Additionally, the Bank is strengthening its capability development to assess and manage its financing portfolio exposures in relation to climate risks.

Central Bank reporting and other reporting were completed without any delay.

SDB BANK'S COMMITMENT TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE SYSTEM



Board Subcommittee on Sustainability

The Bank expanded the sustainability unit during 2024 from two persons to four persons,

Demonstrating SDB Bank's commitment to sustainability at its highest level of leadership, the Bank has instituted a board-level committee on sustainability. The Subcommittee has been vested with the responsibility for the formulation of policies and strategies relating to sustainability and has the authority to guide the Executive Management Level Sustainability Committee and to approve the sustainability action plan for the period under review. The Chairperson of the Board Subcommittee reports to the Board of Directors every quarter regarding the Bank's sustainability performance. The Subcommittee comprises selected representatives from the Board of Directors and Executive management with the authority to include external sustainability experts.

Mr Romani De Silva was the Chairperson of the Board subcommittee on sustainability in 2024. The committee convened three or four times during the year and reviewed the status of the Bank's sustainability performance, including strategy and progress on the Bank's ESG undertakings with its DFI investors.

Executive Committee on Sustainability

The Committee is headed by the CEO, and to ensure top-down representation, the Committee has members from the executive management, regional managers of the Bank's branch network and the business-line heads. This Committee's responsibility is to implement the sustainability strategy of the Bank across the branch network as well as across functional units. The Committee provide direction for the implementation of the management systems and key sustainability goals of the Bank.

Regional Level Teams

In order to ensure coverage of all SDB Bank branches, the Bank has appointed 10 regional sustainability ambassadors, under the leadership of Regional Managers. Voluntary sustainability ambassadors were formed under the leadership of lead sustainability ambassadors. These teams will be tasked with driving the sustainability agenda at the branch level

COMPLIANCE WITH FINANCIAL CONSUMER PROTECTION REGULATIONS

SDB Bank established its Financial Consumer Protection (FCP) Unit in January 2024 in compliance with the Financial Consumer Protection Regulations No. 01 of 2023, gazetted under Gazette Extraordinary No. 2344/17 dated 09th August 2023, issued by the Monetary Board of the Central Bank of Sri Lanka. The regulatory framework came into full effect in August 2024. Out of 46 regulatory requirements outlined by the Central Bank, as at 31st March 2025, SDB Bank has fully complied with 37, with structured action plans in place to achieve full compliance with the remaining nine.

- **Building Awareness and Capacity:** Over 10 targeted training and awareness sessions were held for employees from March 2024 to March 2025. In March 2025, SDB Bank organised a specialised training session on Financial Consumer Protection (FCP) for more than 287 senior staff members, led by the Financial Consumer Relations Department (FCRD). This session strengthened internal competencies on market conduct and consumer redress protocols.

- **Complaints Resolution and Customer Voice:** Between April 2024 and March 2025, SDB Bank recorded approximately. 783 customer complaints, resolving over 92% within the stipulated timeframe.

- **Transparency in the Digital Age:** We are investing in enhancing our UPay app and website with screen reading and voice navigation features and publishing updated Key Fact Documents in all three national languages.

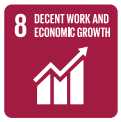
- **Strengthening External Engagements for Enhanced Consumer Redress:** The Bank is fostering close collaboration with key external regulatory and advisory bodies, including the Financial Consumer Relations Department (FCRD) of the Central Bank of Sri Lanka, the Financial Ombudsman of Sri Lanka, and the Credit Counselling Centre.

- **Coordination with the Financial Ombudsman:** The Bank has worked in full cooperation with the Financial Ombudsman of Sri Lanka

- **Engagement with the Credit Counselling Centre:** SDB Bank began working more closely with the Credit Counselling Centre to provide tailored financial guidance to distressed borrowers

CONTRIBUTION TO SDGS 2024

While supporting all SDGs, in 2024, SDB Bank narrowed its key SDG focus to five SDGs that would enable the Bank to have maximum impact on society, the environment and the economy through its banking activities and sustainability initiatives. Also refer to the Financial, Social, Human and Natural Capital chapters for more details regarding the bank's activities pertaining to SDGs.

SDG	Our Contribution
	• In line with the overall strategy bank turned to strengthen the value chain arm, providing special focus for food and agriculture, enhancing financial and non-financial support. • Going beyond banks' customer segment, SDB Bank supported food and agriculture through various means to strengthen food security • New agriculture loans as % of total disbursement: **37.60%**
	• **48%** female representation in the workforce & **26%** female representation in the corporate management. Gender Gap Assessment conducted with a focus on enhancing women's financing • Equal opportunity employer • Lending portfolio gender mix • The Bank initiated a number of programmes specifically designed to empower women entrepreneurs. These include the Rural Upliftment programme and the Women Mean coalition, • Laid the groundwork to incorporate a gender lens into all business strategies of the Bank and conduct a comprehensive study within the country to understand the needs and status of women. • Number of training hours for cooperatives: **370hrs+** • Share of women attendees at cooperative trainings: **67%**
	• The Bank follows an "Exclusion List" that prohibits financing harmful, unethical or illegal activities • The Bank continued to support grassroots-level entrepreneurs/businesses through its activities for the creation of decent employment and inclusive growth • Support community-level entrepreneurs, which in turn contributes to economic growth • Creation of employment opportunities across the island, supported by an extensive branch network, performance-driven work culture benefits, work-life balance, health and safety, engagement opportunities and grievance handling mechanisms for employees. • Better insurance cover, collective agreements
	• Bank supported both climate mitigation and adaptation through our finances • During the year, SDB Bank implemented energy-efficient measures to reduce fossil fuel consumption and also partnered with USAID to integrate climate adaptation into banking processes. • Bank continues to maintain solar rooftops • Loans for solar installations
	• The Bank entered into many partnerships during the year, with external institutions in order to improve its sustainable business model. A key partner is Rabo Partnerships, which provides technical assistance to enhance SDB Bank's sustainable business strategy.

Through its sustainable banking model and core business activities, the Bank actively contributed towards the UN SDGs listed below.

- **No Poverty**

  Empowering low-income earning customer segments by providing access to financial security.

  Supporting the income generation of communities through the Rural Upliftment initiatives and other financial activities.

- **Good Health and Wellbeing**

  Ensure the Health and safety of employees

  Uplift communities through financial inclusion, thereby supporting their health and well-being

SDB BANK'S COMMITMENT TO SUSTAINABILITY

- **Quality Education**

  Continuous professional development of employees

  Total number of training hours: **13,120+** hours for internal employees

  Provision of special leave for overseas training

  Support schools in areas surrounding Bank projects

- **Affordable and Clean Energy**

  Energy conservation measures within the Bank

  Amount of renewable energy financing disbursements: **57 Mn+**

  Amount of refinance funds obtained: **2.5 Bn+**

- **Industry Innovation and Infrastructure**

  Provision of financial services and affordable credit to smallholder enterprises.

  Number of agricultural loans disbursed: **60,800+**

  Number of loans disbursed to tea smallholders: **87**

- **Reduced Inequalities**

  Ensure financial inclusion and digital inclusion for communities across the country

  Empowering female entrepreneurs through financial assistance.

  Number of new loans to women: **27,200+**

- **Sustainable Cities and Communities**

  Empower rural and urban entrepreneurs, as well as women entrepreneurs.

  Support regional development.

  Number of training programmes: **138**

- **Responsible Consumption and Production**

  Compliance related to product development and meeting customer information requirements.

  Effective management of our environmental impact and promoting resource conservation and waste reduction, including the commencement of work stream setting green procurement criteria



A Legacy for Tomorrow

CHAIRPERSON'S MESSAGE



Dear stakeholders,

In 2024, the global economy continued to show moderate growth, a trend which is expected to continue into the next couple of years. Heightened policy uncertainty, trade policy shifts, geopolitical tensions, climate-related adverse events and persistent inflation are headwinds, which will continue to impact low-middle income countries and could curtail their effort toward reversing the negative effects of the last few years in reaching a higher pace of growth.

The Sri Lankan economy exhibited signs of recovery in 2024, following the severe economic downturn experienced in the preceding years. Despite the World Bank projecting a real GDP growth rate of 4.4% for the year, the country recorded a 5.0% GDP growth at the end of 2024. This recovery follows a severe foreign exchange crisis in 2022 and was supported by a $2.9 billion International Monetary Fund (IMF) program initiated in March 2023, along with a $25 billion debt restructuring completed in December 2024.

While business activities in the first quarter of 2024 remained fairly sluggish, a marked revival in economic activities was noted across all sectors from the second quarter of the year, supported by declining market interest rates and stabilising cost of living. The country's economy grew by 5.4% year-on-year in the fourth quarter of 2024. This marked the fastest pace of growth since the second quarter of 2021, driven by a 13.1% surge in industrial production (compared to 10.1% in Q3 2024) and a 2.5% increase in services output (compared to 2.6% in Q3). These developments revitalised investor and business confidence in the domestic economy.

In this backdrop, the Bank reviewed and readjusted its previous cautious approach to portfolio expansion and positioned itself to capitalise on the economic rebound and adapt to changing market dynamics with new strategies to support national economic recovery. In addition, the bank continued to prioritise strengthening its access to liquidity, improving buffers and safeguarding capital.

IMPACT ON PERFORMANCE

The cautious approach to growth in the early part of the year resulted in the bank's advance portfolio contracting by 4% to LKR 95.1 Bn. Deposit growth continued at a steady pace, albeit closing marginally below the previous year at LKR 107 Bn. The bank recorded a PAT of LKR 409.5 Mn for the year, a 12.27% drop from the profit recorded the previous year, largely due to the relief measures offered to our most vulnerable client segments affected by pandemic-related and subsequent economic uncertainties.

While gearing for growth, the Bank remained focused on financial empowerment and sustainable development, adapting to changes, and pursuing growth toward a more inclusive and resilient financial system. As a result, in 2024, the Bank entered a new growth phase in its three-year strategy, launching business expansion at a controlled pace while also achieving a gradual reduction in non-performing loan (NPL) levels. Additionally, the bank has been upgrading SDB Bank's digital infrastructure to drive growth through digital solutions that enhance efficiency and productivity.

READY TO SUPPORT A NATIONAL SME REVIVAL

As Sri Lanka's economy gradually rebuilds from the devastation of the economic crisis, the pivotal role of micro, small, and medium enterprises (SMEs) in this recovery cannot be overstated. These SMEs not only represent the backbone of our economy but also embody the spirit of entrepreneurship in the nation. Currently, SMEs account for 75% of registered businesses and contribute approximately 52% to the country's Gross Domestic Product (GDP), making them essential for sustainable economic growth. Recognising this potential, we are convinced that Sri Lanka's SMEs can serve as the bedrock of a stable and resilient economy. Our commitment to supporting these enterprises is unwavering, particularly at this critical juncture. In 2024, we launched comprehensive outreach programmes designed to effectively reintegrate SMEs into the broader economic framework. These initiatives focus on providing specialised products and services aimed at rehabilitating, restructuring, and developing this vital base layer of the national economy.

"While gearing for growth, the Bank remained focused on financial empowerment and sustainable development, adapting to changes, and pursuing growth toward a more inclusive and resilient financial system. As a result, in 2024, the Bank entered a new growth phase in its three- year strategy, launching business expansion at a controlled pace while also achieving a gradual reduction in non-performing loan (NPL) levels. Additionally, the bank has been upgrading SDB Bank's digital infrastructure to drive growth through digital solutions that enhance efficiency and productivity."

CHAIRPERSON'S MESSAGE

To strengthen our support further, we have enhanced our engagement with the co-operative sector, which has historically been a stronghold for SDB Bank. Through targeted activities, we are offering specialised training programmes that equip cooperative members with necessary skills, as well as increased funding opportunities to help them upgrade and develop their businesses. This strategic approach not only empowers these cooperatives but also helps ensure the sustainability of the community-oriented businesses that play a crucial role in the rural economy. Whilst we are focused on retaining and expanding our core customer segments of cooperatives and SMEs, we are also proactively working to broaden our portfolio. This includes targeting new customer segments to diversify our risks, thereby enhancing our resilience for the future. By balancing our investments and support across different economic sectors and a wider range of businesses, we aim to foster a more inclusive economic landscape that can withstand unforeseen challenges. Through these initiatives, we aspire to cultivate an environment where SMEs can flourish, contributing significantly to job creation, innovation, and economic stability in the country.

COMMITMENT TO OUR SUSTAINABLE GROWTH STRATEGY

As a Bank with a history rooted in sustainable thinking, we have wholeheartedly adopted environmentally and socially sustainable growth fostered through community integration and inclusivity as the cornerstone of our business strategy. We are currently refining this strategy in collaboration with Rabo Partnerships, a leader in sustainable finance. Additionally, our partnership with Value for Women, a global advocate for increasing women's participation in leadership roles in business, finance, and investment within emerging markets, aims to integrate a gender-focused perspective into our business model. In 2024, we also launched the SDB Bank Rural Upliftment Programme, which serves as a launchpad for both emerging and established rural entrepreneurs to refine their business strategies and successfully access broader markets. Furthermore, the Bank has committed to joining the Women Entrepreneurs Finance Code (WE Finance Code), aimed at increasing funding opportunities for women-led micro, small, and medium enterprises (MSMEs). The Bank is implementing a comprehensive, multi-faceted strategy to remain sustainably oriented in its operations. From an environmental standpoint, we signed a memorandum of understanding (MOU) with USAID's climate adaptation programme to enhance internal awareness regarding climate issues and improve our operational processes to better support climate resilience, which we are committed to continuing with like-minded partners. To effectively capture the outcomes of these sustainable business endeavours, we are in the process of developing an improved Sustainability Framework. This framework is designed to transform SDB Bank into a value-driven financial institution capable of measuring our economic, social, and environmental impact throughout each stage of our value chain.

RISK, GOVERNANCE, AND COMPLIANCE

SDB Bank is fully aware of the necessity for the highest standards of governance and compliance practices, and we have crafted a clear roadmap to meet enhanced requirements established under the new Banking Act. We have conducted a thorough evaluation of the Bank's overall risk framework, reinforced risk parameters and enhancing our risk models to ensure that the Bank's risk management capabilities align with the industry best practices and regulatory requirements. This includes improvements in portfolio underwriting quality, the establishment of rigorous credit standards, and the provision of comprehensive training for our staff. This initiative aims to strengthen the Bank's ability to manage risks effectively, safeguard stakeholder interests and maintain operational stability.

"As a Bank with a history rooted in sustainable thinking, we have wholeheartedly adopted environmentally and socially sustainable growth fostered through community integration and inclusivity as the cornerstone of our business strategy. We are currently refining this strategy in collaboration with Rabo Partnerships, a leader in sustainable finance. Additionally, our partnership with Value for Women, a global advocate for increasing women's participation in leadership roles in business, finance, and investment within emerging markets, aims to integrate a gender- focused perspective into our business model."

LOOKING TO THE FUTURE

As the Sri Lankan economy steadily strengthens, the Bank is strategically positioning itself to seize growth opportunities that will significantly contribute to the sustained and accelerated revival of the country's economic landscape. In pursuit of this ambition, we are committed to enhancing our strategies through the utilisation of tangible data, which will enable us to conduct quantifiable impact assessments across our entire value chain. This value-driven approach will allow us to make informed decisions that align with our growth objectives, while ensuring environmental, social and economic sustainability in our business activities. To further bolster our commitment to responsible banking practices, we will significantly increase Environmental, Social, and Governance (ESG) applications across our value chain. A key part of this effort will involve increasing employee awareness and understanding of ESG principles through continuous training.

As we expand our operations, we will maintain a strong focus on our traditional customer base, which consists primarily of cooperatives and small and medium-sized enterprises (SMEs). We intend to further strengthen the relationships we have developed with these businesses, while also exploring partnerships with new entities that align with our mission and values. In this context, we believe that Sri Lanka's improving economic momentum provides a substantial opportunity, particularly within our SME portfolio. This sector not only represents a significant growth potential but also allows us to make a meaningful impact on the livelihoods of many individuals and communities. Moreover, we recognise the immense potential within Sri Lanka's cooperative sector. To support this objective, we plan to enhance our Rural Upliftment Programme, designed to empower local communities and foster cooperative development. By expanding this initiative, we aim to provide increased access to financial resources and support systems that will enable cooperatives to thrive. Our growth plans will be anchored in a robust digital expansion strategy, which seeks to enhance value creation through the introduction of innovative products and services geared towards greater customer convenience. This effort will streamline processes, improve accessibility to banking services, and ultimately lead to an enriched customer experience. In addition, we are proactively incorporating climate risk considerations into the Bank's risk management framework. This initiative is critical in today's world, where environmental sustainability plays an increasingly vital role in financial decision-making. As the first step in this process, we will conduct a comprehensive assessment to evaluate our current portfolio's exposure to climate-related risks, allowing us to address any vulnerabilities effectively.

APPRECIATIONS

I would like to take this opportunity to warmly welcome Mr. Kapila Ariyaratne as the Bank's Executive Director/CEO. His industry experience will be invaluable as we move forward by establishing a new growth trajectory for the Bank. Furthermore, our Board reflects a majority representation of the Bank's key stakeholders, ensuring a high degree of stakeholder involvement in the Bank's strategic and operational aspects. During this year, we bid farewell to two esteemed Board members, Dr. Mahesha Ranasoma and Professor Sampath Amarathunga, whose contributions and service we deeply appreciate.

I would like to conclude by thanking our shareholders for their trust, confidence and support during the year, and extend my sincere appreciation to our loyal customers, who have stood by us through these years of turbulence. I would also like to thank my colleagues on the Board, Corporate Management and the entire SDB Bank team for their commitment and contribution during the year. Our international partners have supported the Bank with technical knowledge and their experience, and I fully appreciate the impact we can create together. I would also like to thank our lenders, regulators, and other stakeholders for their contributions and support during the year. I invite all of you to join us in supporting Sri Lanka's recovery journey.



Ms. Dinithi Ratnayake
Chairperson - Non-Executive, Independent Director

2nd May 2025
Colombo, Sri Lanka

CHIEF EXECUTIVE OFFICER'S REVIEW



"While driving business growth, we continued to support our traditional focus areas of cooperatives and rural economies and ensured that business expansion was driven by our core values of rural upliftment and poverty alleviation, while facilitating the underbanked and empowering women."

Dear stakeholders,

I am pleased to report that 2024 marked a turning point for SDB Bank in the post-economic crisis era, with a significant revival in the Bank's business activities. Improvements in the overall economic conditions were a catalyst for business growth, as SDB Bank's traditional customer base, the SME and agriculture sectors, as well as the underbanked sectors of the economy, had been badly impacted by the economic crisis. The sustained reduction in interest rates as well as political stability and policy predictability, all converged towards creating a conducive environment for SDB Bank to embark on a new growth trajectory.

RETAINING OUR SUSTAINABLE GROWTH FOCUS

While driving business growth, we continued to support our traditional focus areas of cooperatives and rural economies and ensured that business expansion was driven by our core values of rural upliftment and poverty alleviation, while facilitating the underbanked and empowering women. We remained fully committed to the UN Sustainable Development Goals (UNSDG), and our activities were built upon the five SDGs of zero hunger, gender equality, decent work and economic growth, climate action, and partnerships for the goals.

In the financial sector of Sri Lanka, SDB Bank is unique in its very formative principles as a Bank for the cooperative sector. In 2024, we reinvigorated our relationships with cooperative societies all over the country, and in particular with the Sanasa Movement, in order to facilitate faster rural and MSME recovery, as both sectors are closely interlinked with the country's cooperatives. A wide range of engagements were conducted with the cooperatives, as well as the Department of Cooperative Development, to expand the capacity of cooperatives for future growth. Please refer to the Social and Relationship Capital chapter for details on these activities. Cooperatives are also a vehicle for SDB Bank to channel larger credit lines for redistribution amongst their members in agriculture and production activities.

SDB Bank has a distinct identity as a private development bank in Sri Lanka, making rural development a core obligation. In 2024, we introduced the 'SDB Bank Rural Upliftment Program', aimed at facilitating inclusive growth mainly through agriculture financing and value chain development. Currently, nearly 16% of the Bank's lending has been directed at diversified agriculture, dairy and fisheries, demonstrating our commitment towards supporting domestic agriculture, where women are a majority stakeholder group. Our value chain development initiatives are directly at building SME capability to connect to larger supply chains, particularly in export industries.

CHIEF EXECUTIVE OFFICER'S REVIEW

PERFORMANCE IN CONTEXT

The SDB Bank team has been actively expanding its marketing activities during 2024, and the groundwork is now in place for business acceleration in 2025. The Bank's increased activity levels in 2024 are also reflected in the growth in fee income by 35.9% to Rs. 584.32 Mn, signifying the higher transaction volumes accommodated during the year, although net advances declined by 4%. However, the Bank's continued support for our most vulnerable segments continued to exert pressure on the bottom line, and profitability declined by 12% to Rs. 409.5 Mn. I would like to stress that our relief measures for these segments have been crafted while keeping in mind the welfare of our depositors and other stakeholders. I believe SDB Bank has been effective in balancing the risks while providing significant relief to the most deserving by identifying and prioritising customers.

During the year, we also focused on expanding our savings base, at the expense of our fixed deposit base, in order to contain the cost of funding. Consequently, SDB Bank's overall deposit base declined marginally by 1%, but the savings base grew by almost 24%.

RETAINING OUR TALENT BASE

Despite the economic unpredictability that prevailed even during 2024, the Bank continued to invest in its employees and in retaining the talent pool. Although faced with a comparatively higher cost-income ratio due to the decline in portfolio growth over the recent years, all employee benefits and market-competitive remuneration packages were maintained. In addition, the Bank's HR policies and practices were reviewed and realigned with current market trends to strengthen our human capital base.

GOING FORWARD

With a wealth of learning behind us, we are currently in the process of developing SDB Bank's strategic plan for 2026-2028, with technical expertise from Rabo Partnerships B.V., a subsidiary of Rabobank Netherlands. Rabo Partnerships is a world leader in developing networks and innovative solutions to facilitate financial inclusion, rural development and sustainable food security. While deepening our relationships with the agriculture sector and the cooperative sector, the new growth strategy will also support SDB Bank's business expansion through diversification into new economic segments, while remaining within our cooperative principles. I believe this approach will enhance value for all stakeholders and provide opportunities for the Bank to acquire new skills, which is imperative for organisational sustainability in the rapidly changing world.

A key enabler of the strategic growth plan is digital expansion and innovation, to expand the coverage of underbanked segments and significantly enhance value for the agriculture and SME sectors through innovative new products to facilitate the efficiency and profitability of small farmers and small businesses. Technology will also be the channel to build closer relationships with all our customers and to diversify our customer base, cost-effectively. Already, SDB Bank's UPay app has been enhanced for much greater customer value, and our technology infrastructure has also been upgraded to support planned capacity expansion.

We are also addressing the development of leadership and skills for strategy execution, which is another essential aspect to sustain our growth. We are developing succession plans and investing in making our staff and senior management future-ready. Upskilling and reskilling staff will be a priority going forward.

While we do not anticipate further physical branch expansion in the coming year in favour of digital expansion, we will continually increase the effectiveness of our existing branch network through improved branding and relocations for customer convenience and business enhancement. With greater emphasis on digitisation, our existing products and services will also be upgraded to add value and reach a larger, diversified range of customers. We will also continue to support the rehabilitation of our customers affected by the economic crisis.

With many of our plans ready to unfold, I can promise our stakeholders an exciting 2025 with many new benefits and facilities, as we lay the foundation to transition into a fully-fledged bank from the current specialised bank status. SDB Bank is ready to support the inclusive recovery of our country, and we hope to become a significant stakeholder in this journey by building on the relationships we already have with the agriculture, SME and cooperative segments.

"While deepening our relationships with the agriculture sector and the cooperative sector, the new growth strategy will also support SDB Bank's business expansion through diversification into new economic segments, while remaining within our cooperative principles."

In conclusion, I would like to thank our major shareholders for their commitment and support and especially FMO and BIO, for assisting us in our collaboration with Rabo Partnerships. I fully appreciate the prudent guidance provided by the Board of Directors and the hard work of management and staff who have taken on extreme challenges to enable this successful outcome. Our customers are our biggest strength, and we look forward to partnering with them in their growth aspirations in the new financial year. We are now ready to achieve bigger and better things, and I call on your continued support as we enter a new era of growth and opportunity.



Mr. Kapila Ariyaratne
Chief Executive Officer

2nd May 2025
Colombo, Sri Lanka

BOARD OF DIRECTORS



From Left to Right

MR. KAPILA ARIYARATNE *Executive, Non-Independent Director /CEO,* **MR. CHANDANA DISSANAYAKE** *Non-Executive, Non-Independent Director,* **MS. DINITHI RATNAYAKE** *Chairperson-Non-Executive, Independent Director,* **MR. PRASANNA PREMARATNA** *Non-Executive, Independent Director,* **MR. NAVEENDRA SOORIYARACHCHI** *Non-Executive, Non-Independent Director*



From Left to Right

MR. SARATH NANDASIRI *Non-Executive, Non-Independent Director,* **MR. THUSANTHA WIJEMANNA** *Non-Executive, Independent Director,*
MR. ROMANI DE SILVA *Non-Executive, Non- Independent Director,* **MR. CHAAMINDA KUMARASIRI** *Non-Executive, Independent Director,*
MR. B.R.A. BANDARA *Non-Executive, Non-Independent Director,* **MR. CONRAD DIAS** *Non - Executive, Non-Independent Director*

BOARD OF DIRECTORS

MS. DINITHI RATNAYAKE

Chairperson - Non-Executive, Independent Director
Appointed to the Board in 2020

Ms Ratnayake is a veteran banker with over 30 years management experience in Banking and Advisory with an in-depth knowledge on Financial Institutions and International Financial Markets. She spent over 19 years of her career with Citibank N.A., where she worked closely with Financial Institutions (FI) and Public Sector covering Banks and Non-Bank Financial Institutions, Insurance Companies, Foreign funds and the Government of Sri Lanka. As the in-country Relationship Management lead for FI, her responsibilities included facilitating raising debt and capital, international payments and settlements, providing access to overseas financial markets and structuring and financing trade transactions. She also possesses Corporate and Retail Banking experience, credit skills, exposure to debt origination, global transaction services and international governance, risk and compliance practices.

Current Appointments

Co-Founder/ Executive Director

- IDEAology Strategy Consulting (Pvt) Ltd

Ms Ratnayake was appointed to the Board of SDB bank in 2020 representing SBI Emerging Asia Financial Sector Fund PTE. LTD and Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. and consequently appointed as Chairperson in April 2022.

She previously served on the Governing Council of South Asia Partnership Sri Lanka, a not-for-profit institution, which engages in community level social development. Ms Ratnayake continues to work with and support women entrepreneurs and artisans engaging in local crafts to protect traditional craft and sustainable livelihoods. She has been an advocate of inclusion of women in the workforce and regularly shares her views with public and related stakeholders.

Prior experience includes Retail and Institutional Banking at ANZ Grindlays Bank PLC and Corporate Banking at Seylan Bank PLC.

Ms Ratnayake holds a BSc Degree in Computer Science from the University of Houston, Clear Lake, Texas, USA and a Master of Arts Degree in Economics from the University of Colombo.

MR. KAPILA ARIYARATNE

Executive, Non-Independent Director /CEO
Appointed to the Board in 2024

Mr Kapila Ariyaratne is a highly experienced banker with over 38 years in the banking industry, having worked for various local and international financial institutions. He is a First Class Honors graduate from the University of Colombo and holds a Post–Graduate Diploma in Business and Financial Administration.

Mr Ariyaratne served as the Director/Chief Executive Officer at Seylan Bank from 2011 until his retirement in April 2023, where he successfully steered the institution through critical periods of transformation and growth. His expertise, spanning Corporate and Institutional Banking, Commercial Banking, Risk Management, Trade Finance Operations and Development Credit, has been honed through his roles at banking institutions such as People's Bank, ABN Amro Bank, Arab National Bank (Saudi Arabia), Nations Trust Bank PLC,and Mashreq Bank.

Mr Ariyaratne has also held leadership roles including Chairman of Seylan Developments PLC, and Chairman of the Sri Lanka Bankers' Association. Additionally, he has served on the Boards of the Sri Lanka Banks' Association, Lanka Financial Services Bureau Ltd., Lanka Clear Pvt. Ltd., and the Credit Information Bureau of Sri Lanka. He has further contributed to the financial services industry as a member of the Governing Board of the Institute of Bankers of Sri Lanka, the Financial System Stability Consultative Committee (FSSCC) of Central Bank of Sri Lanka and the Stakeholder Engagement Committee of Central Bank of Sri Lanka. His contributions to the Employers' Federation of Ceylon as a Council Member representing the banking and financial sector further highlight his commitment to the industry's growth and stability. Since his retirement in April 2023 he has served on the Boards of Fintrex Finance Limited, Ceylinco Holdings PLC and RIL Property PLC.

MR. CHAAMINDA KUMARASIRI

Non-Executive, Independent Director
Appointed to the Board in 2018

An award-winning finance professional, dedicated advocate for good governance, thought leader, senior chartered accountant, corporate trainer, management consultant, and trusted business advisor with a proven track record of holding senior leadership positions in both prominent local entities and multinational corporations.

Current Appointments

Executive Director

- H C P Consulting (Pvt.) Ltd
- Asia Pacific Institute of Money and Entrepreneurship Development

Founder/CEO

- The Human Capital Partner

Independent, Non-Executive Director

- Asia Asset Finance PLC
- Cee Bee Marketing Service (Pvt) Ltd
- Lanka Hospitals Corporation PLC
- Sathosa Motors PLC
- Singhe Hospitals PLC

In addition to his leadership roles, he serves as an advisor to various entities and committees in both the private and public sectors. Currently, he is the Chairman of the ACCA Sri Lanka Member Network Panel.

Mr Kumarasiri holds a distinguished array of professional and academic qualifications, complemented by numerous awards and accolades. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Association of Chartered Certified Accountants (UK), the Association of Accounting Technicians of Sri Lanka, and the Institute of Certified

Management Accountants of Sri Lanka. Academically, he holds a B.Sc. in Accountancy (Special) with First-Class Honors from the University of Sri Jayewardenepura and an MBA in Finance from the University of Colombo. His outstanding contributions to the profession earned him the ACCA National Advocate of the Year Award – 2022, recognizing his dedication to advancing the accountancy profession and its values.

As a leading corporate trainer, he has inspired over one million individuals, both in Sri Lanka and internationally. A key figure in Sri Lanka's entrepreneurial ecosystem, he actively contributes to fostering entrepreneurship and empowering SMEs.

His extensive professional experience includes serving as the Financial Controller at the Bank of Ceylon, Chief Financial Officer at The Lanka Hospitals Corporation PLC, Assistant Vice President at HSBC Securities Services, and Senior Manager of Assurance and Advisory Business Services at Ernst & Young, where he was seconded to Ernst & Young LLP in New York.

Mr Kumarasiri has made significant contributions to the professional community by serving as a Governing Council Member of the Institute of Chartered Accountants of Sri Lanka, where he chaired multiple committees and taskforces. Additionally, he has held the role of Commission Member at the Telecommunications Regulatory Commission of Sri Lanka. His international contributions include representing the entire South Asia region on the International Panel on Accounting Education (IPAE) at the International Federation of Accountants (IFAC).

MR. PRASANNA PREMARATNA

Non-Executive, Independent Director
Appointed to the Board in 2018

A Senior Banker who has more than 31 years of private and public sector experience in Agriculture and Development Banking in Sri Lanka and abroad. Mr Premaratna heavily focused on the development of Small and Medium Scale Enterprises (SME) across Sri Lanka. He was mainly involved in assisting many start-up projects in the Manufacturing, Agriculture and Export oriented sectors.

Current Appointments

Chairman

- South Asia Partnership, Sri Lanka (SAPSRI)

Mr Premaratna holds a MSc Degree in Agriculture from Kuban Institute of Agriculture Krasnodar City USSR, a Postgraduate Diploma in Bank Management from the Institute of Bankers of Sri Lanka and a Postgraduate Executive Diploma in International Relations from the Bandaranaike Centre for International Studies (BCIS) Colombo. He has participated in many local and overseas programmes in Development Banking and agriculture related banking programmes in Europe, South East Asia and Japan. He is a life member of the Association of Professional Bankers of Sri Lanka (APB).

Mr Premaratna held the position of Chairman of the Regional Development Bank of Sri Lanka, Vice President of DFCC Bank and the Chief Executive Officer of DFCC Consulting (Private) Limited. He was a Pioneer Member of the Management Team of Pelwatte Sugar Industries before moving into the Banking Sector.

MR. B.R.A. BANDARA

Non-Executive, Non-Independent Director
Appointed to the Board in 2019

Mr B R A Bandara is a distinguished professional with a career spanning over three decades in the co-operative sector. Mr Bandara holds a Diploma in Banking & Finance from SANASA Campus Ltd., a Diploma in Business Management from the National Institute of Co-operative Development, a Professional Diploma in Co-operative Management from the Banking Academy of Wayamba Co-operative Rural Bank Union, a Higher National Diploma in Accountancy from the Technical College Kurunegala, and a Certificate in Banking and Finance from the Institute of Bankers of Sri Lanka.

Current Appointments

Non-Independent, Executive Chairman

- Polgahawela SANASA Shareholders Trust Co.Ltd

Non-Independent, Non-Executive Director

- SANASA Printers & Publishers Co.Ltd

Non-Executive Director

- Payment Services (Pvt) Ltd

General Manager

- Polgahawela SANASA Societies Union Ltd

Mr Bandara has served as a Director of SANASA Development Bank PLC (2015 to 2017), SANASA Producer and Consumer Alliance Limited, Polgahawela SANASA Shareholders Trust Company Ltd. (2012 - 2020) and also he has served as the Chairman of Panaliya SANASA Society.

MR. THUSANTHA WIJEMANNA

Non-Executive, Independent Director
Appointed to the Board in 2021

Mr Thusantha Wijemanna is an Attorney - at - Law of the Supreme Court of Sri Lanka and a Notary Public with over 21 years of experience in the Banking Industry.

Current Appointments

Non-Executive/ Non-Independent Director

- The Swadeshi Industrial Works PLC

Non-Executive/ Independent Director

- Swadeshi Marketing (Pvt) Ltd
- Swadeshi Chemicals (Pvt) Ltd
- Ceylon Plastics Ltd

Member of the Board of Governors

- Ocean University of Sri Lanka

BOARD OF DIRECTORS

Non-Executive /Member of Board of Management

- Lakshman Kadirgamar Institute of Strategic Studies

He holds the degree of Bachelor of Laws (LLB) (First Class Hons.) from University of Colombo and Master of Laws (LLM) from University of London. He is a Commonwealth and Chevening Scholar of the United Kingdom, a Research Fellow at the Institute of Advanced Legal Studies in London and an Alumni of Asian Institute of Management (AIM) in Manila.

He was the Chairman of National Institute of Business Management (NIBM) and his last assignment was as Director General of the SAARC Arbitration Council (SARCO) in Islamabad, Pakistan. Prior to that, he was Legal Advisor to Ministry of External Affairs in Colombo, General Counsel & Secretary to the Board of DFCC Bank and Company Secretary / Chief Legal Officer of Sampath Bank PLC. He was also a Commissioner of Sri Lanka Law Commission and a Director of Payment Services Private Limited which is a fully owned subsidiary of SDB bank.

MR. SARATH NANDASIRI

Non-Executive, Non-Independent Director
Appointed to the Board in 2021

Mr Sarath Nandasiri possesses over 21 years of experience in the field of Credit and also has experience in working with Rural Community particularly with the SANASA Movement.

Current Appointments

General Manager

- Kegalle SANASA District Union Ltd

He provides services as a trainer in Business Development Services specialized in Micro Enterprise Development, Women and Youth Empowerment at Asian Confederation of Credit Union (ACCU).

He possesses B.Com (Hons) from University of Peradeniya, Diploma in Credit Management (IBSL), Higher Diploma in Micro Finance and Certificate in Leasing Operations (CBSL).

He has held the positions of Manager - Credit, Senior Manager - Credit and Recoveries through his career in Financial Sector.

MR. CONRAD DIAS

Non-Executive, Non-Independent Director
Appointed to the Board in 2021

Mr Conrad Dias' experience spans over three decades and is a visionary leader in business technology and his C-Level experience spans over twenty years.

He is a fintech enthusiast who innovated many financial technology products and solutions. He is the founder of iPay, a revolutionary platform beyond payments and of OYES, another fintech platform that makes everyday a payday.

His thought leadership on technology and contribution in the field of ICT to the industry, society and in LOLC Group was recognized by many local and international awards including the Prestigious Computer Society of Sri Lanka CIO of the year 2016 and Chartered Management Institute of Sri Lanka Professional Excellence Award 2017. He inducted to the Global CIO Hall of Fame 2020 of IDG CIO 100, the only Sri Lankan to get this accolade.

Current Appointments

Non-Independent, Non-Executive Director

- LOLC Holdings PLC
- LOLC Technologies Limited
- LOLC Finance PLC
- Digital Mobility Solutions Lanka (Pvt) Ltd
- oDoc (Private) Limited
- I Pay Global FZC
- Fusion X Global FZC
- LOLC Myanmar Microfinance Co Ltd
- LOLC Cambodia PLC
- I pay Ceylon (Pvt) Ltd
- LOLC Microfinance Bank Limited – Pakistan
- PT LOLC Management Indonesia
- Serendib Micro- insurance PLC
- LOLC Asia (Pvt) Ltd
- Oxygen House (Pvt) Limited
- LOLC India Finance

Mr Conrad Dias holds Masters in Business Administration (MBA) from the University of Leicester UK and Fellow Membership of the Chartered Management Accountants UK (FCMA), Chartered Global Management Accountants (CGMA - USA), Certified Management Accountants of Sri Lanka (FCMA) and the British Computer Society (FBCS).

He represents LOLC Investment Holdings One (Private) Limited, a major shareholder of SDB Bank

MR. NAVEENDRA SOORIYARACHCHI

Non-Executive, Non-Independent Director
Appointed to the Board in 2021

A distinguished banker with a strong credit background, Mr Naveendra Sooriyarachchi has a broad and in-depth knowledge on SMI Finance, Project Finance, Trade Finance, Corporate Banking and Investment Banking, built over an eminent 40-year career in banking.

Current Appointments

Chairman

- National Gem & Jewellery Authority

Independent / Non-Executive Director

- Durdans Medical and Surgical Hospital (Pvt) Ltd.

Non-Independent / Non-Executive Director

- GSMB Technical Services (Pvt) Ltd

Mr Sooriyarachchi has held Key Corporate Management positions at Commercial Bank of Ceylon PLC. As the Deputy General Manager-Corporate Banking, he was instrumental in steering Commercial Bank to win the 'Best Trade Finance Bank in Sri Lanka' award of the 'Asian Banker' consecutively in 2019 and 2020 as well as the 'Best Corporate Bank in Sri Lanka' award of International Finance (UK) in 2019.

Mr Sooriyarachchi was also responsible for the initiation of Investment Banking Operations at Commercial Bank after studying Investment Banking at the Boston University, USA on a Fulbright Scholarship. During this period, he has also served as a consultant in the Capital Markets Division, Asia Department of the IFC (International Finance Corporation), Washington. He also has a Master's degree in Business Administration & Finance from the University of Colombo and is an Associate of the Institute of Bankers, Sri Lanka (IBSL).

Mr Sooriyarachchi has served as a Director in CBC Finance Ltd and CBC Tech Solutions Ltd, the Leasing and IT subsidiaries of Commercial bank.

He represents BIO (Belgian Investment Company for Developing Countries SA / NV), a major shareholder of SDB bank.

MR. ROMANI DE SILVA

Non-Executive, Non- Independent Director
Appointed to the Board in 2022

Mr Romani de Silva, counts over 35 years' experience in the finance industry and is an active promoter in developing sustainable finance in Sri Lanka. He is a Fellow of the Institute of Credit Management, Sri Lanka.

Current Appointments

Deputy Chairman & Managing Director

- Alliance Finance Co. PLC

Non-Executive Director

- Alfinco Insurance Brokers (Pvt) Ltd.
- Macbertan (Pvt) Ltd.
- Macbertan Holdings (Pvt) Ltd
- Alliance Travel Services (Pvt) Ltd
- Macbertan Properties (Pvt) Ltd
- Alliance Management Services (Pvt) Ltd
- National Advisory Board for Impact Investing in Sri Lanka

Council Member

- The Finance Houses Association of Sri Lanka (FHASL)
- European Organization for Sustainable Development (EOSD) Karlsruhe, Germany

Treasurer

- Sri Lanka Institute of Credit Management

He has represented the FHASL on the Steering Committee initiated by the Central Bank of Sri Lanka to develop a Sustainable Finance Road map for Sri Lanka for the Non- Bank Financial Sector and also on the National Financial Inclusion Strategy Project initiated by the World Bank, IFC, and the Central Bank of Sri Lanka. He also represents the Finance Houses Association of Sri Lanka on the Central Bank of Sri Lanka, Multi Stakeholder Committee for the Implementation of the Roadmap for Sustainable Finance in Sri Lanka.

Mr De Silva has also represented Alliance Finance Company PLC as a Founder Investor in the pioneering "Ath Pavura" reality TV Programme and Social Enterprises Funding Platform co-founded by the Lanka Impact Investing Network (LIIN) and Social Enterprise Lanka (SEL) in Sri Lanka which aims to create awareness on social enterprise and develop an impact investing culture in the country. He is a Life member of the Sri Lanka Institute of Directors.

He represents Alliance Finance Company PLC a major shareholder of SDB Bank

MR. CHANDANA DISSANAYAKE

Non-Executive, Non-Independent Director
Appointed to the Board in 2022

Mr Chandana Dissanayake counts over 40 years of experience in the Banking and Non- Banking Financial Sector, with extensive experience in the areas of Corporate, Commercial and Retail Lending, Credit Risk Management in UAE, Oman & Sri Lanka. He is an Associate Member of the Chartered Institute of Bankers UK and also a Life Member of the Association of Professional Bankers of Sri Lanka (APB).

Mr Dissanayake has worked for 10 years with National Bank of Abu Dhabi as Vice President - Government Corporate Relations and Associate Director - Commercial Coverage, as well as with HSBC Bank Middle East as Credit Manager for 5 years. He has also worked at National Bank of Oman, Sampath Bank as well as HSBC Colombo.

He has also held the position of Head of Credit at Union Bank of Colombo and he worked at Assetline Leasing Company Limited from 2017 to 2020 initially as a Consultant and was subsequently appointed to the Board as Executive Director to help develop their non- automotive business.

Mr Dissanayake is the Nominee Director appointed by Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and SBI Ven Holdings Pte Ltd (SBI VH) major Shareholders of the Bank.

CORPORATE MANAGEMENT



MR. KAPILA ARIYARATNE
Executive Director /CEO
BSc (Natural Science) University of Colombo, Post Graduate Dip in Business & Financial Administration



MR. HEMAL LOKUGEEGANA
Head of Business Banking & SME
MBA, B.B. Mgt. (HR) Sp., AIB, Dbirm (IBSL), AMIPM, MAAT, ACC Dir. SL, FIB



MR. SHANKA YAPA ABEYWARDENE
DGM-Finance & Planning / Chief Financial Officer
MSc (Fr), FCMA , CGMA, Ex. Dip in Mgt. (UK), MCSI (UK), AIB



MR. DINESH THOMAS
Chief Information & Digital Officer
MSc in IT, MBA



MAJOR KAPILA N. DE SILVA (RTD) RSP
Chief Human Resources Officer
MHRM, Dip.in HRM (UK)



MR. ANURA YAPA
Chief Credit Officer
AIB



MR. DHANANJAYA DAYANANDA

Chief Internal Auditor

FCCA, FCMA, ACA, MBA (Banking Mgt) Sikkim Manipal Uni India



MR. DINUKE WIJESINGHE

Chief Risk Officer

MBA, Dip in Banking, AIB



MR. CHITHRAL DE SILVA

Chief Business Officer

Ex. Dip in Business Administration , Dip Credit Management



MS. KRISHANI ENOKA

Head of Treasury

MBA (UK), BSc (Phy. Science) Hons, AIB, Dip. in Treasury Investment and Risk Mgt., Certificate in Treasury and Foreign Currency Operations



MS. MIHIRI ATTANAYAKE

Head of Credit

BSc Agri. (Hons), MSc Agri (Hons), CBF, Diploma in Micro Financing (IBSL)



MS. LAKMINI MUTHTHUNGA

Head of Operations

MBA (IGNOU of India), BSc (Hons) (UOK)

CORPORATE MANAGEMENT



MS. PAVITHRA LIYANAGE

Head of Legal

LLM (Staffordshire), LLB, Attorney-at-Law, Notary Public, Commissioner of Oaths, Company Secretary



MR. BHANU WIJAYARATNE

Chief Compliance Officer

FIBs-SL, FCPM, MA- Fin Econ (Col), MBA (Manipal), AIB-SL



MR. BINESH ARAVINDA

Head of Branch Banking

MBA, BSc Business Administration Sp. (USJP), CBA (ICASL), Moody's Business Banking Mastery Certification.



MR. SURANWAN WICKRAMASURIYA

Chief Information Security Officer

BSc. Applied Computing (Northumbria University), MSc. Computer Network (University of Deby), CISSP, CISA



MS. AMILA BELPAMULLA

Company Secretary

Attorney-at-Law, Notary Public, Commissioner of Oaths, Company Secretary, BA (in International Relations - UoC), MA (in International Relations- UoC), MA (in Financial Economics- UoC)



MR. LASANTHA EDIRISURIYA

Head of Cooperative Development

Dip. in Finance & Bank Mgt. (IBSL), Intermediate Banking Diploma (IBSL), Exe. Development (Mini MBA) Certificate (CSBM), Investment Advisor certified by CSE, Certificate in Entrepreneurship (Harvard University)



MR. SANJEEVA JAYASINGHE
Head of Finance
FCA, ACCA, BSc. Mgt. Public Admin (USJP)

CHIEF MANAGERS



MR. SARATH KUMARA
Head of Administration
BSc. Mgt



MR. JAYANTHA CHANDRASIRI
Regional Head – Sabaragamuwa Region
BSc. Mgt. & Administration (Special) (USJP)



MR. SURANDIKA WIMALARATHNE
Regional Head – North Central Region
B.A. (Hons) Business Statistics, Post Graduate Dip. - Business Statistics

CHIEF MANAGERS



MS. SARANGA IGALAGAMAGE

Compliance Officer

MBA (UK), BSc. (Agri Special) Hons, Dip in HRM, MIMSL, Dip.in Compliance



MR. SARATH KUMARA

Deputy Head of Credit

BA (Special), Diploma in Micro-finance (IBSL), ADCM (IBSL)



MR. AYESH WICKRAMARATHNE

Chief Manager – Internal Audit

ACCA, FIB (IBSL), MSc App Fin (USJP), BSc Applied Accounting (Oxford Brookes)



MR INDIKA UDAYANGANA

Head of Collection & Recoveries

MBA (UK), BBMgt (Kelaniya), AIB, Dip.in Banking & Finance, Dip.in Micro Finance, Dip.in Public Management, Dip.in Small & Medium Enterprises, Dip. in Counselling



MR. SUJEEWA PERERA

Chief Manager - SME

AIB, B Com (USJP), DBF (IBSL), Moody's Business Banking Mastery Certification.



DR. HEATHER FERNANDO

Chief Manager - Human Resources

Ph.D.-Management &Business (Management & Science University, Malaysia), MBA-OUSL, PQHRMCIPM, T&D Evaluator-Kirkpatric Int'l, Chartered MCIPM, AMAPB



MR. SENTHILVEL THULASIDHAS

Chief Manager - IT

PgD. Technology Management, University of Staffordshire



MR. THARANGA DE SILVA

Chief Manager - Business Banking

MBA-Cardiff Metropolitan University UK, Diploma in Credit Management – IBSL



MR. JANAKA EDIRISINGHE

Chief Manager - Business Revival & Special Asset Management

AIB (SL), AICM(SL), DPS (Agri-biz Mgt.), Certificate in Microfinance

SENIOR MANAGEMENT



MR. NIMAL CHANDRA

Senior Regional Manager – Western II Region

BA (Peradeniya)



MS. RENUKA JEEWANTHI

Head of Refinance

MBA (UK), BSc. Business Administration (Special) Hons (USJP),PGD in Community Development (UoC), Associate Member of IBSL & APB, Certified CGAP Trainer, Micro Finance Facilitator



MR. UDENA WELIKUMBURA

Head of Liabilities

MBA (Peradeniya), PGDM, MSLIM, BMS, Associate APB



MR. CHAMINDA RATHNAYAKE

Senior Regional Manager – North Western Region

B.Sc. Accountancy & Finance (SP.) Hons, Registered Trainer & Consultant (Ministry of Public Management Reforms), Moody's Business Banking Mastery Certification.



MS. NUSHIKA EDIRISINGHE

Senior Manager – Credit Administration

BSc (Colombo), Intermediate Banking Diploma (IBSL), Certificate in Hire Purchase and Lease Financing (IBSL), ACS



MR. DHAMMIKA GAMAGE

Senior Manager – Agriculture Entrepreneurship Development & Micro Finance

Intermediate Banking Diploma (IBSL), Ad. N. Dip in HRM (NSBM), DSMEF (IBSL)



MR. ARUNA SUJEEWA PERERA

Senior Manager - Co-operative Relationship Development

BA.,IABF, National Certificate in Technology (Civil Engineering)



MR. AJITH SAMANTHA

Divisional Head – Leasing Assessment & Approval

B Com (Special), AIB, DBF (IBSL)



MR. PRADEEP GNANASIRI

Senior Manager - Regional Recovery

BA Geography (Special) (USJP)

SENIOR MANAGEMENT



MR. SEMERA MAHATHANTHILA

Senior Manager – Compliance

MSc Applied Finance (USJP), PG. Dip. in Business & Financial Administration (ICASL), B Sc Applied Sciences (Rajarata), Dip.in Compliance



MR. PIYAL SENADHEERA

Senior Branch Manager – Gampaha

MFE (Colombo), PG. Dip. In Economic Development (Colombo), AIB, MAAT, ATII (SL), Dip in Finance & Bank Management (IBSL), Dip.in SME Finance (IBSL)



MS. DENUKA PRIYANGANI

Divisional Head – Retail Credit Assessment & Approval

MSc, Executive Dip.in Service Management, CBF.



MS. K. K. RANGANI

Senior Branch Manager - Matara

HNDA, Intermediate Banking Diploma(IBSL)



MR. SANJEEWA DISSANAYAKE

Regional SME Manager

Dip in Credit Mgt. (SLICM), CBF, Ad.Dip. In Credit Management, Moody's Business Banking Mastery Certification, APDCM



MS. SASIKALA SUBHASHINI

Senior Branch Manager - Kalutara

MScSMgt. University of Colombo, Dip.in Mirco Finance, Executive Dip.in Service Management, CBF



MR. MAHINDA THENNAKOON

Senior Manager - Digital Operations

Intermediate Examination (IBSL)



MR. NISHANTHA WIJESINGHE

Senior Branch Manager – Negambo Branch

Dip.in SME(IBSL)



MR. PRIYANKARA FERNANDO

Divisional Head – SME Credit Assessment

Dip.in Credit Management, Dip.in SME Finance ,Dip. in Mirco Finance, CBF, Moody's Business Banking Mastery Certification.



MR. RAJEEVA ADHIKARAM

Senior Manager – Information System Audit

Executive MSc in Information Security, Certified Information Systems Auditor (ISACA), CBF



MR. NISHAN PALLEGAMA

Senior Branch Manager – City Branch

Dip.in SME Finance, CBF, Certificate in Hire Purchase & Leasing



MR. SASIKA WICKRAMARATHNE

Senior Manager – Centralized Operations

BMS, ACBF, DBF, CBF



MR. CHINTHAKA JAYAKODY

Senior Branch Manager - Giriulla

BA(SP) Business Statistic, CBF



MR. RANJITH RANDENIYA

Senior Regional Manager – Central Region

BBA,Dip.in Management Science, CBF, Moody's Business Banking Mastery Certification.



MR. SARATH GUNATHILAKA BANDA

Senior Regional Manager - Uva

BSc.(Business Management Special),CBF, DBF, Dip.in SME & Finance, AIB



MR. SADARA PANDIPPERUMA

Senior Manager-CAU Karapitiya

BBA(Accounting & Finance), Certified Business Accounts (CBA)



MS. PEMILA RANOJANI

Senior Manager – Legal

LLB (UOC), Attorney at Law, Notary Public, Commissioner of Oaths, Company Secretary



MS. NILUPAMA MADURAWALA

Senior Manager - Sustainable Banking

BSc, MFE, CBF, DBF, Certificate in HRM, Moody's Business Banking Mastery Certification, Dip. in Retail Banking

SENIOR MANAGEMENT



MS. CHATHURIKA MEEMANAGE
Senior Manager – Internal Audit
FCA, ACCA, BSc. Finance (Sp) - USJP, AIB, Dip. in Information System Security Control and Audit (DISSCA)



MR. SUNTHARALINGAM KESHANTH
Senior Regional Manager - Eastern Region
AIB, PGDM (SEUSL) , PCHRM



MS. K.H.A. AYESHA
Senior Manager - EDW and Data Analytics
BSc in Computer Science (Hons) (Colombo)



MR. CHAMINDA ROSHAN
Senior Regional Manager - Southern Region
BSc. Accountancy (sp) Hons, CBF



MR. SAMPATH PRIYANKARA
Senior Manager - IT
BIT (Colombo), MBA (UK)



MS. CHATHURIKA PERAMUNASINGHE
Divisional Head - Co-operative Credit Assessment
MBA-Cardiff Metropolitan University UK, Dip.in SME Finance (IBSL), AIB, B.Sc. Plant Biotechnology (Sp.)



MR. CHATHURANGA SAMARATHUNGA
Senior Manager - Internal Audit
MBA-Cardiff Metropolitan University UK, B.B. Mgt (Kelaniya), AIB



MR. RAJESH KARUNARATHNE
Senior Manager - Consumer Assets
MBA in Buckinghamshire New University (UK), Dip.in Strategic Management and Leadership (UK), CBF



MS. NIKETHA RANAWEERA
Senior Manager - Pawning
BA, MA (SOC.SC) (Kelaniya), IABF



MR. AJITH HERATH

Senior Branch Manager - Matale

MBA- University of Gloucestershire (UK), BSc. HRM (Special), Dip. in Strategic Management and Leadership (UK)



MR. ASHOKA KUMARAKATUKURUNDA

Senior Branch Manager - Kegalle

MBA- University of Gloucestershire (UK), B.B.Mgt (Kelaniya), Dip. in Strategic Management and Leadership (UK)



MR. INDIKA LAKMAL

Senior Branch Manager - Ambalangoda

PGD.in B Ad in Marketing (Ruhuna), AIB, Dip. in Digital Marketing (SLIMS), Dip.in M.Finance (Sanasa Campus)



MR. LALITH KUMARA

Head of Post Disbusement & Credit Review

DABF(IBSL), CBF(IBSL), Dip in SME(IBSL), AIB(IBSL)



MR. RUWAN DHARMASENA

Head of Strategic Projects

BBA (Mkt) sp, MBA



MR. GAYAN ABEYSIRIWARDANA

Senior Manager - Collections, Administration & Analytics

MBA (USJP), BSc. Agri (UOP), PGDM-SLIM



MR. ANIL WANIGASIRI

Senior Branch Manager - Battaramulla

MBA (MoT), PGD in Bank Management, Advanced Economics & Computer Science (Sp), Member of GARP



MS. SUGANYA KANDEEBAN

Senior Manager - Treasury

MBA, Dip in Treasury & Risk Management, Certificate in Treasury & Foreign Exchange Operations, CBF, CIMA Level I



MR. KANDASAMY PIRABAHARAN

Senior Regional Manager - Nothern Region

Bsc. (Hons) - Agri (Special), MBA, Dip.in Credit Mgt, CBF

SENIOR MANAGEMENT



MR. UDANA WEERASINGHE

Head of Credit Risk

IAB (UK), PGDip (Busi Admin) Heriot-Watt University, MBA - University of Sunderland.



MR. N.A.R.S. KUMARA

Senior Manager Brnach Operation

B.B.Mgt (Accountancy) Special, CBA (ICASL)



Collaboration which is the Pattern of Success

FINANCIAL CAPITAL

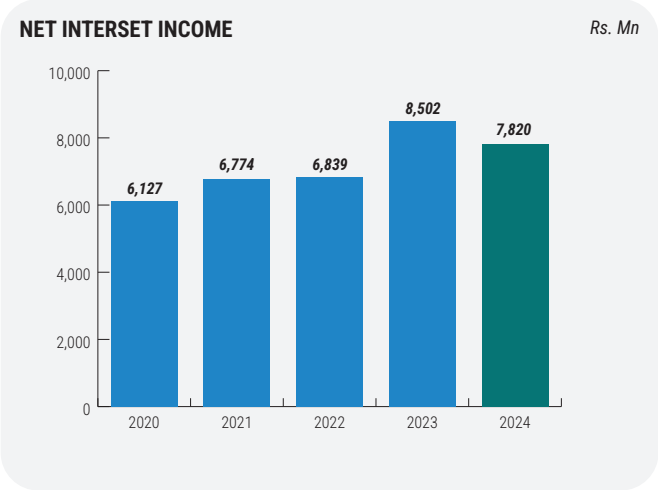
SDB Bank maintained its prudent growth strategy in 2024, opting for controlled business expansion, while focusing on portfolio quality, balance sheet health and financial stability. Demonstrating the stability of the Bank, total equity grew by 2.25%, while our Common Equity Tier 1 and Tier 1 capital ratios were well above the regulatory requirement at 15.00%. The Bank's Liquidity Coverage Ratio remained robust at 279.65%, ensuring ample liquidity to navigate market unpredictability. Reflecting the improvement to asset quality and proactive risk management, the impaired loan Stage III to Total Loan ratio has improved to 6.93% from 8.82%. The Bank concluded the year with a Profit After Tax of Rs. 410 Mn, supported by stringent cost management and a well-optimised balance sheet. A significant indicator of market confidence was the 46% increase in the Bank's share price to Rs. 45.90.

ANALYSIS OF THE STATEMENT OF PROFIT AND LOSS

Net Interest Income

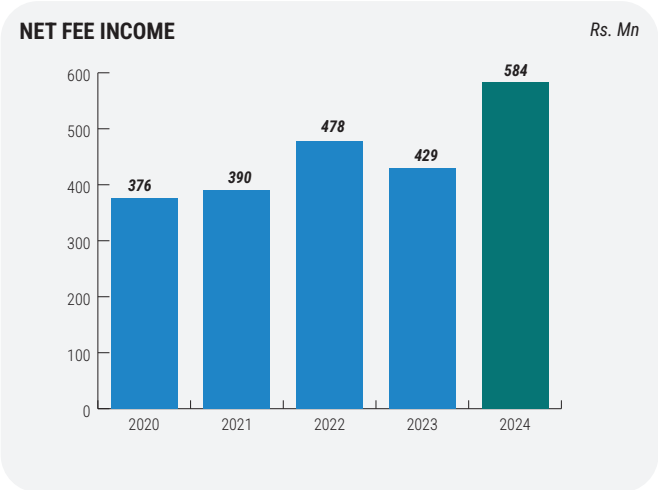
The Net Interest Income of the Bank decreased from Rs. 8,502 Mn in 2023, to Rs. 7,820 Mn in 2024, mainly due to targeted relief measures extended to specific customer segments affected by high interest rates, which led to a reduction in the Bank's interest income. The declining interest rates as well as the decline in lending also caused interest earnings of the Bank to reduce.

Interest expenses also declined by 43.07%, from Rs. 21 Bn in 2023 to Rs. 12 Bn in 2024. This significant reduction was driven by the decline in market interest rates as well as the Bank's strategic decision to rebalance the deposit mix with a 24.30% increase in savings deposits, which typically carry lower interest costs. The Bank's Optimised Funding Strategy of repricing deposits at lower rates and maintaining a stable liquidity position also contributed towards lowering the interest expenses for the year.



Fee-Based Income

The Net Fee and Commission Income increased by 35.92%, from Rs. 429.90 Mn in 2023 to Rs. 584.32 Mn in 2024. A number of factors supported this growth. The Bank achieved a significant growth in loan-related fees by 65.34%, from Rs. 90.42 Mn in 2023 to Rs. 149.51 Mn in 2024, due to increased loan processing activities. In addition, the Bank's Commission income from insurance surged by 450.8%, from Rs. 14.23 Mn to Rs. 78.40 Mn, driven by higher bancassurance penetration and enhanced cross-selling efforts. Finally, fee income from guarantees grew by 57.07%, while fees from the "Others" category increased by 31.4%, indicating a broader diversification of fee-based income sources.



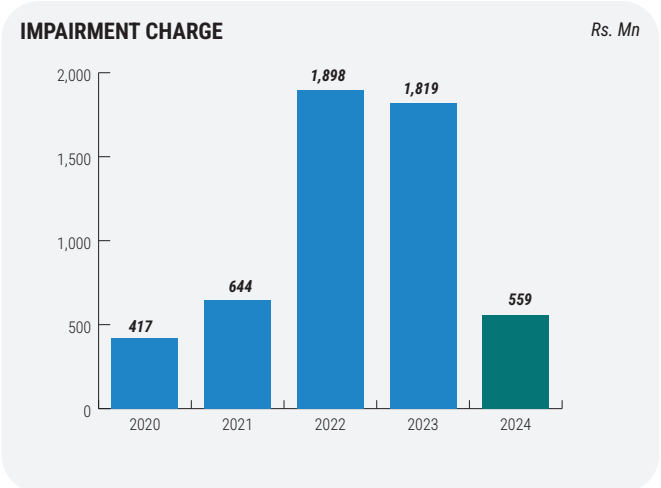


Total Operating Income

Despite a more measured balance sheet growth, overall operating income remained stable compared to the previous year.

Despite a more measured approach to balance sheet growth, the Bank's overall operating income remained relatively stable compared to the previous year. This stability can largely be attributed to targeted relief measures implemented for specific customer segments impacted by elevated interest rates. While these measures resulted in a reduction in the Bank's interest income, the overall decline in operating income was limited to just 5.59%.

Impairment Charges



A remarkable 69.29% drop in impairment charges for 2024, compared to 2023, showcased the bank's effective collection and remediation efforts. Additionally, the impairment coverage ratio for Stage III loans saw a significant boost, rising from 39.70% at year-end 2023 to 47.78% in 2024, reinforcing the bank's prudent risk management approach in addition to that The Stage III Impairment Ratio declined from 8.82% to 6.93%, reflecting better asset quality.

Operating Expenses

Operational expenses saw an increase primarily due to staff salary revisions, which led to a rise in overall staff costs. However, total operating expenses were maintained at the same level as the previous year, reflecting effective cost management. The Bank recognises that its human capital is one of its most valuable assets. As such, investments in employee training and development are prioritised, fostering a skilled workforce that contributes to the Bank's continued success. By encouraging professional growth and offering ongoing training opportunities, the Bank ensures that its staff remains well-equipped to navigate the evolving financial landscape

Taxation

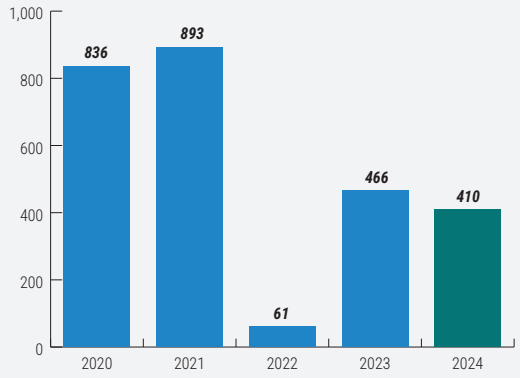
The Bank paid out a total of Rs. 1,041.39 Mn in taxes to the government in 2024, compared to Rs. 1,013.25 Mn in 2023. This includes VAT on financial services at 18%, which came to Rs. 668.19 Mn, the Social Security Contribution Levy of 2.5%, which was Rs. 98.47 Mn, and income tax at 30%, which came to Rs. 274.72 Mn

FINANCIAL CAPITAL

Profitability

The Bank's Profit After Tax (PAT) declined by 12.27% year on year, to Rs. 410 Mn. The decline was mainly due to the lower Net Interest Income as well as the lower Net Interest Margin (NIM). The NIM decreased from 5.37% to 5.18%, affecting core profitability. The growth in Net Fee and Commission Income helped offset some of the profit decline, but it was not enough to counterbalance the drop in interest income.

PROFIT AFTER TAX *Rs. Mn*

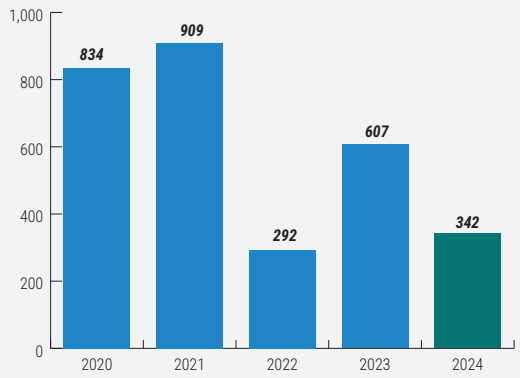


Total Comprehensive Income

Total Comprehensive Income also saw a significant reduction of 43.69%, at Rs. 342 Mn compared to Rs. 607 Mn in 2023, reflecting lower unrealised gains or losses in equity reserves.

The Bank reported a total comprehensive income of Rs. 342 Mn for the year 2024, compared to Rs. 607 Mn in 2023. The year-on-year decrease can primarily be attributed to an actuarial loss on defined benefit plans, amounting to Rs. 195 Mn, for the period ended 31st December 2024.

TOTAL COMPREHENSIVE INCOME *Rs. Mn*

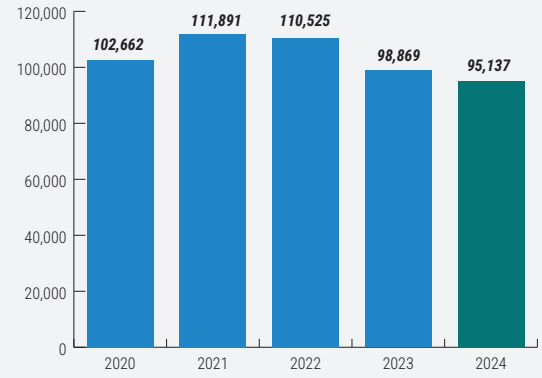


ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Assets

The total assets of the Bank drop by 7.52%, by the end of 2024, compared to the 1.61% drop for the financial year 2023, to reach Rs. 145.1 Bn, from Rs. 156.9 Bn.

NET ADVANCE TO CUSTOMERS *Rs. Mn*

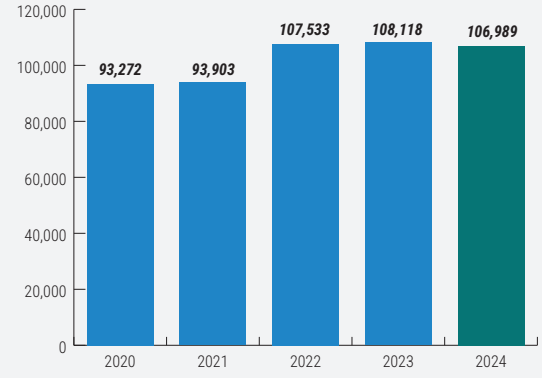


The Bank's net loans and advances decreased by 3.77%, from Rs. 98 Bn in 2023 to Rs. 95 Bn, reflecting the cautious lending strategy adopted in response to ongoing economic uncertainty. In line with its approach, the Bank implemented a selective asset growth strategy aimed at maintaining a robust and healthy asset portfolio. Additionally, the Bank's effective recovery strategy, which focused on enhancing customer resilience and offering targeted restructuring solutions, also contributed to the reduction in loan advances.

Deposits

Total deposits saw a slight decline of 1.04% from Rs. 108 Bn to Rs. 107 Bn. However, the Savings Deposit segment recorded a strong growth of 24.30%, enhancing the funding mix with a higher proportion of lower-cost deposits.

DEPOSIT FROM CUSTOMERS *Rs. Mn*

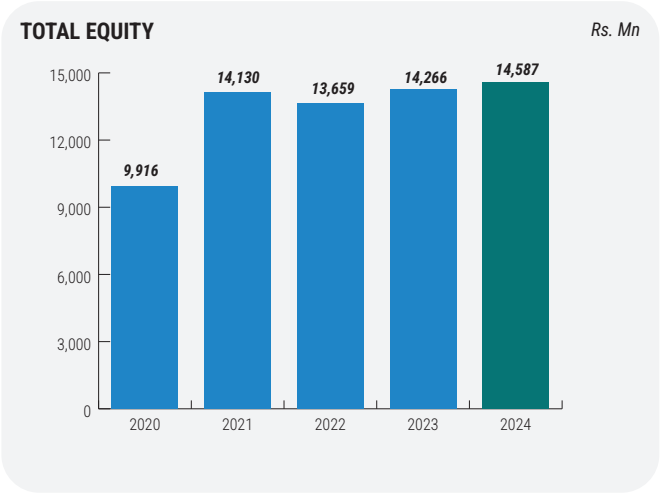


Capital

Statutory Ratios	2024	2023
Common Equity Tier 1 capital ratio (Minimum requirement - 2024:7.00% 2023:7.00%)	**15.00**	14.85
Tier 1 Capital Ratio (Minimum requirement - 2024:8.50% 2023:8.50%)	**15.00**	14.85
Total capital ratio (Minimum requirement - 2024:12.50% 2023:12.50%)	**16.37**	16.45

SDB Bank has an Internal Capital Adequacy Assessment Plan (ICAAP) that guides the Bank in setting its capital reserves based on business expansion plans. However, in order to enhance the Bank's resilience, the capital base was maintained well above the statutory minimum levels, as demonstrated in the above table.

The total equity of the Bank reached Rs. 14.58 Bn at the end of 2024 from Rs. 14.26 Bn in 2023.



Liquidity

Liquidity levels were regularly monitored and were maintained at a high level in order to respond to any contingencies during the year.

Item	2024	2023
Available stable funding	**Rs. 113.84 Bn**	Rs. 124.76 Bn
Net Stable Funding Ratio% - (Minimum Requirement - 100%)	**173.02**	192.78
Liquidity Coverage Ratio% - (Minimum Requirement - 2024-100%, 2023-100%)	**279.65**	287.06

INTELLECTUAL CAPITAL

As the only private development bank in Sri Lanka, SDB Bank's intellectual capital is primarily the SDB Bank brand and unique expertise in development banking, which is encapsulated in the collective knowledge of the Bank's trained and experienced personnel. The Bank's customised digital systems are a significant and growing component of the Bank's intangible asset base, which, combined with the Bank's financial acumen, creates a competitive advantage in the market. The Bank's corporate culture, which emphasises traditional Sri Lankan values, acts as the underlying basis of the Bank's unique identity.

Our Actions	Outcomes
Recruitment of specialised skills	Expanded the Bank's intellectual capital base
Training on technical subjects	Supported compliance and enabled the design of customised solutions
Upgraded the Bank's entire tech stack and system architecture	Enhanced business capacity, security and flexibility of financial services for different customer groups.

CONTRIBUTION TO SDGS IN 2024

During 2024, we continued to empower women and women entrepreneurs by providing convenient and affordable digital services.

Our technology systems supported an inclusive national economic recovery by supporting the MSME and cooperative sectors.

Against the improving macroeconomic environment of 2024, SDB Bank expanded and leveraged its intellectual capital base to support credit growth, customer expansion and diversification, and to improve services for its customers.

OUR INTELLECTUAL CAPITALS

SDB Bank brand and trademarked products

The SDB Bank brand is the identifier of the Bank and represents the Bank in all its operations by differentiating SDB Bank branches and products, as well as employees and service standards, from the plethora of other financial services providers in the country. The list of trademarked products under the SDB Bank brand is trusted and utilised by customers on the basis of confidence in the SDB Bank brand. The Bank's products and services are specially designed to cater to specific customer needs with a special focus on the requirements of cooperative societies and their members, and SMEs, including women entrepreneurs and rural entrepreneurs.

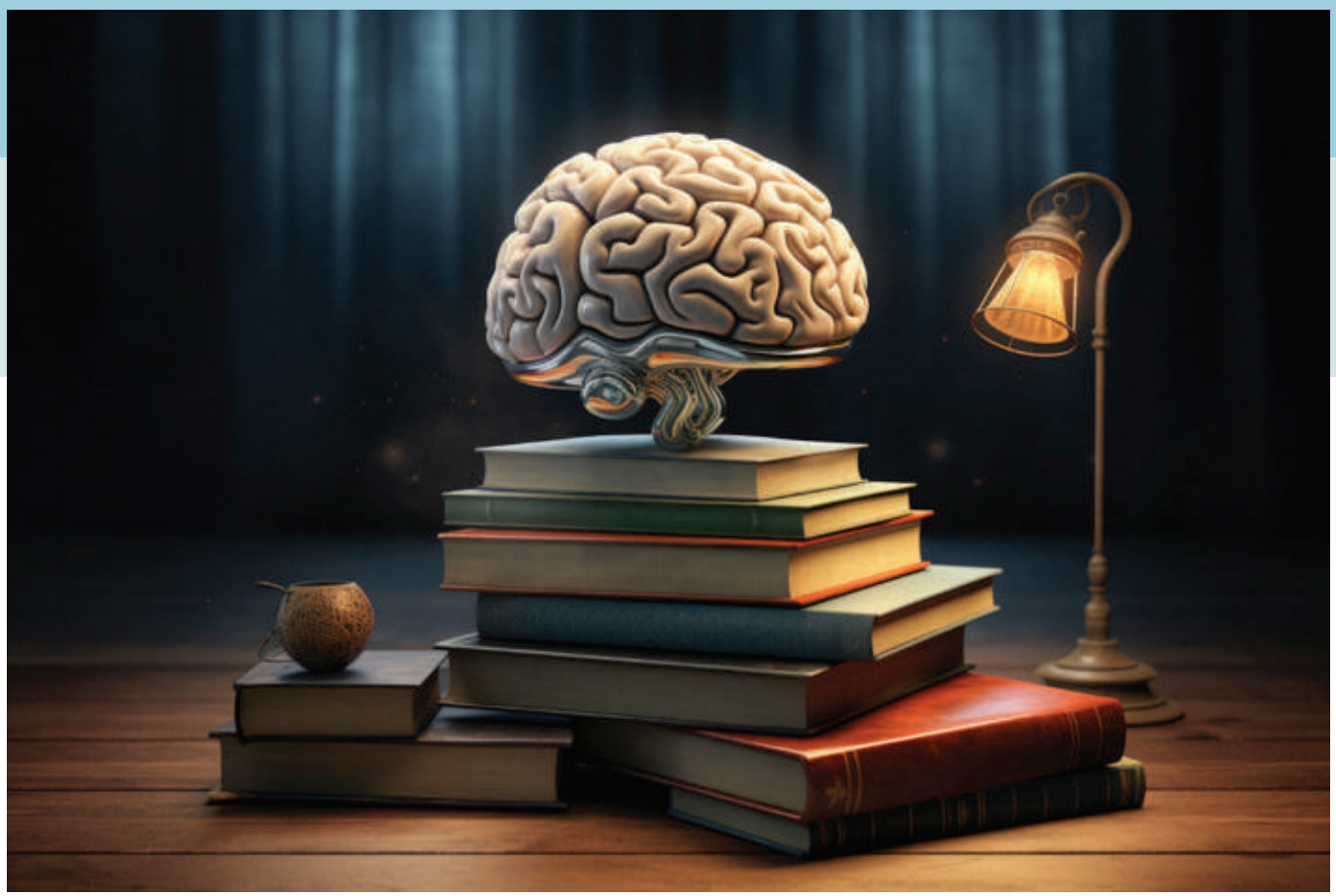
CORPORATE CULTURE AND ETHICS

As the only private development bank with its roots in the cooperative sector, SDB Bank has a unique people-centric corporate culture. While fostering a performance-based work culture, the Bank encourages long-term relationships with its customers based on trust, cooperation and professionalism, through continuous training and skill development of its employees. The Bank implements a code of ethics for employees, management and directors, which is also aimed at creating unparalleled customer value. In this regard, the Bank has been increasingly investing in digitisation for greater convenience and benefits for its customers. In order to facilitate a greater understanding of the needs and aspirations of its customers, the Bank recruits from local communities, with local language use, for its widespread network of 94 branches and implements a welcoming and friendly atmosphere for all classes and communities.

SPECIALISED KNOWLEDGE AND EXPERIENCE

SDB Bank is an undisputed specialist in providing development financing, focused on Sri Lanka's cooperative sector, with years of experience gained through collaborations with cooperatives, in particular the SANASA Movement. The Bank also has a long history of channelling funds to Sri Lanka's SMEs. Therefore, SDB Bank has a deep understanding of agriculture and MSME financing models, as well as rural economic dynamics. Years of experience, as well as relationships built over decades of working in the cooperative sector, are encapsulated within the Bank's collective knowledge, systems and processes. This collective intellectual base has created an unparalleled competitive advantage for the SDB Bank in its traditional operating sectors.

During the current financial year, the Bank continued to build its specialisation by strengthening relationships with cooperatives and rural entrepreneurs. The Bank's Rural Upliftment program, introduced in 2024, as well as women-business focused projects, have been designed utilising the Bank's specialised knowledge.



In 2024, SDB Bank also focused on developing its internal knowledge base by providing specialised training on aspects such as network security, ESG applications in lending, and other skill upgrades. To support its digital strategy, during the year, the Bank recruited a system security specialist, as well as other experts, to strengthen the Bank's network and security systems and to support new software developments.

DIGITAL SOLUTIONS

Digitisation is a key component of the Bank's growth strategy, and the Bank's expanding digital systems, including in-house software solutions, represent a growing component of the Bank's overall intellectual capital base. By supporting regulatory compliance, capacity growth, data security and customer convenience, the Bank's digital system is indispensable in facilitating sustained business growth. In addition, SDB Bank's digital systems are also used as tools to empower and bridge the digital divide for micro and rural entrepreneurs, by facilitating digital services specially curated for their specific needs. While continually upgrading software and improving uptime and speed, the Bank also continually monitors and upgrades its digital security systems to safeguard customer data and ensure business continuity.

SDB Bank's digital platform comprises the UPay mobile application, Business Internet Banking system, and E-Statement service. In 2024, the Bank continued to optimise its suite of digital solutions to expand business by facilitating continuous customer convenience and accessibility to the Bank's products and services.

Supporting cooperative societies: SDB Bank maintains concessionary pricing and even free access to digital services offered to cooperative societies in order to expand digital conveniences and cost savings to cooperatives and their members. The SDB Bank Business Internet Banking facility is offered free of charge by the Bank, absorbing the transaction cost for fund transfers, as well as offering a concessionary Rs. 20 CEFT charge instead of the customary Rs. 30 for electronic fund transfers through the UPay app.

POS machines for SMEs: SDB Bank provides POS facilities for smaller SMEs that are overlooked by traditional commercial banks, at concessionary rates, in order to support inclusive economic growth.

DIGITAL DEVELOPMENTS IN 2024

During the current financial year, SDB Bank continued to develop and upgrade its digital solutions. These include:

Upgrading entire software architecture: An ESB software architecture, which facilitates communication and integration between different applications and systems, was deployed, enabling secure, faster third-party connectivity, which now allows the Bank to dynamically serve business needs. The Bank's ongoing modernisation of its tech stack ensures the Bank keeps pace with rapid technology changes, enabling seamless connectivity and more advanced digital solutions.

Revamping the SDB Bank UPay mobile app: The upgrade to the popular UPay app was completed in 2024, completely revamping all features of the app to the next level through the integration of the latest technology solutions. Special attention was paid to enhancing security and Central Bank regulatory compliance, while also dramatically improving the user experience through a greater number of digitally enabled services for customers. A major convenience is the 'digital KYC process,' which enables online customer verification through the submission of a selfie and NIC by the customer. Customers have also been empowered to control and customise their own security/privacy criteria for greater flexibility in using the app.

INTELLECTUAL CAPITAL

Strengthening compliance: An in-house software was developed to support GOAML reporting under anti-money laundering regulations.

Enhancing credit monitoring: The Bank's credit risk management was improved through the development of a software solution for credit monitoring.

Improving Business Internet Banking: SDB Bank's Internet banking facility for businesses was further enriched with additional support services for cooperatives, SMEs and some corporates.

DATA SECURITY

As the Bank expands its digital capabilities rapidly, systems security has gained importance to protect both the Bank's assets as well as customer privacy. To protect customer data and ensure customer confidentiality, SDB Bank continually upgrades its system security in line with industry best practices. A multi-layered security architecture is implemented along with security and data protection solutions/ technologies, backups and disaster recovery systems.

During the current financial year, SDB Bank did not face any breaches in data security or loss of data, due to external interference.

TAKEOUT FOR THE NEXT FINANCIAL YEAR

- **We will focus on developing digital solutions to serve the SME segments with low operating models and mass market applications**
- **We will continue to enhance the use of AI and other modern technologies for decision support and risk management.**
- **We will continue to enhance our intellectual capital base through new recruitments and skill development to facilitate the Bank's growth through diversification.**

HUMAN CAPITAL

During the current financial year, SDB Bank effected significant and far-reaching reforms to its HR management with improvements to policies, strategies and overall administration. This demonstrates the Bank's commitment towards creating a favourable work environment with growth opportunities to all employees.

COMPLIANCE

As a responsible corporate citizen, SDB Bank maintained full compliance with all applicable labour laws and regulations during 2024 and did not face any fines or penalties for noncompliance or delays in compliance.

Our Actions	Outcomes
Restructuring HR policies	Enhanced the Bank's market attractiveness as an employer and enhanced employee retention capability
Implementing the HR strategy	Improved coordination and cooperation
Reviewed and improved the organisational structure	Enhanced operational efficiencies

SDG FOCUS

As an equal opportunity employer, SDB Bank provided equal opportunities for men and women in the recruitment process as well as in training and career growth opportunities.

The Bank complied with all labour regulations, as well as enhancing its employee benefits, to ensure decent working conditions in 2024.

UPGRADING HR POLICIES

During the year, HR Policies were reviewed and revamped, and new HR policies were also introduced to guide the HR management initiatives of the Bank.

A significant change was the introduction of a Talent Management Policy to strengthen succession planning and employee development. In addition, the HR Policy Manual, as well as Sub-policies of HR Planning, Talent Acquisition and Promotions, were updated to meet the current challenges faced by the Bank. In order to retain and motivate management personnel, policies were introduced to incentivise Branch Managers and Deputy Branch Managers as well as improvements to the Staff Loan Policy.

ALIGNING HR STRATEGY WITH BUSINESS STRATEGY

In 2024, SDB Bank further fine-tuned its HR strategy to align with the Bank's business strategy, focusing on the following key areas:

- Implementing and refining the Performance Management System to foster a performance-driven culture within the bank.
- Optimising talent management by introducing a structured talent pool.
- Refining job roles to align with the bank's new strategic directions.
- Strengthening the competencies of the leadership team to achieve the Bank's strategic goals.

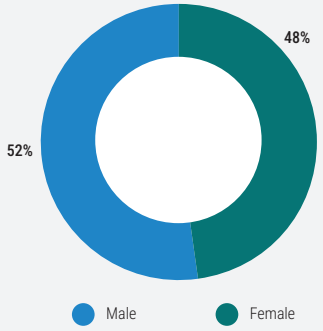
SETTING ORGANISATIONAL STRUCTURES

The main organisational structure of SDB Bank was developed and approved by the Board of Directors based on recommendations from the Board Human Resources and Remuneration Committee (BHRRC). Departmental structures were reviewed and aligned to ensure clear roles, responsibilities, and improved coordination across the organisation, in line with the bank's new strategic direction and evolving challenges in the banking sector.

EMPLOYEE PROFILE 2024

The Bank's total workforce remained almost the same in 2024 at 1,298 employees compared to 1,296 at the end of 2023. The gender balance was 52% male and 48% female with 687 male employees and 611 female employees.

EMPLOYEE DEMOGRAPHICS BY GENDER %





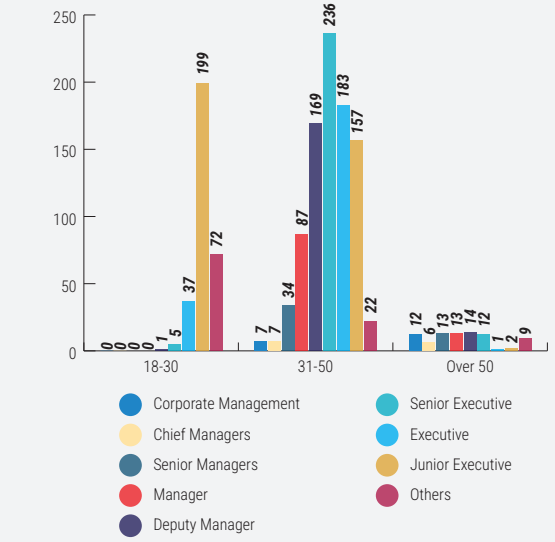
EMPLOYEES BY CATEGORY 2024

	By age group				
Employee Category	**18-30**	**31-50**	**Over 50**	**Total**	**%**
Corporate Management	0	7	12	19	1%
Chief Managers	0	7	6	13	1%
Senior Managers	0	34	13	47	4%
Manager	0	87	13	100	8%
Deputy Manager	1	169	14	184	14%
Senior Executive	5	236	12	253	19%
Executive	37	183	1	221	17%
Junior Executive	199	157	2	358	28%
Others	72	22	9	103	8%
Total	314	902	82	1298	100%
As a % of the total	24%	70%	6%	100%	

The employee turnover rate for the year was 10% compared to 7% in 2023.

EMPLOYEES BY EMPLOYMENT CATEGORY AND AGE GROUP

No.



NEW RECRUITMENTS

During the year the Bank recruited 132 new employees, with a focus on specialised skills in line with the Bank's strategic growth plans. A majority of 62% of the new recruits were female.

In addition, to address longstanding cadre gaps, the Bank recruited Banking Associates (BAs) for the first time since 2018. This step is crucial in strengthening our operational capacity and ensuring better support for our branch operations and customer service.

PERFORMANCE MANAGEMENT

During the year, the Bank established Key Performance Indicators (KPIs) to Chief Executive Officer (CEO) at the beginning of 2024 and cascaded to individual employees. In addition, to the set KPIs, employees will be evaluated on their competency criteria categorising according to their competency level. Therefore, competencies defined considering the different levels of responsibility, complexity and difficulty that characterise employees' jobs at different levels at the Organisation. HR Department has combined related competencies for the organisational level that are linked to strategic objectives and critical success factors.

Staff Promotions

After many years of silence, the Bank successfully reinitiated the promotion process for both the Branch Network and Head Office staff. A total of 250 employees were promoted, marking a significant milestone in recognising and rewarding internal talent, where 150 Junior Executives were offered Executive positions by offering them grade promotions.

TRAINING AND DEVELOPMENT

Training and development are essential for organisational success, as they enhance employee capabilities and align their growth with the Bank's strategic goals. It is worthwhile to note that training covers both technical and soft skills. Recognising this, SDB Bank places a strong emphasis on training its staff to foster professional development and drive organisational excellence. A Board-approved annual training plan is a mandatory requirement for SDB Bank and is subject to review by the Central Bank of Sri Lanka upon the completion of its annual training calendar. The 2025 training plan integrates both internal and external training programs, specifically designed to achieve the Bank's business goals and strategic objectives.

The plan is closely aligned with the Bank's overarching business strategy and has been developed through extensive consultations with corporate management and line management. Training needs are carefully identified and prioritised based on budgetary considerations and their relevance to business objectives.

In addition, specific online training programs have been customised and delivered to address regional training needs. These programs aim to ensure that staff are equipped to capitalise on unique business opportunities within the area. In addition, the E-library offers all staff access to a wide range of training materials to support their professional development.

TRAINING DETAILS FOR 2024

Type of Training	Investment	Number of Programs	Trg. Hrs	Area of Training
Internal Training	Rs. 10,664,894.38	66	10845	Leasing, Recovery, Co-operative, Compliance, SME Credit, Credit Evaluation, AML/ CFT, Data Protection, Cyber Security, Customer Service, Leadership, Team Building, Communication
External Training	Rs. 7,850,237.52	82	2247	Pawning/ Gold Loans, Leasing, Credit, Treasury, Corporate Governance, Risk, Auditing, AML/ CFT Compliance,
Foreign Training	Rs. 73,770.00	2	28	Information Technology

INDUSTRIAL HARMONY

SDB Bank has always been accommodating of its unions, and in 2024, the Collective Agreement for 2024-2026 was finalised and signed in just five months, in May 2024, showcasing better cooperation between management and the union.

SDB Bank successfully finalised the 2024–2026 Collective Agreement following a series of discussions. The Collective agreement was signed in May 2024 with retrospective effect from 1st January 2024, it reflects the strengthened collaboration and mutual understanding between management and the union.

EMPLOYEE BENEFITS

In 2024, SDB Bank conducted a salary survey with the support of an external expert to assess and align employee remuneration with industry standards. Management will review the findings and address any identified salary anomalies as needed.

The Bank provides a wide range of benefits in line with industry practices. These include non-salary benefits, medical insurance for employees and their immediate families, enhanced employer contributions to the EPF, membership in the Welfare Society, and generous leave entitlements.

Additional support is extended through reimbursement of professional membership fees, honorariums for completing banking exams, and financial assistance for further studies. SDB Bank also places strong emphasis on employee well-being and work-life balance.

HUMAN CAPITAL

WORKPLACE HEALTH AND SAFETY

During the year, the Bank upgraded its employee insurance schemes to provide better coverage and benefits for employees. The Bank continued to observe all health and safety standards within the Head Office and in branches to provide a safe and secure environment.

Reaffirming its commitment to employee health and well-being, SDB Bank recently conducted three Medical Health Camps in collaboration with its official medical insurance provider. Held at the Head Office, Uva Regional Office, and Central Regional Office, the initiative provided employees across key locations with access to essential health services. The camps offered free medical check-ups, consultations, and health screenings, enabling staff to proactively monitor their health. Expert medical professionals provided personalised advice, supporting employees in adopting healthier lifestyles.

These health-focused events reflect SDB Bank's core values and its dedication to fostering a supportive work environment. By prioritising both physical and mental well-being, the Bank continues to promote a culture of wellness and productivity across the organisation.

EMPLOYEE GRIEVANCE MECHANISM

In 2024, the Bank further strengthened its employee grievance mechanism by enhancing awareness and providing clear guidelines on available channels for raising concerns. While the formal grievance reporting process remains in place, the Bank also continued to uphold its open-door policy and robust whistleblowing mechanism, offering employees multiple avenues to voice their concerns with regard to their grievances confidentially and effectively.

DISCIPLINARY COMMITTEES

The Disciplinary Committees (DCs) of SDB Bank continued to play a vital role in ensuring due process by thoroughly reviewing investigation reports and presenting their recommendations to the Chief Executive Officer for final decisions. The process is formally facilitated by the HR Department. During the year, the Committees successfully reviewed and concluded several cases that had been carried forward from previous years.

EMPLOYEE ENGAGEMENT

The Bank conducted many internal initiatives to engage its employees scattered island-wide, to build team spirit and cooperation.

- During the current financial year, the Bank encouraged employee suggestions for innovative solutions and products by introducing a suggestion box for feedback and ideas.
- The annual Staff Get-together was held in collaboration with the Staff Welfare Society, fostering a sense of camaraderie and team spirit among employees.
- A Bakthi Geetha programme and Christmas Carols events were organised, celebrating cultural and festive traditions while promoting unity and morale within the workforce. These events provided employees with an opportunity to engage in meaningful activities, strengthening their connection to the company and each other.

After being paused for various reasons, the quarterly e-newsletter was successfully reintroduced in the 3rd quarter of 2024. In 2024, SDB Bank held its Seniority Awards Ceremony to honour and celebrate the dedication, loyalty, and long-standing service of its employees. The event served as a heartfelt tribute to those who have consistently contributed to the growth and success of the Bank over the years. During the ceremony, employees who had reached significant service milestones were recognised and presented with tokens of appreciation in recognition of their unwavering commitment and continued contributions. The awards not only acknowledged their professional achievements but also highlighted the deep sense of loyalty and shared values that form the foundation of SDB Bank's corporate culture. By recognising and rewarding long-term service, SDB Bank reinforces its appreciation for the valuable role its employees play in driving the organisation forward, while fostering a culture of respect, motivation, and pride within the workplace.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

While focusing on business expansion, the Bank also discharged its responsibilities to society by conducting CSR activities. Some of these activities are listed below.

- **Blood donation campaigns:** SDB Bank conducted a blood donation campaign with employees volunteering to donate blood.
- **Donation of books:** The Bank staff collected library books and donated them to underserved schools in Monaragala.
- **Shramadana:** voluntary community service

In celebration of its 27th anniversary, SDB Bank, in collaboration with its Welfare Society, organised a meaningful Shramadana campaign on the 24th and 25th of August 2024 at C/Kumara Uthayam Tamil Vidyalaya. The initiative brought together bank employees and local community members in a united effort to enhance the school's infrastructure and learning environment. Shramadana, a tradition rooted in SDB Bank culture, emphasises voluntary service for the greater good. Reflecting this spirit, volunteer staff at SDB Bank engaged in a variety of improvement activities, including cleaning and painting classrooms, restoring the school's playground, and upgrading essential facilities. These efforts aimed to create a more welcoming and conducive environment for students. This initiative is a significant corporate milestone reaffirming SDB Bank's longstanding commitment to social responsibility and community development by supporting educational institutions and encouraging employee participation in service projects. The impact of the Shramadana campaign will extend far beyond the SDB Bank anniversary celebration, leaving a lasting positive influence on the school and reinforcing SDB Bank's dedication to building stronger, more empowered communities.









TAKEOUT FOR THE NEXT FINANCIAL YEAR

- To support the transformation journey of the Bank, HR will focus on fostering a high-performance, learning-oriented culture that promotes continuous improvement and productivity. By cultivating an environment that encourages growth and development, the Bank aims to enhance efficiency and employee engagement at all levels.
- Recognising the importance of motivation and recognition in driving performance, the Bank will further strengthen its performance-based reward scheme. This initiative is designed to acknowledge individual contributions and achievements, reinforcing a culture of meritocracy and excellence.
- In addition, a comprehensive Competency Matrix will be introduced to support employee development. This framework will help identify skill and competency gaps, define the Bank's core capabilities, and align them with individual performance. It will also serve as a foundation for targeted learning initiatives and career development planning.
- To ensure leadership continuity and structured career progression, the Bank has established two talent pools: one for Senior Management and another for Middle Management. These talent pools are designed to support succession planning, nurture high-potential employees, and provide clear growth pathways within the organisation.
- Together, these initiatives reflect SDB Bank's commitment to building a resilient, high-performing workforce capable of driving sustainable growth in the years ahead.

MANUFACTURED CAPITAL

SDB Bank's main manufactured assets are the 94 island-wide branches and digital infrastructure, including computers, servers and other hardware enabling network interconnectivity, and the Bank's fleet of vehicles.

In order to support the Bank's accelerated digitisation strategy, in 2024, the Bank focused on upgrading and increasing its digital hardware base by procuring state-of-the-art hardware that would act as the foundation to rapidly expand digital financial services. This investment has enhanced the bank's capacity and readiness to accommodate business volume growth, as well as the development of new products in the future. In addition, the Bank enhanced the physical security and maintenance of the SDB Bank Data Centre by moving its servers to a more secure location, to ensure business continuity and protection of customer data.

Our Actions	Outcomes
Total capital expenditure Rs. 594 Mn for the year	Continuous capital investments into physical assets supported smooth operations and business continuity
Expenditure on computers and other hardware Rs 404 Mn for the year	Investments in digital infrastructure have upgraded the Bank's technical capabilities
Revamped 15 SDB Bank branches	Enhancing SDB Bank branches has differentiated and upgraded the SDB Bank brand image

SDG FOCUS

By investing in maintaining and upgrading our branches and facilities, we continued to create new employment in all parts of the country.

PHYSICAL ASSETS

The value of SDB Bank's physical asset base increased from Rs 845.33 Mn to Rs 1,115.08 Mn from the end of 2023 to the end of 2024, primarily due to the acquisition of digital infrastructure. However, the Bank also expended funds on upgrading its branch network, and regular maintenance and care of its physical assets, which are essential for business continuity and to position the SDB Bank brand image in society as a modern, digitally savvy brand.

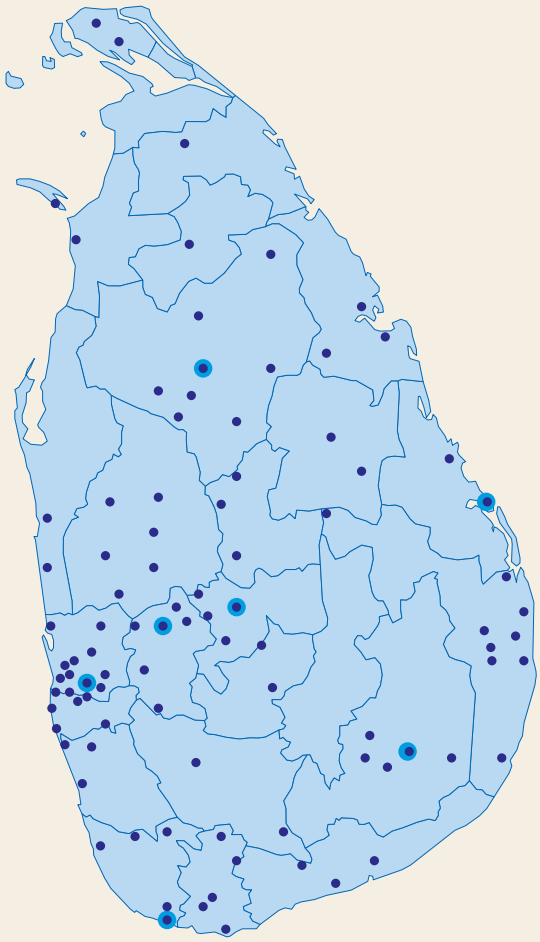
Asset class	Value in 2024	Value in 2023	Change
	Rs. Mn	Rs. Mn	%
Land and buildings	**580.02**	514.02	12.84%
Vehicles	**1.21**	0.80	51.25%
Furniture and office equipment	**107.27**	138.89	(22.77%)
IT hardware, including computers	**426.58**	191.62	122.62%
Total	**1,115.08**	845.33	31.91%

BRANCH MAINTENANCE

The refurbishments of SDB Bank branches continued in 2024 to enhance brand visibility and differentiate the SDB Bank brand in Sri Lanka's highly competitive financial services industry. During the year, 15 more branches were upgraded under the ongoing branch branding initiative, by introducing prominent signage, attractive colours and a uniform internal layout to modernise the image of the Bank and facilitate customer comfort and convenience.

The Bank also continually invests in maintaining and improving the digital infrastructure of the 94 SDB Bank branches, which are fully equipped and digitally networked. The digital connectivity between branches and the head office enables the provision of digital financial services as well as exceptional customer convenience.





NORTH WESTERN REGION
Kurunegala
Anamaduwa
Chilaw
Giriulla
Kuliyapitiya
Maho
Narammala
Wariyapola
Wennappuwa
NORTHERN REGION
Chunnakam
Jaffna
Kilinochchi
Mannar
Vavuniya
Nanatan
UVA REGION
Buttala
Badulla
Bandarawela
Monaragala
Siyambalanduwa
NORTH CENTRAL REGION
Anuradhapura
Polonnaruwa
Thambuththegama
Medawachchiya
Aralaganvila
Galenbindunuwewa
Nochchiyagama
Padaviya
Kekirawa
Thalawa

SOURTHERN REGION
Akuressa
Ambalangoda
Ambalanthota
Angunakolapalassa
Deniyaya
Elpitiya
Galle
Karapitiya
Katuwana
Mathara
Thalgaswala
Thissamaharama
Yakkalamulla
WESTORN 01 REGION
Colombo City
Aluthgama
Baththaramulla
Dehiwala
Dematagoda
Horana
Kaduwela
Kaluthara
Kirulapone
Maharagama
Malabe
Mathugama
Moratuwa
Panadura
Piliyandala
WESERN 02 REGION
Gampaha
Negombo
Kiribathgoda
Ekala
Mahabage

CENTRAL REGION
Dambulla
Galewela
Gampola
Hatharaliyadda
Kandy
Mathale
NuwaraEliya
Pilimathalawa
Rikillagaskada
EASTERN REGION
Ampara
Dehiaththakandiya
Samanthurai
Uhana
Batticaloa
Higurana
Kalawanchikudy
Pothuvil
Valachchenai
Akkarepaththu
Kalmunai
Kanthale
Muthur
Trincomalee
SABARAGAMUWA REGION
Kegalle
Embilipitiya
Rathnapura
Warakapola
Ruwanwella
Rambukkana
Deraniyagala
Mawanella

MANUFACTURED CAPITAL

Main investments in branches in 2024

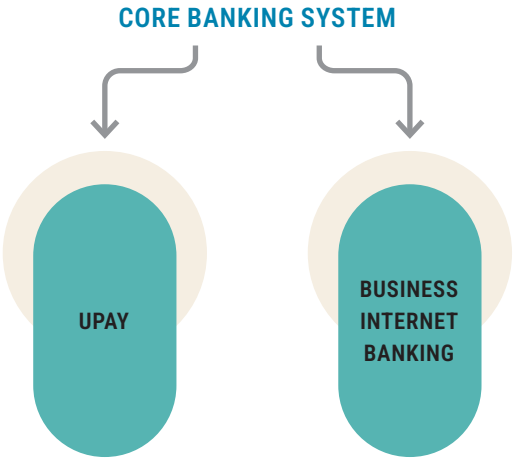
Investment	2024
	Rs. Mn
Branch and head office maintenance	71.6 +
Rebranding branches	10.6 +
Total	82.2 +

IT INFRASTRUCTURE

The Bank's IT infrastructure includes the servers of the Data Centre, network infrastructure and computers used by employees. This physical base houses the Bank's mobile application UPay, the SME banking system, and the Business Internet Banking system. This hardware system is the essential backbone of SDB Bank's digital system and enables interbranch and consumer interconnectivity for seamless delivery of digital financial services across the country.

DIGITAL INFRASTRUCTURE IMPROVEMENTS IN 2024

During the current financial year, SDB Bank invested significantly towards upgrading its entire digital infrastructure, including the core banking system, as well as peripheral servers, at an investment of approximately Rs. 500 Mn.



Improving Security

The SDB Bank Data Centre was moved to a specialised, Tier-3 standard, third-party host. The move enables greater security and a more regulated physical environment for the data servers of the Bank, as well as faster processing speeds and communication links for improved uptimes and lower downtimes, which has enabled the Bank to improve its digital services for customers.

The Disaster Recovery site of the Bank was also shifted to a new location with improved capacity and performance to ensure seamless connectivity and business continuity in the event of a system failure. The move also ensures the continuous protection of customer data.

TAKEOUT FOR THE NEXT FINANCIAL YEAR

- **We will continue to upgrade our hardware to enable faster and more secure services**
- **The branch branding upgrade will continue**
- **Branches will be relocated to more accessible and commercial areas**

SOCIAL AND RELATIONSHIP CAPITAL

SDB Bank's Social and Relationship Capital is rooted in a long-term commitment to inclusive and sustainable development. Central to this is the Bank's unique lending model, which places a strategic emphasis on development financing over consumption credit. A significant portion of the Bank's lending portfolio is channelled towards Small and Medium Enterprises (SMEs), contributing to economic advancement in rural areas and among progressive individuals and households.

The Bank remains committed to nurturing community capital through the cooperative network, fostering a cycle of growth and resilience that reinforces its purpose-driven mission. A hallmark of SDB Bank's social capital is its longstanding partnership with Sri Lanka's cooperative sector. These strong ties reflect the Bank's dedication to supporting micro and small-scale entrepreneurs, particularly within underserved segments of the economy.

The Bank prioritises lending towards environmentally and socially responsible ventures. SDB Bank continues to advocate for the adoption of sustainable business practices and lifestyles, supporting businesses and individuals striving to make a positive impact.

SDB Bank always embrace active community engagement, SDB Bank provides advisory services, technical assistance, and financial inclusion initiatives that support uplifting livelihoods and drive economic empowerment.

Beyond lending, the Bank empowers communities through inclusive savings products. Its children's savings accounts are designed to instil a culture of saving from an early age, while broader savings initiatives enhance financial resilience and improve quality of life across diverse demographics. In particular, the Bank places a strong focus on empowering women through dedicated women's savings products and financial literacy initiatives.

REGULATORY COMPLIANCE

Compliance is an indispensable component of our social licence as a responsible corporate citizen. Therefore, we would like to confirm that the Bank did not face any fines or penalties for delays or non-compliance with applicable regulations during the year under review.

As a responsible corporate citizen, regulatory compliance forms a vital part of our social license to operate and reflects our unwavering commitment to integrity and ethical business practices. During the year under review, SDB Bank maintained full compliance with all applicable laws and regulations. Importantly, no fines or penalties were incurred for non-compliance or delays, underscoring our dedication to upholding the trust placed in us by our stakeholders and contributing to a culture of transparency and accountability.

Our Actions	Outcomes
Introduced the SDB Bank Rural Upliftment program	Direct beneficiaries through enhanced Economic development 411 direct beneficiaries 298 Societies 3,756 total beneficiaries Empower 35 Co-operatives as Co-operative Entrepreneurs Create 21 entrepreneurs Opportunities for Rural Communities such as new business opportunities, market connection, Capacity building, Entrepreneurial development, Product diversification, financial literacy, waste Management, etc. Strengthened Agricultural and Livelihood Development Improved Social and Environmental Well-being
Increased engagement with cooperatives and SMEs	Strengthened Financial Inclusion and Economic Resilience. Conducted 138 engagement programs with 533 cooperative societies for 2705 society leaders. Empowered Community Development and Social Impact



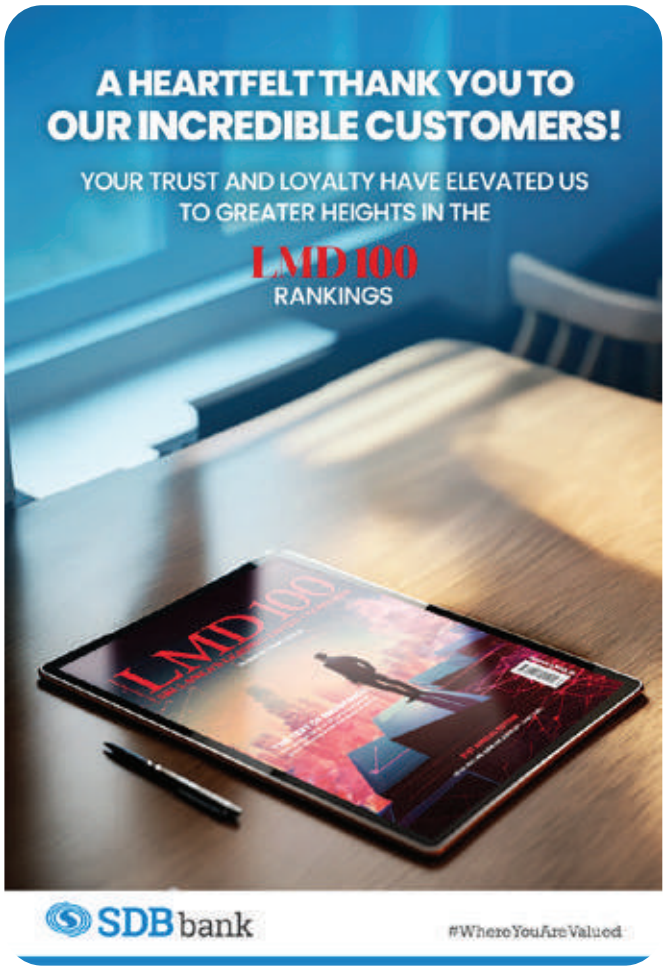
Our Actions	Outcomes
Conducted branding and marketing campaigns	Fuelled business growth Enhanced market visibility and brand image
Increased engagement with the community	Improved trust and relationships
Engagement to empower the women's segment	Enhanced financial strength, skills and knowledge of women
Rabo partnership for the agriculture-focused portfolio development of the bank	Guidance to build a quality and sustainable portfolio with a high focus on agriculture using the assistance of Rabo's expertise.
Value for Women Partnership	Fuelled women-inclusive strategy, which is developing

CONTRIBUTION TO SDGS

5 GENDER EQUALITY	During the year, SDB Bank conducted many programs to empower women entrepreneurs We implemented a range of impactful programs aimed at empowering women entrepreneurs, fostering financial independence, and supporting sustainable business growth among women-led enterprises.
8 DECENT WORK AND ECONOMIC GROWTH	SDB Bank's Rural Upliftment Program was introduced in 2024, aims to create decent livelihoods and foster economic growth in rural communities.
17 PARTNERSHIPS FOR THE GOALS	SDB Bank continued to build partnerships to achieve its sustainability goals. We continue to nurture local and global partnerships to fuel the national economy and create positive societal and environmental impacts island-wide.
4 QUALITY EDUCATION	We organised book donation programs for rural schools and offered internships, promoting inclusive, equitable access to learning and skill development.
1 NO POVERTY	We empower rural communities by fostering entrepreneurship and enhancing their financial strength
2 ZERO HUNGER	We promote alliances between the financial sector and the agriculture sector actors towards sustainable food systems

BRAND RANKING

SDG's ranking in the LMD 100 improved by 9 notches to No. 53.



PHYSICAL FOOTPRINT

SDB Bank delivers its services through a network of 94 branches and 13 ATMs spread out across the country. During the year, 15 branches were revamped under an ongoing branch branding campaign to enhance the external image, internal comfort and sustainability of the branches aimed at differentiating the SDB Bank brand.

SDB Bank Call Centre

The Call Centre, which is a key customer contact point, was reorganised during the year to generate customer leads.

SDB BANK'S DIGITAL PRESENCE

SDB bank is aggressive on Digital communications in comparison with the other mediums and conducts heavy communications & digital marketing activities through social media channels on Facebook, Instagram, LinkedIn, and YouTube. The year 2024 in the Bank's Digital communications, as multiple strides in digital communication were made during this period.

1. **Launching of SDB bank WhatsApp channel**

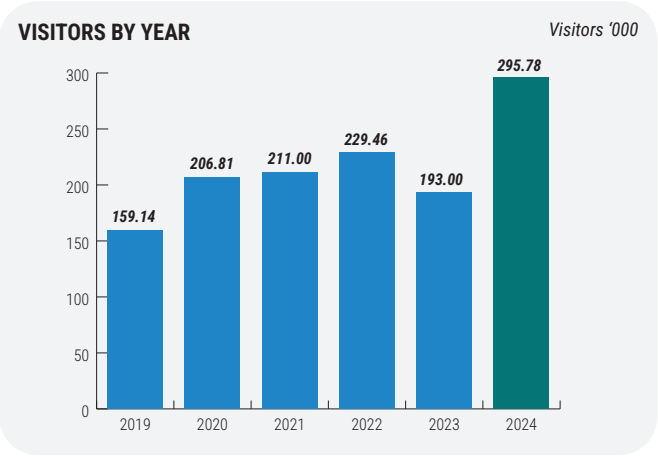


2. **Obtaining the Google verification for all 94 branches**

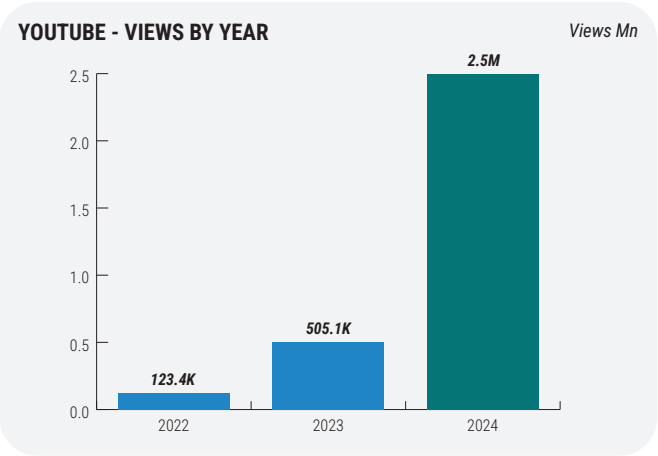


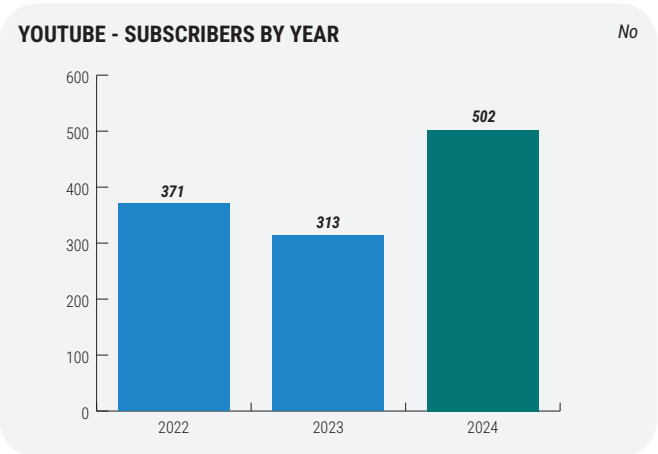
SOCIAL AND RELATIONSHIP CAPITAL

3. Upgrade of the corporate website with a new look & exclusive lead forms to make it a more conversion-driven web
4. Generating over 1000 leads from the website after the revamp
5. Recording the highest website visitors to the SDB bank corporate website since 2019



6. Recording 2.5M YouTube views in the year 2024

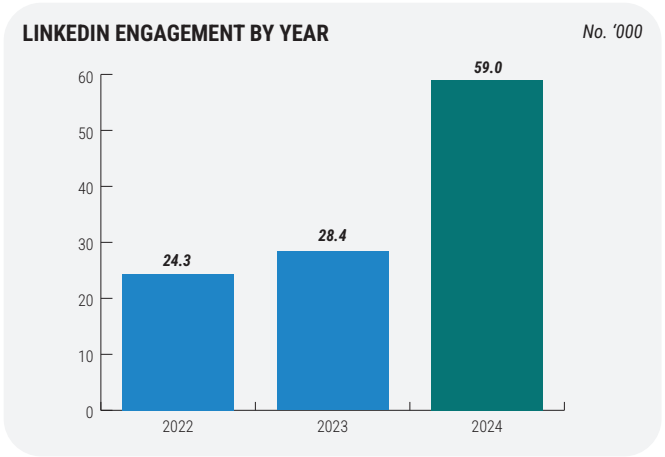




7. Winning the topweb.lk monthly recognition by domain.lk for the month June 2024.



8. 207% increase in LinkedIn engagement



EMPOWERING OUR COMMUNITIES

Rural Upliftment Program

In 2024, SDB Bank launched the Rural Upliftment Program to expand economic opportunities for rural communities.

In 2024, as a national responsibility of only one private development bank of the Sri Lanka SDB Bank launched the Rural Upliftment Program to support and empower rural communities through a range of initiatives, such as expanding opportunities for economic empowerment, improving market access, supporting infrastructure development, and attracting investment, alongside other targeted interventions tailored to local needs.

The program focuses on delivering financial, non-financial, and technical assistance to rural communities, SMEs, entrepreneurs, and start-ups, fostering economic growth and long-term sustainability. While initially

designed for rural sectors, the program extends its reach nationwide to ensure broader impact.

During the year 831, co-operative societies and 6461 individuals, including farmers and community leaders, participated in training sessions covering financial literacy, entrepreneurship, and awareness on illegal pyramid schemes and informal financial service providers, together with the CBSL regional office.

Further supported 35 co-operatives, 21 individuals/MSMEs and 411 beneficiaries were uplifted

To reinforce this initiative, SDB Bank signed an MOU with the Institute for Rural Sustainable Development (IRSD), a leading organisation in sustainability consultancy and rural development support.



Uplifting Estate Communities through Livelihood Support

With the aim of improving living standards and building long-term resilience, SDB Bank partnered with Dunsinane Estate of Elpitiya Plantations PLC to implement a pilot livelihood development initiative with over 400 estate workers.

Selected Key catalytic community leaders were first trained through a financial literacy and entrepreneurship awareness program held on October 24, 2024. They now guide fellow estate workers toward sustainable income opportunities.

Through a dedicated credit facility from SDB Bank, 35 workers received capital, and around 20 have already started the income-generating ventures such as poultry farming, grocery shops, and vegetable cultivation.

Following the success of this pilot, plans are underway to replicate the model across other estates.

Maize Project with Kahatagasdigiliya Multi-Purpose Cooperative Society (MPCS)

SDB Bank has been working with the Kahatagasdigiliya MPCS to lend credit to maize farmers. With the onset of the Maha season monsoon 2024/2025, the Project is planned to be upgraded as a Rural Upliftment Project together with SAPP & IFAD. It is also the project that involves the largest number of farmers among the projects currently underway. During this year, we plan to implement bee honey production parallel to the core project of maize cultivation.

Highlights of activities in 2024

This project currently engages the largest number of farmers among all ongoing initiatives and plays a key role in supporting sustainable agriculture and rural economic development.

In addition to maize cultivation, plans are underway to introduce bee honey production as a complementary income-generating activity during this year. This parallel venture is expected to further enhance the livelihoods of participating farmers and diversify their sources of income.

- It has contributed to creating the habit of working as a group in society, whilst improving cohesiveness.
- It has contributed to creating professional knowledge and understanding about maize cultivation among farmers.
- Among the cooperative members, it was possible to contribute to creating awareness about issues such as gender equality, environmental conservation, and sustainable development.
- Further strengthen the women entrepreneurship and entrepreneurship of women farmers, nearly 1,500+
- Contribution has been made to add 3 MT to the production of maize in the island note.

Keththapahuwa Project

Kettapahuwa TCCS is the main society to join us to empower rural communities by uplifting over 400 mushroom farmers and supporting technical trainings to other societies, to expand the production. They started producing value-added products from mushrooms like mushroom soup powder, nuggets, and dehydrated mushrooms. Chutney, pickle, etc… under the brand name “SANASAVI” to create a marketplace for their members



AGRICULTURE SECTOR

SDB Bank commenced an agriculture project based on scientific work and the background behind this concept. The Bank has identified food and agriculture as a priority sector with the purpose of ensuring national food security and promoting community development across the country, and has identified Food and Agriculture as a key sector to support as a responsible development bank. To adopt a more strategic approach, SDB Bank has partnered with Rabo B.V., leveraging their expertise in agricultural finance and sustainability.

SOCIAL AND RELATIONSHIP CAPITAL

To drive this initiative, the bank has established an Agri Task Force, representing major agricultural regions, to enhance sector-specific support and impact.

EMPOWERING WOMEN

Women Are Not Left Behind – Incorporating a gender lens into strategy

Over the years, SDB Bank has supported women's financial needs through different financial and non-financial initiatives such as the Uththamavi Initiative. To further embed gender inclusivity across all product offerings and strengthen alignment with SDG 5 – Gender Equality, SDB Bank, with the support of FMO, partnered with Value for Women (V4W) to further develop and inculcate this strategic initiative to make sure that women are not left behind. As an initial step, a comprehensive nationwide study on women's financial needs and economic status was conducted Furthermore, internal staff were strengthened through knowledge-sharing and brainstorming sessions designed to inspire innovative thinking and capture the true spirit of the initiative. The insights from this study are now shaping the new strategy designed to empower women, ensuring their active participation in economic activities and fostering greater financial inclusion.

CUSTOMER ENGAGEMENTS

Main customer segments

- COOPERATIVE SOCIETIES
- MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES
- BUSINESS BANKING
- INDIVIDUAL/RETAIL CUSTOMERS: GENERAL SAVERS, MINORS, WOMEN, YOUTH, SENIOR CITIZENS AND VETERANS

In 2024, SDB Bank's total customer base (CIF) stood at 1,604,568, which is an increase of 24,815 from 2023.

Customer segment	Share of lending portfolio 2024
	Rs.
Cooperative societies	3,906,433,186.32
MSME segment	34,860,981,029.82
Business banking segment	2,412,697,747.80
Individual customers	51,647,926,916.75

- Cooperative societies are a key customer segment expanding beyond traditional banking and account for nearly one-third of the Bank's deposit base.
- Collectively, Micro and SME customers are the Bank's largest customer group in terms of business value.
- Business banking, which targets larger corporates, is a relatively new segment for SDB Bank, having commenced banking services for this customer group in 2020. SDB Bank's enhanced digital banking facilities have enabled competitive services for this sector. The Bank is targeting companies in manufacturing, agriculture production, renewable energy, IT and export industries to provide short-term loans and working capital, and is also planning to expand its ongoing value chain financing within this sector.
- SDB Bank also provides a range of general savings, fixed deposits and loan products to retail customers and also some specialised financial packages for women, children, youth, and senior citizens to assist with their specific financial requirements. The Bank delivers its services through multiple channels, including digital onboarding facilities, mobile banking and the UPay payment app, doorstep banking and ATMs in convenient locations.

MARKETING CAMPAIGNS

An aggressive marketing drive was launched in 2024 to capture emerging opportunities in the economic recovery environment in the country, which contributed directly towards portfolio growth and savings expansion during the year and the following are some of the key campaigns which made a tremendous brand recall for the SDB Bank brand.

Product Marketing in 2024/25

LEASING

- A 360 product campaign was conducted to enter the personal use segment
- A series of customer success stories was also done for the first time for leasing
- Over 8 Riyapola was conducted to promote the service to the personal user market

PAWNING

- A 360 product campaign was conducted with a new campaign theme
- A series of emotional stories was done to build product awareness

SAVINGS

- Ithurum Charithraya (FD / Saving certificate/ Ayojana / Lakdaru)
- A 360 product campaign was conducted to drive low-cost savings in line with the Sinhala & Tamil New Year
- Driving product features on digital (Business saver)

AYOJANA

- A need based investment plan campaign was done digitally with the introduction of new features, such as plan calculators, in the lead generation process

SME

- Took part in the 2024 Industrial Expo National Exhibition at BMICH, where over 1000 SME took part
- Driving Business Saver product features on digital
- Ithurum Chaaarithraya (Saving Habit): The Bank commenced a savings campaign during the Avurudu season, encouraging consumers to commence the traditional New Year by building their savings.



- SDB bank Father's Day Campaign: Focusing on driving brand equity of the SDB bank brand, a YouTube video was launched in line with the Father's Day to in a form of storytelling that resonate with local entrepreneurship.



- Leasing Extravaganza: Although the leasing market remained downcast due to the ongoing ban on vehicle imports during 2024, the Bank commenced a campaign to encourage leasing activities.



Customer-Centric Excellence and Protection

- **Staff training & development:** We believe continuous training is essential to maintain the exceptional service standards offered by the Bank to its different customer groups. During the current financial year, training was conducted for RMs & BMs on grooming and etiquette by Kumar De Silva
- **Customer touch points ambience maintenance:** In order to maintain the distinct look and feel, and ambience of all SDB Bank customer touchpoints, a standard housekeeping manual was introduced to the branches
- **Mystery shopper study:** A mystery shopper exercise was conducted by Kanta, highlighting customer sentiments when they engage with the bank

Financial Consumer Protection

In alignment with our mission to champion inclusive and responsible banking, SDB Bank proudly established its Financial Consumer Protection (FCP) Unit in January 2024, marking a pivotal step in strengthening our relationship with customers. This strategic move came in direct response to the Financial Consumer Protection Regulations No. 01 of 2023, gazetted under Gazette Extraordinary No. 2344/17 dated 09th August 2023, issued by the Monetary Board of the Central Bank of Sri Lanka. The regulatory framework came into full effect in August 2024. These regulations emphasise fair treatment, responsible business conduct, transparent disclosure, and the safeguarding of financial consumers' rights, values that SDB Bank has embraced wholeheartedly.

Out of 46 regulatory requirements outlined by the Central Bank, as at 31st March 2025, SDB Bank has fully complied with 37, with structured action plans in place to achieve full compliance with the remaining nine. This progress reflects not just regulatory adherence but a commitment to embed customer-centricity into our operational fabric.

SOCIAL AND RELATIONSHIP CAPITAL

Strengthening External Engagements for Enhanced Consumer Redress

SDB Bank reinforced its commitment to transparent and equitable customer service by fostering close collaboration with key external regulatory and advisory bodies, including the Financial Consumer Relations Department (FCRD) of the Central Bank of Sri Lanka, the Financial Ombudsman of Sri Lanka, and the Credit Counselling Centre.

ENGAGING WITH THE CO-OPERATIVE SECTOR

In 2024, SDB Bank focused on developing business opportunities in the cooperative sector through the promotion of new products, value additions and digital platforms.

- The Bank supported the Coconut Cooperative Society in Dunagaha by granting loans and providing staff training for the Society.
- The Bank collaborated with the Kurunegala Coconut Triangle Dairy Development Federation to expand dairy production and assist in value additions.
- The Bank is also active in the tea sector through a number of cooperative societies.

Cooperative engagements in 2024

During the year, SDB Bank's Co-operative Division conducted a series of relationship development activities with cooperatives as well as the national Department for Cooperative Development. The cost for a majority of these events was borne by SDB Bank, while some societies covered the costs of their training, with SDB Bank coordinating the event.

Activities/training events with cooperatives in 2024:

- Motivation of outbound training programs - 41
- Training on recovery, auditing and litigation - 5
- Training for women entrepreneurs and financial literacy - 8
- Training programmes for staff of the Department of Cooperative Development - 3
- Award ceremonies for cooperatives - 1

Region	Number of programmes
Western 1	04
Western 2	04
Sabaragamuwa	03
Uva	07
Southern	12
Wayamba	05
Central	11
North Central	10
Northern	0
Eastern	2
Total	58

Total number of societies	1341
Number of SANASA Societies	1261
Number of Multi-Purpose Cooperative Societies (MPCSs)	75
Other societies	5
Total number of individuals trained	2705
Number of SANASA members trained	1800
Number of MPCS members trained	519
Number of Cooperative Department members trained	396
Training hours	374 hours

CSR PROJECTS

At SDB Bank, we firmly believe that sustainable growth goes hand in hand with to social responsibility. Our business model is developed to uplift vulnerable and marginalized communities, ensuring that our impact goes beyond financial success. Our Corporate Social Responsibility (CSR) initiatives are deeply aligned with our commitment to community empowerment, environmental protection, and fostering inclusive economic development. In 2024, we focused on empowering rural and underserved populations, promoting financial literacy, and supporting rural livelihoods. Through these efforts, we continue to create lasting value for society while staying true to our core values and contributing to national development goals.

- **Book Donation**

  We uphold our core values of community empowerment by organizing book donation programs at Mo/Debeddekiula Primary School and Mo/Meeyanawatta Primary School in the Monaragala district. This meaningful initiative extended beyond the provision of educational resources—it reflected our commitment to nurturing young minds, promoting equal access to education, and laying the groundwork for a brighter, more inclusive future.

- **Blood Donation Campaign**

  As part of SDB bank's 27th anniversary celebrations, a Blood Donation Campaign was successfully held at the bank's Head Office. This initiative reflected our deep-rooted commitment to community well-being and social responsibility. With the generous participation of donors and supporters, the campaign not only addressed a vital healthcare need but also strengthened our bond with the community.

STAFF WELFARE SOCIETY AND EMPLOYEE WELLBEING

Employee Wellbeing - Health, Safety, and Inclusive Support for All

As a service-oriented institution, SDB Bank places the utmost importance on creating a safe, supportive, and inclusive environment for both employees and customers. While we do not operate in traditionally high-risk sectors, we recognize that health and safety are fundamental to human dignity and productivity.

Our workspaces are maintained to ensure physical well-being, while mental health and emotional resilience are actively supported through employee assistance programs and flexible workplace practices. Accessibility and safety measures are in place to ensure all customers can engage with our services confidently and comfortably.

We are also committed to fostering gender balance, equity, and inclusivity across the organization. From leadership opportunities to frontline services, we strive to ensure that diversity is respected, voices are heard, and contributions are valued. Among Bank employees 48% are female and 26% female represent corporate management positions

This holistic approach underscores our belief that sustainable service excellence begins with care for people, for their rights, and for the environments in which they work and live.

Staff Welfare Society: Fostering a Culture of Care and Collective Action

The presence of a vibrant Staff Welfare Society at SDB Bank adds meaningful value beyond operational outcomes—it nurtures a culture of empathy, volunteerism, and social cohesion within our institution. Operating independently but aligned with the Bank's core values, the Welfare Society plays a pivotal role in enhancing employee engagement, supporting colleagues in times of need, and mobilizing collective efforts for community well-being.

One notable initiative carried out during the year was a school cleaning and support activity organized by the Welfare Society. This hands-on engagement, driven by staff volunteers, involved improving the learning environment of a local school through cleaning, minor repairs, and providing essential supplies. This initiative not only benefited the school community but also reinforced our employees' connection to the Bank's purpose-driven mission.

Such activities exemplify how internal social structures like the Welfare Society serve as extensions of SDB Bank's broader commitment to societal upliftment.

- **Internships at the Bank**

  The Bank provided six-month internships for government university students and students from technical colleges. This is in alignment with our broader mission to foster sustainable community development. The Bank extend a professional platform for practical learning, equipping young individuals with hands-on experience, professional skills, teaching soft skills and workplace confidence. More than just career preparation, these internships are designed to nurture socially conscious leaders who are committed to contributing meaningfully to their communities. By engaging with real-world challenges and participating in community-focused projects, interns gain a deeper understanding of the impact they can create through responsible, values-driven action. Through this internship program, the Bank continues to invest in the next generation of change makers, ensuring they are empowered not only to build their own futures but also to uplift the communities that they serve.

BUSINESS PARTNERSHIPS

SDB Bank's partnerships include commercial partnerships as well as partnerships with external experts to develop the Bank's sustainable business activities and a key strategic component of SDB Bank's sustainable growth model by facilitating access to funding, technical expertise and training. They are also crucial in creating and expanding the Bank's concept of local value chains and impact investment.

Membership in Associations

SDB Bank maintains membership in a number of industry associations. These are:

- The Global Alliance for Banking on Values (GABV), which is an independent network of banks, banking cooperatives, credit unions, microfinance institutions, and other financial organizations. These institutions share a commitment to advancing positive economic, social, and environmental impact through values-based banking.
- Sustainable Banking initiatives
- The Leasing Association of Sri Lanka
- The Association of Professional Bankers of Sri Lanka
- The Ceylon Chamber of Commerce
- Employers' Federation of Ceylon
- The Association of Banking Sector Risk Professionals in Sri Lanka
- Association of Compliance Officers of Banks in Sri Lanka
- Sri Lanka Banks' Association (Guarantee) Limited
- The Financial Ombudsman Sri Lanka (Guarantee) Limited

TAKEOUT FOR THE NEXT FINANCIAL YEAR

- **Rapidly expand the Rural Upliftment Program to the branch level through Sustainability Ambassadors**
- **Develop sustainable financing for the agriculture sector**
- **Design products aimed at increasing women's participation in business**

The Bank's Agri strategy focuses on supporting sustainable agricultural growth by providing tailored financial solutions to farmers, agribusinesses, and agricultural initiatives. It aims to drive innovation, enhance productivity, and ensure long-term profitability within the agricultural sector, while fostering environmental and social responsibility. Through the Bank's Agri strategy we focus on :

1. Diversification in loan portfolio
2. Financial inclusion in rural area
3. Enhancing rural upliftment arm of the bank
4. Long term sustainability and impact

As part of utilizing the expertise from the Rabo partnership

To achieve the targeted goals, we follow the following steps:

1. Formation of a structural arrangement which is called the Agri Task Force (ATF)
2. General awareness sessions, training on Agri credit, including industry analysis, financial analysis and case studies.
3. Build relationships with the relevant government and nongovernment bodies.

NATURAL CAPITAL

SDB Bank has maintained a philosophy of environmental harmony within its business model as a component of its sustainability policy. However, while our direct environmental impact is limited, our influence through financing decisions is significant. We are committed to aligning our portfolio with sustainability goals.

SDB Bank integrates sustainable practices into its operations by optimising resource efficiency, minimising its carbon footprint, and adopting green building principles across its branch network. Beyond internal measures, the Bank plays a catalytic role in advancing environmental goals by mobilising capital towards activities with positive environmental and social impacts. These efforts are aligned with the Central Bank of Sri Lanka's Green Finance Taxonomy (2022), supporting key sectors such as renewable energy, climate-smart agriculture, and sustainable waste management. Through strategic partnerships, awareness initiatives, and sustainable finance solutions, the Bank actively contributes to both national and global sustainability agendas, reaffirming its commitment to a low-carbon, climate-resilient future.

During the current financial year, the Bank strengthened its focus on enhancing environmental stewardship through various programmes and initiatives. It also collaborated with over five stakeholders to drive sustainability efforts, fostering partnerships that contribute to broader value creation

Our Actions	Outcomes
Screening business purpose loan facilities for environmental and social risks and opportunities	Reduction / Control of environmental and social impact and enhancement of sustainability
Monitoring resource consumption within the Bank and working towards the reduction of resources. Electricity and paper were identified as main focus areas for reduction, given the Bank's nature.	Database based on resource consumption Reduction of electricity
Supporting agriculture and related projects/businesses and community support through green innovations Advisory services were provided to identify opportunities for development and adoption. Training on plastic alternatives production and creating new opportunities for rural communities	Climate resilient / pollution-controlled environment while promoting entrepreneurship for a better life
Integrate climate adaptation into banking processes	Enhanced employee awareness on climate adaptation and climate risk integrated credit assessments
An Agri Task Force (ATF) was formed within the Bank, and various training and awareness sessions are lined up.	enabled coordination with the risk mitigation process while developing a quality Agri portfolio, with a focus on sustainable and climate financing.
Green Financing, climate mitigation, and waste reduction	Supported pollution prevention/ reduction, climate mitigation and adaptation

SDG FOCUS

While our core focus area is limited to 5 UNSDGs, the Bank's widespread environmental impacts have influenced other SDGs during the year. These impacts are discussed below.

7 AFFORDABLE AND CLEAN ENERGY	Bank supported communities through financing solar PV systems implementation, energy efficient appliances and process development for energy conservation
11 SUSTAINABLE CITIES AND COMMUNITIES	Extending its commitment to sustainable communities, particularly rural ones, the Bank has encouraged and supported nature-based solutions and environmentally friendly products through both financial and non-financial means.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	The Bank has consistently managed its resources effectively. In 2024, it reduced paper and electricity consumption by promoting innovative and digital solutions.



SDB Bank continued its climate mitigation efforts through the adoption of solar energy and by reducing internal consumption via various management and engineering controls, all contributing to the reduction of emissions from its business operations. Additionally, the Bank supported community-level mitigation by providing financing for renewable energy projects.

As part of its climate adaptation strategy, the Bank has prioritised support for the agricultural sector, helping farming communities build resilience to changing climate conditions. Through tailored financial services and technical support, the Bank has empowered farmers to adopt climate-smart practices. Internally, staff awareness has been enhanced through targeted training, enabling employees to better understand and promote adaptation-focused solutions in agriculture.

The Bank continued to build new partnerships for its environmental initiatives in 2024.

The Bank has contributed to environmental and biodiversity conservation through both financial and non-financial support for smart agriculture, as well as innovative initiatives and solutions.

INTERNAL ENVIRONMENTAL INITIATIVES

Reducing Environmental and Social Risk

All business purpose loans above Rs. 500,000 are reviewed for Environmental and Social risks under SDB Bank's Environmental and Social Risk Management System. Enhanced due diligence is conducted for facilities that have medium and high ESG risk and facilities above 20 Mn. The Bank also educates microenterprises on the benefits of identifying the Environmental and Social Risks early, to address these risks proactively. Further, the customers were informed about the opportunities and benefits of process development, hazard identification, waste management, etc.

Climate Risk Identification

The Bank will incorporate climate risk into its risk management framework. The Bank is in the process of integrating climate risk into its overall risk management framework. As part of the preparatory work, the Bank signed an MoU with USAID Climate Adaptation to strengthen internal processes through various value additions. Under this initiative, 43 staff members were trained on climate change and incorporating climate adaptation considerations into credit evaluation.

Further, the Bank will work to understand the exposure of its portfolio to climate-related risks with the goal of integrating climate risk considerations into the overall risk management system.

Environmental Impact and Carbon Footprint Calculation

Recognising environmental sustainability as a core priority, the Bank is committed to minimising the environmental impact of its operations by reducing resource consumption and emissions, with an initial focus on Scope 1 and Scope 2 emissions. While its direct footprint may be relatively small, the Bank has begun systematically gathering data to calculate its carbon footprint, laying a strong internal foundation for emission reduction. These efforts are aligned with Sri Lanka's national net-zero ambitions and form part of a broader strategy to not only enhance the Bank's own environmental performance but also support customers in adopting

sustainable practices. In the long term, the Bank plans to extend its efforts to include indirect Scope 3 emissions, reinforcing its commitment to a sustainable future.

Improve Employee Awareness of ESG

The Bank focuses on shaping employees' sustainable thinking from the beginning of their employment with SDB Bank through induction training. During 2024 Bank increased awareness among employees on environmental and social risk, climate adaptation and overall sustainability. Further, the Bank will increase its focus on improving internal awareness and knowledge of Environmental, Social, and Governance (ESG) principles among employees. Training programmes and workshops will be conducted to ensure a better cultural shift towards sustainability and to make sure that staff are well-equipped to integrate ESG considerations into their daily operations

Energy Conservation

In 2023, the Bank installed two rooftop solar systems with a total capacity of 45 kW at its Horana and Karapitiya branches, reinforcing its commitment to a greener future by reducing grid energy demand and achieving cost savings. These systems are expected to reduce approximately 866 tonnes of CO_2 equivalents over a 20-year period. In line with its sustainability goals, the Bank has begun tracking its resource consumption, including electricity, water, paper, and fuel. Considering the Bank's processes, during 2024, we prioritised electricity and paper as our main targets to reduce. By identifying high-consumption areas and implementing energy-efficient measures, the Bank has successfully lowered its electricity usage, enhancing both operational efficiency and environmental performance. The Bank also plans to install rooftop solar systems in two additional branches, continuing to reduce reliance on non-renewable energy sources.

Reducing Waste

The Bank's digital growth strategy, which aims towards a paperless office, has already significantly reduced paper consumption. The main aim is to reduce consumption and waste generation. The Bank also aims to reuse and repurpose its resources as much as possible, focusing on materials such as paper and pens.

ENVIRONMENTAL PROJECTS

The Bank engaged in many environmental sustainability projects during 2024. Some of these are described below.

USAID for Climate Adaptation Project

SDB Bank partnered with USAID to integrate climate adaptation into banking processes, including awareness campaigns, market research, and crop manual development.

Partnering with DevPro Project

The Bank conducted an initial study with the support of DevPro to assess and better position the corporate and bank involvement in smart agriculture, laying the groundwork for a tailored program to strengthen sustainable agricultural practices to provide a long-term sustainable solution to the agriculture sector.

Creating opportunities for rural communities through green space

Eco Entrepreneurs and businesses

Across the country, a wave of innovative entrepreneurs is rising, those who craft sustainable alternatives to plastic and champion the use of natural, eco-friendly products. Recognising their potential to drive environmental and economic transformation, SDB Bank has stepped forward as a key enabler. Through a combination of financial and non-financial support, capacity-building trainings, and access to market opportunities, the Bank continues to empower these green entrepreneurs to scale their impact and contribute to a more sustainable future.



Support for plastic alternatives

Paper production project

To strengthen the local community, the Bank supported community members in establishing a sustainable paper production initiative utilising the abundantly available alien grass species, Alimana (Pennisetum purpureum). This initiative not only provides a livelihood opportunity but also contributes to managing the spread of this non-native grass through value addition.

TAKEOUT FOR THE NEXT FINANCIAL YEAR

- **Deploy climate change risk monitoring within the Bank**
- **Implement plans for structured monitoring of resource consumption within the Bank**
- **Introduce carbon footprint calculation for the Bank**
- **Expand sustainable financial services, in particular to the agriculture sector**
- **Support eco-entrepreneurs**



Weaving Resilience and Integrity

RISK MANAGEMENT

APPROACH TO RISK MANAGEMENT

While the risk landscape evinced considerable improvements in 2024, compared to 2023 and 2022, the macro environment remained unpredictable for much of the year, and spillover effects of the economic crisis persisted across different economic sectors. Therefore, SDB Bank chose to continue to adopt a prudent and calculated approach to risk management in order to safeguard shareholder and customer assets from any further potential economic shocks. The Bank's Board and management maintained close oversight of market trends in order to manage emerging threats as well as opportunities, while continuously enhancing risk management systems across all operational aspects through the integration of digital applications, as well as continued training of personnel. Enhancing existing risk management tools to improve portfolio quality was a priority. The Bank also aligned its systems to better capture and manage sustainability and climate change-related risks in order to comply with the Sri Lanka Sustainability

Disclosure Standards and enhance the Bank's sustainability risk framework.

IMPROVEMENTS TO RISK MANAGEMENT SYSTEMS IN 2024

- **Kickstarted the Enterprise-wide Risk Management Framework which identified special focus points to improve and further strengthen the overall risk culture and the risk management functions of the Bank.**
- **Improvement of credit quality and underwriting standards with the introduction of a new credit appraisal format.**
- **Continuous improvements are being made to the Risk Rating Models to better reflect the credit quality of the portfolio.**
- **The existing incident reporting system was upgraded, resulting in a streamlined workflow that significantly improved the accuracy and efficiency of incident management.**
- **The Fraud and Corruption Prevention Policy was introduced, enhancing awareness and controls in avoiding fraud and corruption.**
- **Added awareness and focus on risk culture by increasing the number of training and awareness sessions.**

RISK MANAGEMENT HIGHLIGHTS OF 2024

- The BIRMC met every month during 2024, which is well above the regulatory requirement of quarterly meetings to have more focused and proactive risk management.
- The coverage of IT risk incidents was expanded in order to track external threats more closely, and regular Risk and Control Self Assessments (RCSA) were conducted with scenario analysis, and outcomes were reported to the BIRMC and the Board.
- The Board IT Steering Committee met frequently in 2024 to assess both IT risks as well as strategic risks and evaluate potential system changes for enhanced risk management for the Bank's Data Centre, Disaster Recovery capabilities, redundancies and other areas identified as pertinent.
- In 2024, the bank's payment app, the "UPay" app, was revamped to minimise the risks involved.
- Lending was prioritised to comparatively lower risk products and sectors with collateral and asset-backed lending, leasing and pawning, in place of unsecured retail lending. Consequently, as of the end of 2024, the delinquency inflows were reduced, and recoveries were increased.
- Remediation efforts were intensified by working with clients and businesses who had difficulties restructuring repayments. Necessary steps were taken to address the problems caused by the increase in interest rates and the extension of the repayment period, and a "Business Revival Unit" was established to rebuild the clients by rebuilding collapsed businesses.
- Stakeholder Management emphasised the need for and importance of all other departments, including the Recovery & Collection Division, to work in an interconnected manner in order to minimise the potential reputational risk of the bank.
- Operational risk management aspects were strengthened by focusing on controls and strengthening overall risk awareness, and promoting a risk management culture within the bank. The Bank had established an incident management system, and root cause analyses were done by the operational risk team.
- Costs were controlled by expanding lower-cost savings deposits.
- The Environment, Social and Governance (ESG) risks were continually monitored.

RISK MANAGEMENT POLICIES

The Bank has a range of policies in line with regulatory as well as industry best practices, in order to guide the Bank's risk management activities. These include:

- Integrated Risk Management Policy
- Credit Policy
- Collections & Recovery Policy
- Impairment Policy
- Operational Risk Management Policy
- Fraud & Corruption Prevention Policy
- Asset & Liability Management Policy

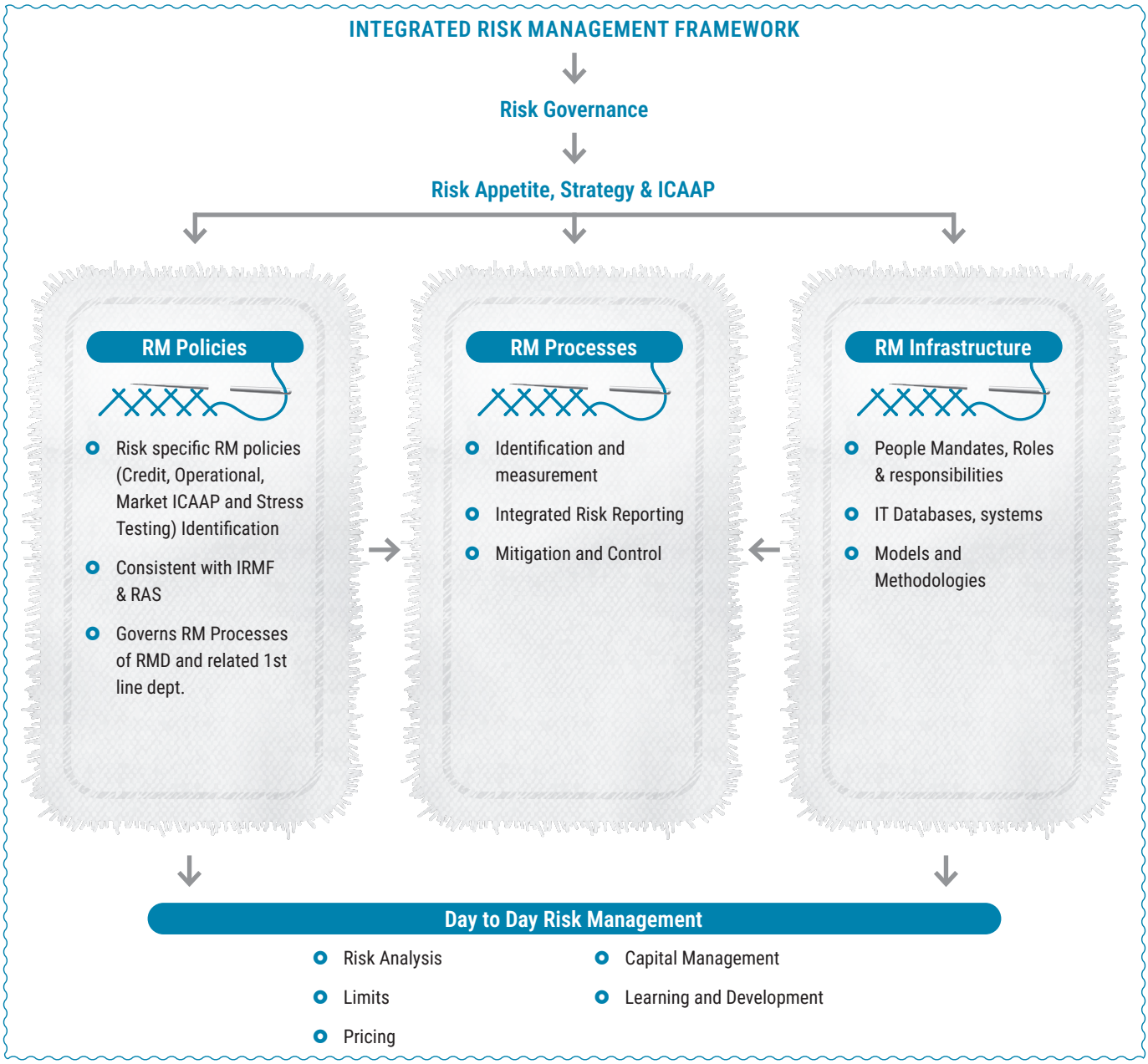
- Investment Policy
- IT Security Policy
- Compliance Policy

SDB BANL'S RISK MANAGEMENT STRUCTURE

SDB Bank's Board of Directors bear the final responsibility for risk management and is assisted in its deliberations by the Board Integrated Risk Management Committee (BIRMC). SDB Bank has also established an Executive Integrated Risk Management Committee (EIRMC), which is responsible for implementing the risk management framework and reviewing the Bank's credit, market, liquidity, and operational risk indicators, as well as its internal capital adequacy levels. The Chief Risk Officer reports to the BIRMC.

I. **Integrated Risk Management Framework (IRMF):** The IRMF consists of all the elements set out by the Bank to attain the general objectives of risk management, including, without limitation, risk governance, Risk Appetite guidelines, definition of the risk management processes, as well as Risk Management policy documentation and reporting guidelines. The IRMF also caters to risk categories not captured by risk-specific policies. All other components of the IRMF are developed consistently with the principles set out in the IRMF.

II. **Risk Governance:** Lays down the main roles and responsibilities, including levels of authority and reporting lines, of all key stakeholders involved in Risk Management. The Governance elements are documented under the IRMF.



RISK MANAGEMENT

III. **Risk Appetite, Strategy, and ICAAP:** Defines the risk strategy of the Bank in terms of risks the Bank wishes to assume, clear boundaries for each material risk type, and integration of risk planning and capital planning through ICAAP. Detailed descriptions of governance, processes, and methodologies pertaining to Risk Appetite and ICAAP shall be documented in dedicated policies.

IV. **Specific Risk Management Policies and Processes:** Defined for ALM risks, operational risk, and ESG risks which are set out in the IRMF. All these policies are standalone documents that govern specific segments of the IRMF.

V. **Risk Management Infrastructure:** Consists of all the resources deployed by the Bank to carry out the provisions set out in the risk management policies and procedures, including, without limitation, people, systems, data, models, and methodologies.

VI. **Day-to-Day Risk Management Activities:** The risk policies and procedures in action carried out by all relevant stakeholders.

RISK ENVIRONMENT IN 2024

In light of the improving economic conditions arising from the gradual growth of GDP during 2024, the decline in inflation, and the reduction in the policy interest rates by the Central Bank of Sri Lanka, the Bank relaxed the stringent conditions previously imposed on extending loans. However, the risks associated with the loan portfolio remained significant. This was largely attributed to the sharp increase in policy interest rates by the Central Bank of Sri Lanka in 2022 and the subsequent effects on the Bank's variable interest rate portfolio.

- Given that approximately 37% of the Bank's loans are to public sector pensioners, the adverse impact on Upahara, Uththamachara, and personal loans increased. Delays in interest rate adjustments and the mismatch between the cost of funds and lending rates contributed to this net margin pressure.

- Although the economy experienced growth in 2024, it was not uniform across all sectors, resulting in continued low credit servicing capacity, especially for small and medium enterprises (SMEs). This situation was also evident among retail and business customers, as the cost of living remained high. Many SMEs were already facing cash flow difficulties, with the SME sector being the most affected. This situation inevitably impacted the Bank, as SMEs account for nearly 13.18% of the total loan portfolio.

- The Bank strategically maintained a low exposure to market risks while effectively optimising its performance, considering the G-Sec portfolio and a prudently controlled allocation to trading positions. Its operations were limited to local currency, with minimal net open long foreign currency positions arising from foreign currency-denominated debt obtained from overseas development financial institutions and foreign currency notes transactions. The Bank's investments were predominantly short-term, with an average duration of 3–6 months, and only a limited allocation to longer-term instruments.

- In 2024, the Bank maintained surplus liquidity amidst subdued credit demand. This surplus liquidity was strategically invested in government securities, providing a low risk and stable return, thereby enhancing the Bank's gilt-edged portfolio. Notably, SDB Bank had no exposure to government debt through International Sovereign Bonds or Sri Lanka Development Bonds. The Bank's debt portfolio remained stable throughout the year, consistently meeting capital requirements and ensuring a robust and compliant financial position.

- The Bank's risks from extreme weather patterns due to climate change heightened during the year, given the Bank's exposure to the country's food and agriculture sector. The increasing digitization of banking systems and processes has also increased the potential risk of IT and cybersecurity.

RISK GOVERNANCE

The Bank's risk governance structure is based on the three lines of defence model that separates risk oversight. All material risks as defined in the IRMF are managed based on the principle of three lines of defence.

THE 3 LINES OF DEFENCE AT SDB BANK

The 3 Lines of Defence at SDB Bank

1ST LINE OF DEFENCE

Branches, Business and Support Units are the primary risk owners and risk takers, being responsible for managing risk exposures on a day-to-day basis through controls embedded at the business process level or specialised back office functions.

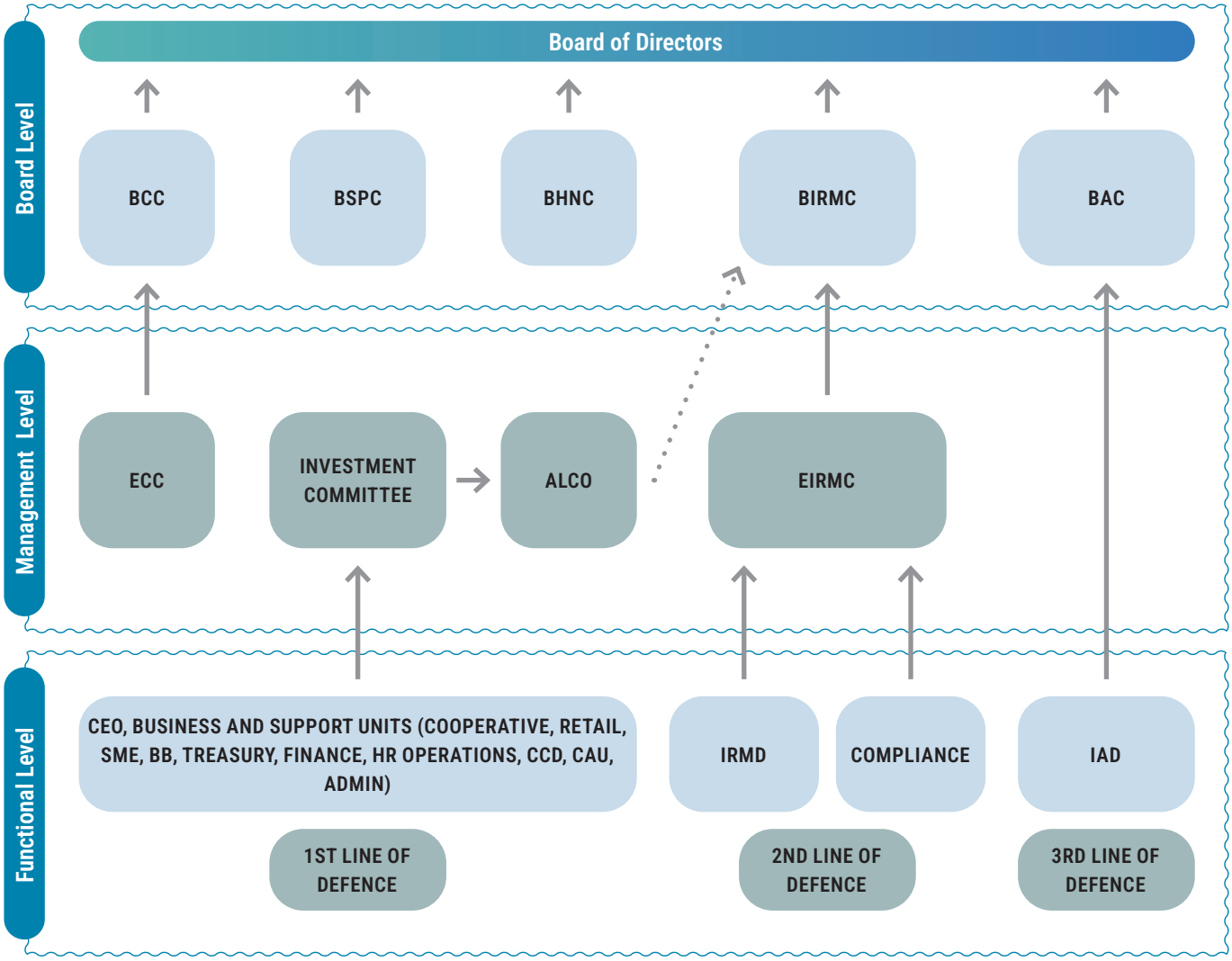
2ND LINE OF DEFENCE

The Risk Management Division is an independent function headed by the CRO. The CRO has direct access to the BIRMC and reports functionally to the BIRMC and administratively to the CEO. A key role of the Risk Management Division under the 2nd line of defence is to ensure that the 1st line adequately applies and complies with risk and control policies and standards, and to provide independent oversight of the risk profile of the Bank

Compliance is the other independent function headed by the Compliance Officer and with a similar reporting line as the CRO. The function of Compliance is to ensure that the 1st line is conducting the respective operations in accordance with industry laws and regulations, internal policies and best practices.

3RD LINE OF DEFENCE

Specific to Risk Management, the Internal Audit Department is responsible for assessing compliance and adherence to Risk Management Policies and Procedures on an ongoing basis and providing an independent assurance of the robustness of the Risk Management framework, processes and methodologies.



RISK CULTURE

SDB Bank also invests heavily in ingraining a culture of risk management within the Bank through training programs across all levels of the Bank, in addition to a formal risk reporting process. During the year, staff were trained on early detection of credit quality deterioration, operational risk reporting and data capture functions.

RISK APPETITE

Risk appetite refers to the amount of risk the Bank is willing to take in achieving its strategic objectives and ensuring the maintenance of the desired risk profile. Hence, we have established the risk appetite of the Bank through a clear set of indicators, with limits and triggers, relating to the key risks the Bank is exposed to. These guidelines are reviewed and updated regularly by the Board of Directors in keeping with the evolving developments, strategic objectives, and the corporate plan for the year.

	Limits	Dec-24
Credit Risk		
Single Borrower limits	7.5% (against Capital)	6.37%
Group Borrower Limits	10% (against to Capital)	8.49%
Liquidity and Solvency		
Liquidity Coverage Ratio	(Statutory minimum 100%)	279.65%
Net Stable Funding Ratio	>100%	173.02%
Capital Adequacy Ratio	>12.5%	16.37%
Operational Risk		
Operational Losses	<0.25% (Against operating Profit)	
Fraud Cases	3	

RISK REPORTING

Risk reporting is an integral component of monitoring the risk landscape. Reports on the Bank's risk exposures are submitted regularly to the Board of Directors, the relevant department heads, EIRMC and the BIRMC by the Chief Risk Officer on relevant risk aspects and risk alerts.

RISK MANAGEMENT

Risk Exposure	Risk Reports
Credit Risk	Product-wise Exposure, Stage-wise, and DPD-wise portfolio analysis on Products, Geography, and Sectors
Market Risk	Impact of Interest Rate Shifts on Banks' Economic Value of Equity and Net Interest Income Approaches
Liquidity Risk	Asset & Liability and Liquidity Risk validation via Stock Approach, Maturity Gap Analysis
Operational Risk	Assessment of operational loss events, Key Risk Indicators and RCSA process reporting
Technology and Cyber Security	Risk Updates on the existing security levels of the bank, regular monitoring outcomes and way forward

RISK PROFILING

Key risks are identified through a comprehensive review process that analyses the risks encountered by the Bank in relation to our strategy, long-term aspirations, reputation, and the execution of business plans, considering both the external and internal environments. Internal risks are managed systematically and proactively, while external risks are continuously monitored to assess their potential impacts on our operations.

STRESS TESTING

Stress levels on the Bank's credit risk, market risk, and liquidity are regularly evaluated against capital and earnings positions. Such stress testing is conducted to identify the potential impacts of fluctuations in market variables and other risk factors on the Bank's risk profile. The outcomes of these stress tests are submitted to the Board Integrated Risk Management Committee (BIRMC) for review

Risk Exposure	Stress Scenario
Credit Risk	Increased Shifts in Staging and the respective provisioning, a decrease in collateral values,
Credit Concentration Risk	Increase in HHI under stress – Name, Product and Sector Concentrations
Interest Rate Risk	The immediate impact of changes in interest rates on the Bank's earnings through changes in its Economic Value in Equity (EVE) and Net Interest Income (NII)- using the EVE and EAR methodologies
Liquidity Risk	Impact on the liquidity and profitability ascertained via stress testing on Withdrawal of higher % of the deposits, Rollover of loans/ deferment of loan repayment, Increase in funding cost at stressed situations
Forex Risk	Adverse movements in the foreign exchange rates impact the valuation of foreign currency-denominated assets.
Deterioration	Increase in Staging along with Credit Concentration Risk – HHI
Financial Crisis	Multifactor stress considering all the above stress scenarios

CREDIT RISK

As a Bank, a principal activity of SDB Bank is the provision of credit, which exposes the Bank to credit risk. Credit risk refers to the potential losses that can arise when customers are unable to fulfil their obligations for the repayment of loans and advances. Credit risk remained high during 2024, and managing this risk was a key component of the Bank's risk management strategy.

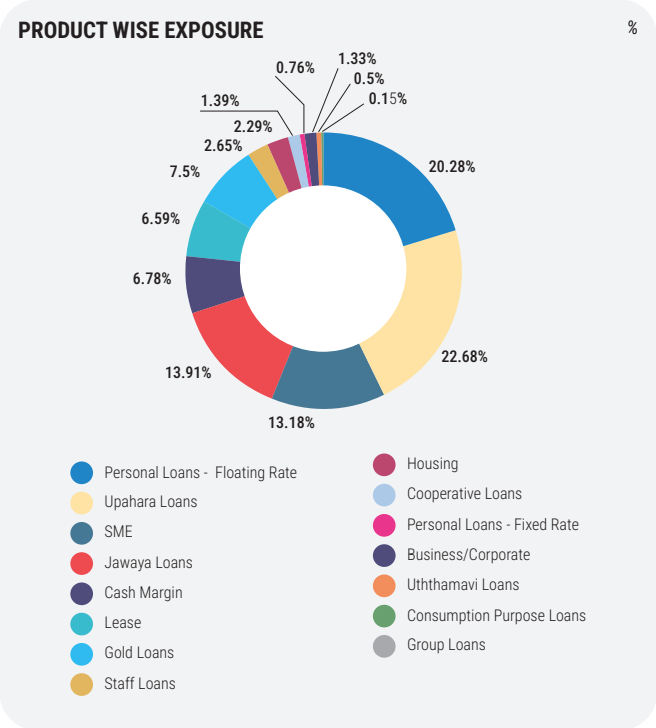
Risk response

The Board Credit Committee is charged with the responsibility of implementing the Bank's credit risk management framework. A Board-approved Credit policy outlines the responsibilities, tools, and techniques for credit risk identification, measurement, mitigation, and management. Other key aspects of the Bank's credit policy include pre-credit sanctioning criteria, delegated approval authority, due diligence, collateral management, and post-credit monitoring. The framework is reviewed and updated regularly based on evolving best practices as well as emerging risks and opportunities.

In October 2024, Fitch Rating Lanka assigned a Stable Outlook and affirmed the National Long-Term Rating of SDB Bank at 'BB+ (lka)'.

PRODUCT WISE EXPOSURE %

Product Category	Exposure	
	Rs. Mn	%
Personal Loans -Floating Rate	20,460.70	20.28%
Upahara Loans	22,873.78	22.68%
SME	13,292.31	13.18%
Jawaya Loans	14,027.46	13.91%
Cash Margin	6,839.56	6.78%
Lease	6,652.20	6.59%
Gold Loans	7,563.34	7.50%
Staff Loans	2,675.36	2.65%
Housing	2,308.46	2.29%
Cooperative Loans	1,404.10	1.39%
Personal Loans -Fixed Rate	769.35	0.76%
Business/Corporate	1,341.42	1.33%
Uththamavi Loans	507.63	0.50%
Consumption Purpose Loans	155.16	0.15%
Group Loans	3.76	0.00%
Total	100,874.60	100.00%



CONCENTRATION RISK

There were no significant changes in the Bank's concentration risk in 2024. Concentration risk is the potential for a loss in value of the loan portfolio when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it can generate a significant loss when recovery is unlikely. The exposures can be based on product type, geographical distribution, and single and group borrower limits.

Risk response

The credit risk management of the Bank maximises the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Risk concentration limits have been set, and portfolio balances are monitored accordingly. These risk limits take into account prudent limits based on product type, geographical distribution, and single and group borrower limits. The portfolio performances are reviewed by the Board Credit Committee and the BIRMC, and appropriate mitigants are proposed.

MARKET RISK

Market risk refers to the risk of losses in the Bank's trading book due to changes in equity prices, interest rates, credit spreads, foreign exchange rates, commodity prices, and other indicators whose values are set in a public market.

- **Interest Rate Risk:** The Bank is exposed to minimal interest rate risk in the market, primarily due to fluctuations in interest rates impacting its overall portfolios, including both the credit portfolio and the trading portfolio of government securities. The interest rate risk associated with the credit portfolio is common across the Bank's entire portfolio. The trading portfolio of government securities is managed at modest volume levels, and its related interest rate risk is mentioned under the Credit Risk section.

- **Foreign Exchange Rate Risk:** The Bank is also exposed to managed foreign exchange rate risk, which represents the potential adverse impact on the Bank's capital or earnings due to fluctuations in market exchange rates. This risk arises from the holding of assets or liabilities denominated in foreign currencies. The Bank maintained US Dollar-denominated fixed deposits (FDs) with the Bank of Ceylon, sourced from two counterparties. These deposits originated from the proceeds of a USD 8 million subordinated term loan obtained from the Belgian Investment Company for Developing Countries (BIO) and a USD 40 million unsecured senior term loan from the United States International Development Finance Corporation (DFC). The USD 8 million loan from (BIO) was fully settled, and the fixed deposit also matured towards the end of December'24. As a result, the bank now holds only a USD 40 Mn fixed deposit with the Bank of Ceylon, matching the repayment schedule of the existing DFC Loan. Further to mitigate the foreign currency risk, without converting these into Sri Lankan Rupees (LKR), these loans remain as USD-denominated fixed deposits with the Bank of Ceylon, matching the dollar repayment schedule of the lender.

Risk response

The Bank has set limits for trading book exposures and is marked to market and measured against the set limits. The Bank carries only a limited trading book, with the majority of the investment portfolio held for maturity (HTM). The Bank is aware of the implications on its HTM portfolio in light of potential domestic debt restructurings that could materialise with the IMF bailout package and the resultant activities for debt sustainability initiatives.

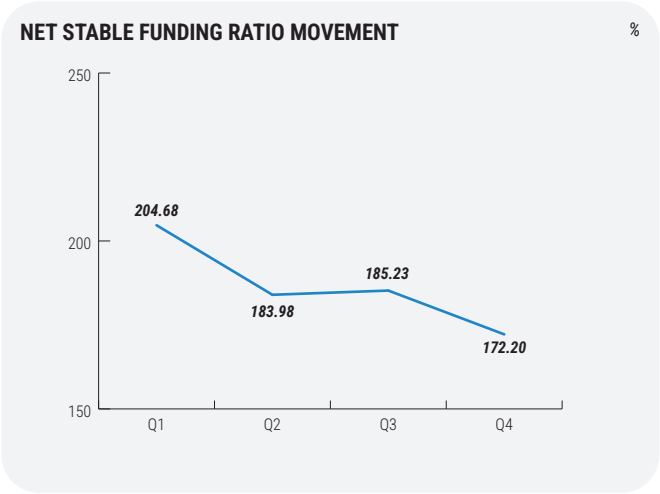
LIQUIDITY RISK

Liquidity risk refers to the possibility that the Bank may be unable to meet its financial obligations by settling them in cash or converting a security or hard asset to cash without incurring a loss of capital and/or income in the process.

Risk response

The Assets and Liabilities Management Committee (ALCO) is responsible for managing the Bank's liquidity risk. The Committee regularly reviews the Bank's cash flow positions, projections, funding capabilities, and pricing decisions to ensure that internal targets and regulatory liquidity requirements are met.

RISK MANAGEMENT



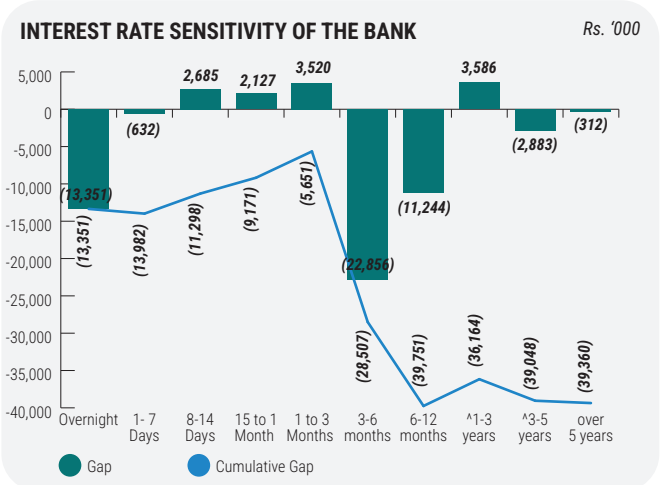
INTEREST RATE RISK

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to both the Bank's capital and earnings arising from adverse movements in interest rates, which affect the Bank's banking book exposures.

Risk response

The Assets and Liabilities Management Committee (ALCO) is responsible for monitoring the Bank's IRRBB exposure. The Committee reviews the impact of interest rate risk on the banking book, net interest margin, funding mismatches, and the cumulative rate-sensitive gap. Additionally, the Committee conducts stress tests on the net interest margin (NIM) and equity under different interest rate scenarios. A comprehensive set of policies governs all aspects of market risk, and these policies are regularly reviewed and updated to address emerging market risks.

Interest rate sensitivity of assets and liabilities as of 31 December 2024



OPERATIONAL RISK

Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems or from external events.

Risk response

The Risk Department, in collaboration with operations units, administers the evaluation to define operational risk parameters for all key business units based on their exposure. This mechanism enables business units to identify and assess their risks and introduce measures to improve risk control. The Bank also maintains an Operational Risk Loss Database in line with Basel guidelines. Processes are in place to capture all operational loss events, which are then categorised in accordance with these guidelines.

TECHNOLOGY RISKS

Technology risk refers to the business risk associated with the use, ownership, operation, and adoption of technology within the Bank. Technology risks are part of the overall operational risks due to technology-related events such as system interruptions or failures, errors, fraud through system manipulations, cyber-attacks, and obsolescence in applications. With the high adoption of IT-related business models and digital channels, there are heightened and emerging risks associated with technology. Identifying and quantifying the uncertainty of the likelihood of occurrence and the impact or magnitude of technology risk-related incidents present significant challenges.

Risk response

The Bank has developed policies and procedures for the management of technology risks to ensure that the Bank is not exposed to undue risks. The Integrated Risk Management Department (IRMD) uses the Risk & Control Self-Assessment (RCSA) for technology risk identification and assessment, continuously tracking and monitoring potential risk incidents and control effectiveness. Results of independent audit findings (both internal and external), analysis of information security incidents, external loss data, and information are also employed for technology risk identification and assessment purposes. Regular risk reporting related to technology risks is done to the Executive Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee

LEGAL RISKS

Legal risk refers to the potential for financial or reputational loss resulting from a lack of awareness, misunderstanding, ambiguity, or reckless indifference to the application of laws and regulations to the Bank's business, relationships, processes, products, and services.

Risk response

All legal documents executed on behalf of the Bank are vetted by the Legal Department. External legal services are engaged whenever necessary. Internal processes, as described in previous sections, ensure compliance with regulatory provisions to mitigate potential losses and harm to the Bank.

STRATEGIC RISK

Strategic risk refers to the possibility that the strategic direction the Bank is taking does not lead to the desired outcome or results in losses. This may be due to external or internal factors that are inadequately or ineffectively addressed.

Risk response

In formulating its medium-term strategic plan, SDB Bank has established performance indicators and set milestones to achieve the required outcomes. The Board of Directors plays an active role in adopting relevant policies, monitoring progress through various reporting formats, and helping the Bank maintain its focus on the end goals.

REPUTATIONAL RISK

Reputational risk refers to the risk of losing public trust or tarnishing the Bank's image in the public eye. This risk can arise from environmental, social, regulatory, or operational factors.

Risk response

Events that could lead to reputational risk are closely monitored using an early warning system that includes inputs from frontline staff, media reports, and internal and external market survey results. While all policies and standards related to the conduct of the Bank's business have been communicated internally and through training, a specific policy has been established to take action in case of an event that may affect the Bank's reputation. The Bank has zero tolerance for knowingly engaging in any business, activity, or association where foreseeable reputational damage has not been considered and mitigated. While there is a level of risk in every aspect of business activity, appropriate consideration of potential harm to the Bank's good name is part of all business decisions.

The Bank's complaint management process and whistle-blowing process include key tools to recognise and manage reputational risk. Based on operational risk incidents, any risks that could lead to reputational damage are presented to the Board, and suitable measures are taken by the Bank to mitigate and control such risks.

COMPLIANCE RISK

Compliance refers to adherence to applicable laws, regulations, directions, codes, and standards in the banking industry, including anti-money laundering (AML), know-your-customer (KYC) requirements, data privacy, consumer protection, financial stability, and other areas. As defined by the Basel Committee on Banking Supervision in 2005, "Compliance Risk" is the risk of legal or regulatory sanctions, material financial loss, or reputational damage a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and Codes of Conduct applicable to its banking activities.

RISK RESPONSE

SDB Bank treats compliance as a non-negotiable component of its operations and emphasises standards of honesty and integrity from the Board downwards. The Bank maintains high ethical standards in conducting business, always striving to observe the spirit as well as the letter of the law, and instils compliance as part of the organisation's culture.

The Bank has established a comprehensive compliance governance structure to manage compliance risk independently. The Compliance Officer reports independently to the Board Integrated Risk Management Committee (BIRMC), through which the Board of Directors is frequently updated on compliance matters. The Board of Directors is responsible for overseeing the management of the Bank's compliance risk. Accordingly, the Board has delegated its powers to the BIRMC, which takes appropriate action to establish a permanent, independent, and effective compliance function in the Bank, ensuring that compliance issues are resolved effectively and expeditiously by Senior Management with the assistance of the compliance function, and assesses the extent to which the Bank is managing its compliance risk effectively.

The Bank's Corporate/Senior Management is responsible for the effective management of the Bank's compliance risk. An independent, robust compliance culture has been established within the Bank, with processes and workflows designed with the required checks and balances to facilitate compliance. The compliance function works closely with business and operational units to ensure consistent management of compliance risk. The Compliance Policy defines how this key risk is identified, monitored, and managed by the Bank in a structured manner. The compliance framework is also regularly reviewed against industry best practices and to accommodate regulatory changes or new banking directives.

MESSAGE FROM THE CHAIRPERSON ON CORPORATE GOVERNANCE

Dear Stakeholders,

Good corporate governance practices, high ethical conduct, accountability, and transparency are crucial for ensuring the stability and resilience of banks, which is in turn, vital for Sri Lanka's continued economic recovery. The ever-evolving global landscape, coupled with technological advancement, increased connectivity, growing competition, as well as post-economic crisis challenges, results in growing regulatory expectations and greater scrutiny in the banking industry. SDB Bank is committed to navigating these challenging times with the highest level of attention to maintaining and further improving the corporate governance standards to ensure that the business is built on a strong foundation.

The bank acknowledges the importance of timely adoption and has ensured compliance with the amendments to the Banking Act as well as the new CBSL Directives, recognising the responsibility to protect the interests of various stakeholders, including depositors, shareholders, and customers. The recent amendments are aimed at strengthening governance at the top by reinforcing the assessment of the fitness and propriety of directors, chief executive officers and key management personnel of licensed banks across the banking sector. Regulations on financial statements and audits, and stronger capital and liquidity frameworks for banks, will ensure financial stability. SDB Bank has made all relevant provisions to meet these new, more stringent requirements with the best interests of our stakeholders in mind.

SDB Bank has a strong and compliant corporate governance framework that accommodates the Banking Act, CBSL regulations, and the CSE and the SEC regulations, as well as a comprehensive policy framework and sustainability framework to guide the Bank in its future journey. The Bank also has a strong business ethic, as well as a Code of Conduct governing the behaviour of employees. In addition, SDB Bank has embraced several voluntary frameworks and industry best practices in order to strengthen its governance practices, risk management systems and corporate reporting.

Please refer to pages 99 to 134 for information on the Bank's corporate governance system and status of compliance with the Banking Act Direction No. 12 of 2007 and subsequent amendments thereto, for Licensed Specialised Banks in Sri Lanka, by the CBSL, and the Code of Best Practice on Corporate Governance issued. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2017 and Section 09 on Corporate Governance of the Listing Rules of the Colombo Stock Exchange.

In 2024, the SDB Bank Board met 17 times in order to guide the Bank safely through the ongoing economic transformation of the country. The diversity of skills of the Board members has played a vital role in considering diverse perspectives and arriving at optimal solutions in ensuring SDB Bank's stability and resilience, particularly during the recent period of extreme economic turbulence and unpredictability. The global investor confidence in SDB Bank's sustainable banking model is evidenced by the bank's top shareholders, and their continued support by way of technical expertise, introduction of global experts to help drive the bank's strategic initiatives and funding support where our priorities align.

As required, this annual report includes all the findings of the "Factual Findings Report" of the External Auditors in relation to compliance with the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL). All prudential requirements, regulations, laws and internal controls have been complied with, and measures have been taken to rectify all material non-compliances, as and when it was identified. I also confirm that I am not aware of any material misstatement of any of the provisions of the internal Code of Business Conduct and Ethics by any Director or Key Management Personnel of the Bank.



Ms. Dinithi Ratnayake
Chairperson - Non-Executive, Independent Director

2nd May 2025
Colombo, Sri Lanka

CORPORATE GOVERNANCE

OUR APPROACH

SDB Bank is a unique financial institution with social and economic sustainability at the core of its organisation philosophy. Therefore, the Board and management of the bank are fully cognisant of the vital importance of good governance with regard to advancing and sustaining the wide reaching social and economic development agenda of the Bank. Hence, regulatory compliance is implicit in all aspects of its operations, while also conforming to industry best practices and voluntary codes of good governance. The Bank's governance practices are regularly reviewed and updated based on regulatory amendments, risks and opportunities in the operating environment and improvements to internal operational aspects.

THE BANK'S CORPORATE GOVERNANCE FRAMEWORK

Regulatory framework

- Companies Act No. 07 of 2007 and amendments thereto
- Banking Act No. 30 of 1988 and amendments thereto
- Banking Act Direction No. 12 of 2007 of the Central Bank of Sri Lanka on "Corporate Governance for Licensed Specialised Banks in Sri Lanka" and amendments thereto
- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto
- Financial Transactions Reporting Act No. 06 of 2006
- Prevention of Money Laundering Act No. 05 of 2006
- Convention on the Suppression of Terrorist Financing Act No. 25 of 2005
- Inland Revenue Act No. 24 of 2017
- Financial Consumer Protection Regulations
- Customer Charter
- Road-map for Sustainable Finance in Sri Lanka
- Recommendations from Task Force on Climate-Related Financial Disclosures (TCFD)
- Developing a Body of Knowledge from the Task Force on Nature-Related Disclosures (TNFD)

Internal policies, manuals and codes of conduct

- Articles of Association of the Bank
- Code of Conduct and Ethics for Directors & Employees
- Governance Framework on Sustainability
- Board-approved policies on all major operational aspects
- Compliance Policy and procedure manual for Know Your Customer and Customer Due Diligence for prevention of money laundering and terrorist financing
- Compliance Charter
- Policy for the secrecy of information, Related Party Policy, credit and other internal manuals
- Integrated Risk Management Procedures
- Disclosure policy, Communication policy
- Processes for internal controls
- Internal circulars on operational practices

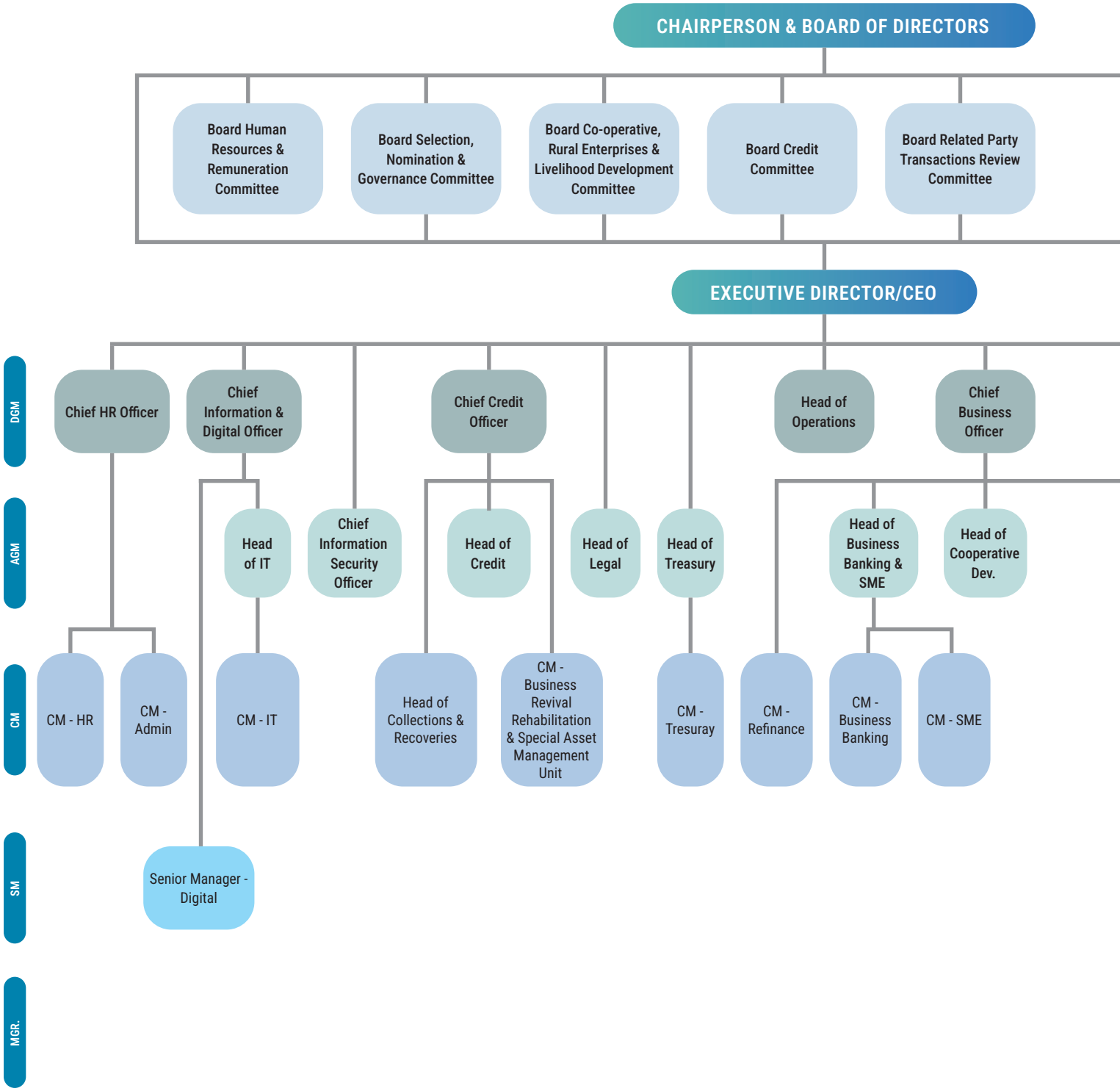
Voluntary external standards and codes

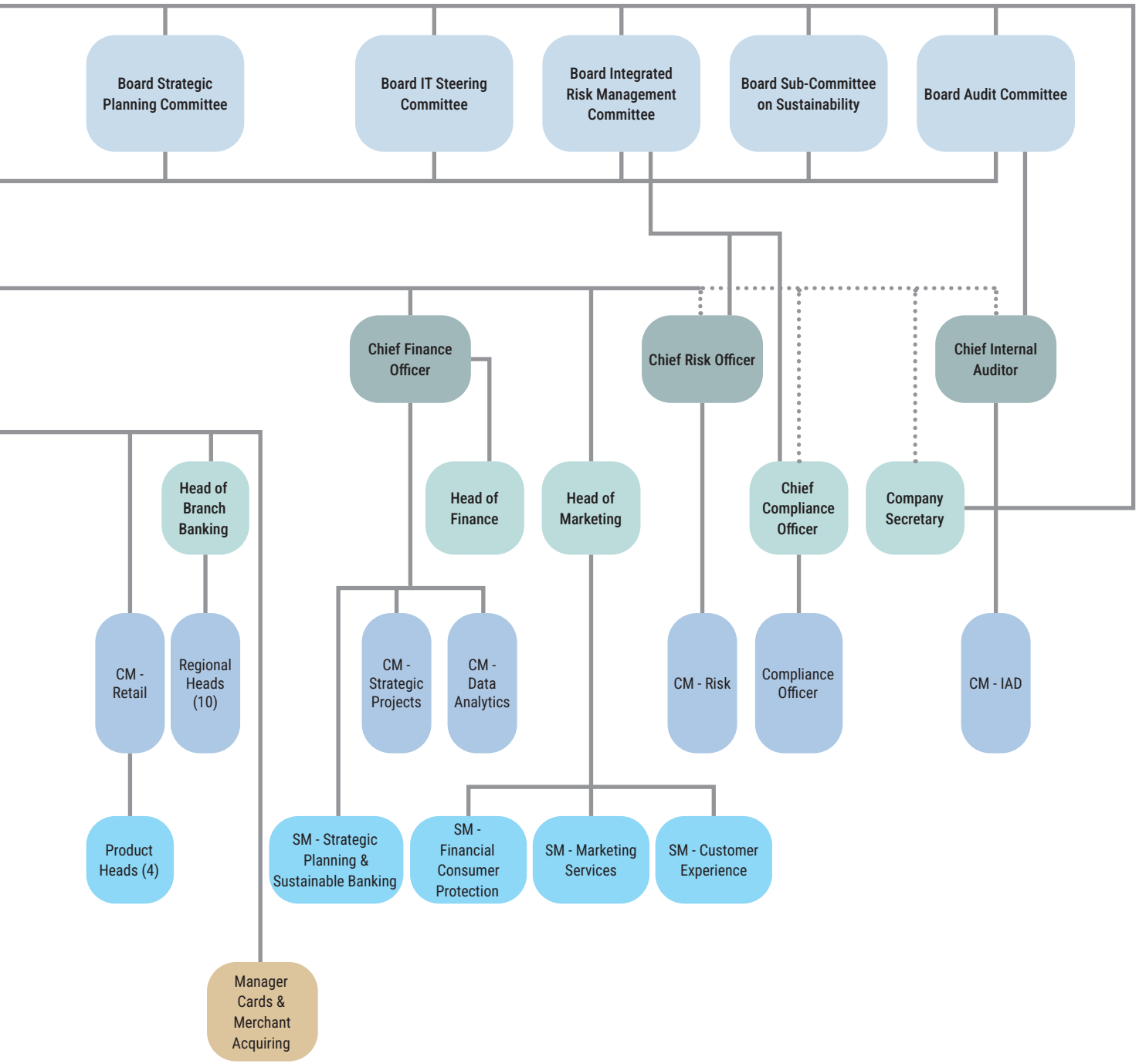
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (a Voluntary Code)
- Integrated Reporting Framework 2021
- United Nation's Sustainable Development Goals

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

The Board of Directors which is led by an Independent, Non-Executive Chairperson holds supreme accountability and responsibility for the affairs of the Bank. In this endeavour, the Board is supported by 11 Sub-Committees, which provide supervision with intense focus on specific areas, enabling the Board to commit sufficient time and focus on broader issues within its scope.




Board Strategic Planning Committee
Board IT Steering Committee
Board Integrated Risk Management Committee
Board Sub-Committee on Sustainability
Board Audit Committee
Chief Finance Officer
Chief Risk Officer
Chief Internal Auditor
Head of Branch Banking
Head of Finance
Head of Marketing
Chief Compliance Officer
Company Secretary
CM - Retail
Regional Heads (10)
CM - Strategic Projects
CM - Data Analytics
CM - Risk
Compliance Officer
CM - IAD
Product Heads (4)
SM - Strategic Planning & Sustainable Banking
SM - Financial Consumer Protection
SM - Marketing Services
SM - Customer Experience
Manager Cards & Merchant Acquiring

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

As the apex decision making body, the Board of Directors hold the primary responsibility for formulating policy frameworks and executing robust governance practices in effectively driving the Company's strategic objectives.

Board Composition: 10 Non-Executive Directors of which 04 are Independent and 01 Executive Director.

Board Diversity and Effectiveness: The Board comprises a mix of academic, technical and diverse industry specialisations to provide a broad and holistic perspective for risk management and strategy development. The Board comprises:

- Expertise in academics, rural development, administration, entrepreneurship and cooperatives.
- Strong financial acumen with a Director holding membership in professional accounting bodies and several Directors holding MBAs from reputed universities
- BAC Chairman holds a membership in a professional accounting body and several Directors hold MBAs from reputed universities

APPOINTMENTS TO THE BOARD

- New Directors are appointed through a transparent procedure.
- Nominations for the vacancies are made through the Board Selection and Nomination Sub-Committee (BS and NC) as per the criteria laid down by the Banking Act
- The nominated person provides an affidavit of authenticity and the details are communicated to the CBSL for Fit and propriety approval.
- Appointments are thereafter communicated to the CSE and shareholders through press releases.

BALANCE OF POWER

There is a clear segregation of responsibilities between the Chairperson and the CEO to facilitate the appropriate balance of power and authority which is important for sound governance. Therefore, we have established a clear distinction between the role of the Chairperson and the CEO.

CHAIRPERSON'S ROLE

- Provides leadership to the Board
- Ensures effective functioning through setting up the Board's annual work plan and agenda, timely meetings for clear and accurate information sharing
- Monitors the overall effectiveness of the Board
- Leads the bank towards the achievement of strategic objectives

BOARD REMUNERATION

The remuneration of the Board of Directors and the Key Management Personnel is determined based on the formal Remuneration Policy that is formulated to attract, motivate and retain high performing senior professionals. The Board Human Resources and Remuneration Committee is vested with the responsibility of guiding the Board of Directors and the Senior Management within agreed terms of reference and in accordance with the remuneration policies of the Bank.

BOARD ACCESS TO INFORMATION

The Board of Directors have unrestricted access to the Bank's Management team and other information resources that are vital to the effective execution of their responsibilities. For this purpose, the Management makes regular presentations to the Board to keep the directors well-informed of emerging trends in the operating landscape. The Board of Directors can also seek independent professional advice that can be coordinated through the Company Secretary. The Board participate in seminars conducted by the Sri Lanka Institute of Directors as well as forums organised by the CBSL.

BOARD MEETINGS

The Board met 17 times in 2024 and the details of meeting attendance are given in the Annual Report of the Board of Directors on the Affairs of the Company on page 157. Notices of all Board meetings (except Emergency Board meetings) are given at least seven days prior to the holding of the meeting, thereby providing the members with adequate time for preparation. Likewise, meeting agendas and Board papers are circulated to all Board members prior to the meeting. Directors are supplied with comprehensive and timely information that is required for the effective discharge of their duties.

BOARD ASSESSMENT

The Board and individual Directors engage in annual self assessments to identify the potential areas for improvement in their performance and efficiency. This evaluation focuses on the Board as a whole as well as the performance of each director and is carried out based on the requirements of the Securities and Exchange Commission (SEC) and CA Sri Lanka. Areas such as Board composition, access to information, team dynamics and training opportunities are considered in self-assessment. Further, the members of the subcommittees are also annually assessed for the effectiveness of their performance.

SUB-COMMITTEES OF THE BOARD

The Board has established mandatory Board Sub-Committees and voluntary Board Sub-Committees to assist the Board. The composition of both mandatory and voluntary Board Sub-Committees, as of 31st December 2024 is given in the Annual Report of the Board of Directors on the Affairs of the Company on pages 151 to 160.

ACCOUNTABILITY AND AUDIT

The Board is responsible for presenting a balanced and accurate assessment of its financial performance and position. The Bank's Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by The Institute of Chartered Accountants of Sri Lanka. Furthermore, the Company's Annual Report conforms to the GRI Standards on sustainability reporting, prescribed by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. Directors' responsibility with regard to Financial Statements is given on page 165 of this Annual Report.

RISK MANAGEMENT

The Board is responsible for formulating the measures, tools, processes and policies to ensure that the Bank's risk exposures are managed within defined parameters. The Board Integrated Risk Management Committee assists the Board in the discharge of its duties related to risk management. The Bank's risk management framework has been formulated to comply with the requirements of the Banking Act and the Guidelines of the CBSL. Detailed disclosures on the Company's key risk exposures and how they were managed during the year are given on pages 90 to 97 of this Report.

EXTERNAL AUDIT

The Board Audit Committee is responsible for overseeing the financial statements and reporting and makes recommendations to the Board regarding the appointment, service period, audit fee and engagement period of External Auditors. The Board has adopted a policy of rotating External Auditors every five years. Auditors submit an Annual Statement confirming independence as required by the Companies Act No. 07 of 2007.

BOARD SUBCOMMITTEE ON SUSTAINABILITY

The Board Subcommittee on Sustainability was set up in FY 2021 to integrate ESG into the bank's decision-making and performance management. This governance framework is aligned with the recommendations of the Roadmap for Sustainable Finance and the Sri Lanka Banks' Association's Sustainable Banking Initiative. This Sub-Committee will review the integrated strategy, risk management and metrics and targets on sustainability including TCFD and TNFD standards.

GOOD CORPORATE CITIZENSHIP

The Bank has established the following standards for reinforcing the ethical conduct of the Bank's employees:

The SDB bank Code of Conduct: The Code sets out the ethical behaviour expected from employees in dealing with other stakeholders and in their day-to-day operations, as well as administrative and grievance procedures. The Code of Conduct has been formulated in line with the Monetary Board's Customer Charter and the Secrecy Provision in the Banking Act. All employees are provided with a copy of the SDB bank Code of Conduct upon recruitment.

Whistle-blowing Policy: The Bank has a Board-approved Whistleblowing Policy that enables any person, including a member of staff to report unlawful or unethical behaviour while protecting their anonymity.

COMPLIANCE WITH THE PROVISIONS OF THE BANKING ACT DIRECTION NO.12 OF 2007 OF THE CENTRAL BANK OF SRI LANKA

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:		
	(a) Ensure that the Board-approved strategic objectives and corporate values are communicated throughout the Bank.	The Strategic objectives and corporate values of the Bank (Strategic Plan) were approved by the Board of Directors up to 2025 and communicated to all employees through meetings. The new strategic Plan 2026-2029 is currently under development in a project that commenced in May 2024 and is expected to be finalized by 3Q 2025. Certain initiatives agreed upon under this plan have already been implemented Eg. Agri Value Chain Financing.	Complied with
	(b) Overall business strategy including the overall risk policy and risk management procedures and mechanisms with measurable goals.	The Bank's Annual Budget which is prepared based on the current Strategic Plan includes measurable goals and there is a Board-approved Integrated Risk Management policy which defines risk- related procedures and tools for identification, measurement and management of risk exposures.	Complied with

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Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(c) Identify the principal risks and ensure implementation of appropriate system to manage the risk prudently.	The Board has delegated its risk-related functions to a dedicated committee, namely the Board Integrated Risk Management Committee (BIRMC). The main risk reports are presented at BIRMC on a monthly/ quarterly basis and its minutes are regularly submitted to the main Board for review.	Complied with
	(d) A policy of communication is available with all stakeholders, including depositors, creditors, shareholders and borrowers.	A Board-approved Communication Policy is in place.	Complied with
	(e) Reviewed the adequacy and the integrity of the Bank's internal control systems and management information system.	The Audit Committee assists the Board in reviewing and evaluating the integrity, adequacy, and effectiveness of the internal control system including management information systems and controls over financial reporting of the Bank. The internal audit carries out periodic reviews to ensure that the internal control systems are functioning as appropriate. The report by the Board of Directors on internal control over financial reporting is given on page 161. The Independent Assurance Report by the External Auditor on the Directors' Statement on Internal Control is given on page 163.	Complied with
	(f) Identified and designated Key Management Personnel, as defined in the Central Bank Guidelines.	Based on Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL), the Board has designated Key Management Personnel (KMP) of the Bank.	Complied with
	(g) Defined the areas of authority and key responsibilities for the Board of Directors themselves and for the Key Management Personnel.	Areas of authority and key responsibilities of the KMPs are included in their Job Descriptions (JDs). Areas of authority and key responsibilities of the Board of Directors (BOD) are defined in the Articles of Association.	Complied with
	(h) Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel that is consistent with Board policy.	The Board has exercised appropriate oversight of the affairs of the Bank by KMPs through the Chief Executive Officer (CEO) and when the need arises they are called upon by the Board to explain matters relating to their areas.	Complied with
	(i) Periodically assess the effectiveness of the Board of Directors own governance policies including The selection, nomination and election of Directors and Key Management Personnel.	A transparent procedure for selecting and appointing new Directors upon the recommendation of the Board Selection, Nominations & Governance Committee is in place in line with the policy on Corporate Governance, Nominations and Re-election.	Complied with
	(j) The management of conflicts of interests.	Directors' interests are disclosed to the Board and Directors who have a particular interest in a matter that is being discussed abstained from voting in such a situation and he/she is not counted for the quorum. And a Policy on conflicts of interests is also in place.	Complied with
	(k) The determination of weaknesses and implementation of changes where necessary.	Determination of weaknesses of BODs has been identified through the self-evaluation process for 2024.	Complied with
	(l) Ensure that the Bank has a succession plan for Key Management Personnel.	Succession Plan for 2024 was prepared in November 2023 and approved by the Board on 15 Dec 2023. However, the bank is in the process of reviewing the existing succession plan in terms of changes taken place to key management positions during the year 2024.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(m) Ensure that the Board has scheduled regular meetings with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	The Board meets the KMPs to review policies and monitor progress towards corporate objectives at performance review meetings. When the need arises they are called upon by the Board to explain matters relating to their areas.	Complied with
	(n) Understand the regulatory environment and that the Bank maintains a relationship with regulators.	All the new regulations and directions issued by regulators and non-compliances are reported to the BIRMC/ BOD by the Compliance Department for their understanding of the regulatory environment. The Bank maintains good relationship with the regulators.	Complied with
	(o) Process in place for hiring and oversight of External Auditors.	The Board selects External Auditors through the BAC, which holds responsibility for overseeing their activities.	Complied with
3 (1) (ii)	The Board has appointed the Chairman / Chairperson and the Chief Executive Officer (CEO) and defined the functions and responsibilities of the Chairman / Chairperson and the CEO in line with Direction No. 3 (5).	Appointment of the Chairperson and the CEO is done by the Board and functions are defined as per Direction No. 3 (5). Policy and Procedure for the Selection & Appointment of Board of Directors and Policy on responsibilities of the Chairperson, Deputy Chairperson and CEO are in place.	Complied with
3 (1) (iii)	The Board has met regularly and held Board meetings at least twelve times a year at approximately monthly intervals.	17 meetings were held during the year.	Complied with
3 (1) (iv)	The Board has a procedure in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	A Board-approved procedure is in place allowing all Directors to include matters and proposals in the agenda for regular Board meetings.	Complied with
3 (1) (v)	The Board has given notice of at least seven days for a regular Board meeting to provide all Directors an opportunity to attend. And for all other Board meetings, notice has been given.	Directors are notified of Board meetings more than seven days in advance.	Complied with
3 (1) (vi)	The Board has taken required action on Directors who have not attended at least two-third of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the Directors' meetings through an alternate Director, however, is acceptable as attendance.	Such a situation did not arise during the period.	Complied with
3 (1) (vii)	The Board has appointed a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	The Company Secretary 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)	All Directors are to have access to advice and services of the Company Secretary.	All the Directors are free to access the Company Secretary for her advice and services.	Complied with
3 (1) (ix)	The Company Secretary maintains the minutes of Board meetings and there is a process for the Directors to inspect such minutes.	The minutes of Board meetings are maintained by the Company Secretary; and during each Board meeting the Board of Directors approves the minutes of the previous Board meeting.	Complied with

CORPORATE GOVERNANCE

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (1) (x)	The minutes of a Board meeting contain or refer to the following: • A summary of data and information used by the Board in its deliberations; • The matters considered by the Board; • The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; • The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; • The understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and • The decisions and Board resolutions.	Minutes of the Board meetings contain all the necessary information required under the direction.	Complied with
3 (1) (xi)	There are procedures agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense.	A Board-approved procedure is in place to seek independent professional advice when necessary, with the cost borne by the Bank.	Complied with
3 (1) (xii)	There is a procedure to determine, report, resolve and to take appropriate action relating to Directors avoiding conflicts of interests, or the appearance of conflicts of interest. A Director has abstained from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be in the quorum for the relevant agenda item at the Board meeting.	There is a provision in the Related Party Transactions Policy to determine, report, resolve and to take appropriate actions relating to Directors to avoid conflicts of interest, or the appearance of conflicts of interest. To further strengthen this procedure, a Policy on conflicts of interest is also in place.	Complied with
3 (1) (xiii)	The Board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the Bank is firmly under its authority	A formal schedule of matters specifically reserved for the Board is in place.	Complied with
3 (1) (xiv)	The Board has forthwith informed the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action, if it considers that the procedures to identify when the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	This situation did not arise during the year.	Complied with
3 (1) (xv)	The Board shall ensure that the Bank is capitalized at levels as required by the Monetary Board.	The Bank was fully compliant with the Capital Adequacy Requirements during the year.	Complied with
3 (1) (xvi)	The Board shall publish, in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction No. 3 of these directions.	This report serves this purpose.	Complied with
3 (1) (xvii)	The Board adopts a scheme of self-assessment to be undertaken by each Director annually, and maintains records of such assessments.	The Board has a scheme of self-assessment of Directors and the Company Secretary maintains records of such evaluations.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (2)	**THE BOARD'S COMPOSITION**		
3 (2) (i)	The Board comprises not less than 7 and not more than 13 Directors.	The Board comprised of twelve (12) Directors as at 31st December 2024.	Complied with
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of CEO, does not exceed nine years.	This situation did not arise during the financial year 2024.	Complied with
3 (2) (iii)	The number of Executive Directors, including the CEO does not exceed one-third of the number of Directors of the Board.	The Board comprises the majority of non-executive directors: the CEO is the only Executive Director of the Board.	Complied with
3 (2) (iv)	The Board has at least three independent Non- Executive Directors or one-third of the total number of Directors, whichever is higher.	The Board comprises of four Independent Non- Executive Directors as at the date of this report.	Complied with
3 (2) (v)	In the event an Alternate Director was appointed to represent an Independent Director, the person so appointed meets the criteria that apply to the Independent Director.	This situation did not arise during the financial year 2024.	Complied with
3 (2) (vi)	The Bank has a process for appointing Independent Directors.	A procedure is in place for appointing Independent Directors by the Board upon the recommendation of the Board Selection, Nominations & Governance Committee.	Complied with
3 (2) (vii)	The stipulated quorum of the Bank includes more than 50% of the Directors and out of this quorum more than 50% should include Non-Executive Directors.	Every meeting during the year was consistent with the required quorum and composition.	Complied with
3 (2) (viii)	The Bank discloses the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	The composition of the Board has been disclosed under "Board of Directors" on page 102.	Complied with
3 (2) (ix)	There shall be procedure for the appointment of new Directors to the Board.	A procedure for appointing new Directors with the recommendation of the Board Selection, Nominations & Governance Committee is in place.	Complied with
3 (2) (x)	All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.	Appointment of Directors is done according to the Bank's Articles of Association.	Complied with
3 (2) (xi)	If a Director resigns or is removed from office, the Board – (a) announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Bank, if any; and (b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Directors' resignation/removal and the reason for such resignations are duly informed to the CBSL and Colombo Stock Exchange.	Complied with
3 (2) (xii)	There is a process to identify whether a Director or an employee of a Bank is appointed, elected or nominated as a Director of another Bank.	Directors provide annual declarations regarding their employment or directorships in other organisations; None of the present Directors of the Bank acts as Director of another Bank. The Letter of Appointment and the Code of Conduct issued to the employees explicitly prevent employees from accepting any directorship of other banks without the prior permission from the Bank.	Complied with

CORPORATE GOVERNANCE

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (3)	**CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS**		
3 (3) (i)	The age of a person who serves as Director does not exceed 70 years.	Declarations given by Directors at the time of appointment indicate the date of birth. The age is monitored accordingly.	Complied with
3 (3) (ii)	No person shall hold office as a Director of more than 20 companies/ entities/ institutions inclusive of subsidiaries or associate companies of the Bank.	As per the declaration made by Directors, none of the Directors is holding Directorship in more than 20 companies.	Complied with
3 (4)	**MANAGEMENT FUNCTIONS DELEGATED BY THE BOARD**		
3 (4) (i)	The delegation arrangements have been approved by the Board.	The Board is empowered by the Articles of Association to delegate its powers to the CEO upon such terms and conditions and with such restrictions as the Board may think fit.	Complied with
3 (4) (ii)	The Board has taken responsibility for the matters in 3 (1) (i) even in the instances such actions are delegated.	The Board has delegated its authority to KMPs through the CEO subject to final responsibility being retained with them.	Complied with
3 (4) (iii)	The Board reviews the delegation processes in place periodically to ensure that they remain relevant to the needs 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 CEO**		
3 (5) (i)	The roles of Chairman and CEO are separate and not performed by the same individual.	Roles of Chairperson and CEO are held by two different individuals that carry out different functions.	Complied with
3 (5) (ii)	The Chairman is a Non-Executive Director. In the case where the Chairman is not an Independent Director, the Board designates an Independent Director as the Senior Director with suitably documented terms of reference. The designation of the Senior Director is disclosed in the Bank's Annual Report.	The Chairperson is a Non-Executive, Independent Director as at the date of this report.	Complied with
3 (5) (iii)	The Board has a process to identify and disclose in its Corporate Governance Report, which shall be a part of its Annual Report, relationship, if any, between the Chairman and the CEO and Board members and the nature of any relationships including among members of the Board.	There is a process to obtain an annual declaration from each Director about relationships, if any, between the Chairperson and the CEO and Board members and its nature.	Complied with
3 (5) (iv)	The Board has a self-evaluation process where the Chairman, • Provides leadership to the Board; • Ensures that the Board works effectively and discharges its responsibilities; and • Ensures that all key and appropriate issues are discussed by the Board in a timely manner.	A scheme of self-assessment process for the BOD is in place.	Complied with
3 (5) (v)	A formal agenda approved by the Chairman is circulated by the Company Secretary.	The Agenda for each Board meeting is prepared by the Company Secretary, which is approved by the Chairperson.	Complied with
3 (5) (vi)	The Chairman ensures, through timely submission that all Directors are properly briefed on issues arising at Board meetings	The Chairperson ensures that the Directors receive adequate information in a timely manner and Directors are properly briefed on issues arising at the Board meeting. The minutes of the previous month's meetings are distributed to the Board members in advance and tabled at the next Board meeting for approval.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (5) (vii)	The Board has a self-evaluation process that encourages all Directors to make a full and active contribution to the Board's affairs and the Chairman takes the lead to act in the best interest of the Bank.	A scheme of self-assessment process for the BOD is in place which covers the requirement.	Complied with
3 (5) (viii)	The Board has a self-evaluation process that assesses the contribution of Non-Executive Directors.	Assessment process covers the contribution of Non-Executive Directors as well.	Complied with
3 (5) (ix)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	The Chairperson is a Non-Executive Director and has not engaged in any activities involving direct supervision of KMPs or any other executive duties during the financial year 2024.	Complied with
3 (5) (x)	There is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	AGM of the Bank is the main platform through which the Board maintains effective communication with shareholders and further, the communication policy of the Bank is evidence that there is a process in this regard.	Complied with
3 (5) (xi)	The CEO functions as the apex executive-in- charge of the day-to-day management of the Bank's operations and business.	The CEO functions as the apex executive-in charge of the day-to-day management of the Bank's operations and business.	Complied with
3 (6)	**BOARD-APPOINTED COMMITTEES**		
3 (6) (i)	The Bank has established at least four Board committees as set out in Direction 3 (6) (ii), 3 (6) (iii), 3 (6) (iv), and 3 (6) (v) of these Directions. The Committee reports are addressed directly to the Board. The Board presents in its Annual Report, a report on each committee on its duties, roles, and performance.	Following committees have been established and they directly report to the Board and minutes of the same are discussed and ratified at the main Board meeting: 1. Board Audit Committee (BAC) 2. Board Human Resources and Remuneration Committee (BHRRC) 3. Board Selection, Nominations & Governance Committee (BSN & GC) 4. Board Integrated Risk Management Committee (BIRMC) 5. Board Credit Committee (BCC) 6. Board Related Party Transactions Review Committee (BRPTRC) 7. Board Strategic Planning Committee (BSPC) 8. Board Co-operative, Rural Enterprise and Livelihood Development Committee (BCRELDC) 9. Board IT Steering Committee (BITSC) 10. Board Sub Committee on Sustainability (BSCS) This is disclosed under the "Annual Report of the Board of Directors".	Complied with
3 (6) (ii)	**Board Audit Committee**		
	(a) The Chairman of the Committee is an Independent Non-Executive Director and possesses qualifications and related experience.	The Chairman is an Independent Non-Executive Director who is a qualified Chartered Accountant.	Complied with
	(b) All members of the Committee are Non-Executive Directors.	All members are Non-Executive Directors.	Complied with

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Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(c) The Committee has made recommendations on matters in connection with – (i) The appointment of the External Auditors for audit services to be provided in compliance with the relevant statutes; (ii) The implementation of the Central Bank guidelines issued to Auditors from time to time; (iii) The application of the relevant accounting standards; and (iv) The service period, audit fee and any resignation or dismissal of the Auditors; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re- engaged for the audit before the expiry of three years from the date of the completion of the previous term.	The Committee makes recommendations regarding those matters.	Complied with
	(d) The Committee has obtained representations from the External Auditor on their independence, and that the audit is carried out in accordance with SLAuS.	External Auditors are independent since they report directly to the BAC. The Report on the Financial Statements of the Bank for the year 2024 indicates that the audit is carried out in accordance with SLAuS.	Complied with
	(e) The Committee has implemented a policy on the engagement of an External Auditor to provide non-audit services in accordance with relevant regulations.	The Committee has implemented a policy in this regard.	Complied with
	(f) The Committee has discussed and finalised the nature and scope of the audit, with the External Auditors in accordance with SLAuS before the audit commences.	The Committee has discussed and finalised the Audit Plan 2024, nature and scope of the audit and deliverables, with the External Auditors in accordance with SLAuS before the audit commences.	Complied with
	(g) The Committee has a process to review the financial information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its annual report, accounts, and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following: (i) Major judgemental areas; (ii) Any changes in accounting policies and practices; (iii) The going concern assumption; and (iv) The compliance with relevant accounting standards and other legal requirements; and (v) In respect of the Annual Financial Statements the significant adjustments arising from the audit.	The Committee reviewed all quarterly unaudited interim Financial Statements and the Financial Statements for the year ended 31 December 2024 which was submitted by the CFO/HOF.	Complied with
	(h) The Committee has met the External Auditors relating to any issue in the absence of the Executive Management with relation to the audit.	The Committee has met the External Auditors in the absence of the Executive Management during the year.	Complied with
	(i) The Committee has reviewed the External Auditors' Management Letter and the Management's response thereto.	The BAC reviews the External Auditors' Management Letter and Management, response at the meeting.	Complied with
	(j) The Committee shall take the following steps with regard to the internal audit function of the Bank;		

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(i) Review the adequacy of the scope, functions, and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;	The Committee reviews the adequacy of the scope, functions, and resources of the Internal Audit Department.	Complied with
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	The Committee reviewed the risk-based audit plan & the audit reports tabled by the Internal Audit Department (IAD) and the appropriate actions have been taken based on the recommendations of the IAD.	Complied with
	(iii) Review any appraisal or assessment of the performance of the Head and Senior staff members of the Internal Audit Department;	The BAC has evaluated the performance of the Head of Internal Audit and Pillar Heads for the year 2024.	Complied with
	(iv) Recommend any appointment or termination of the head, senior staff members, and outsourced service providers to the internal audit function;	No any appointment or termination of head, senior staff in the year 2024.	Complied with
	(v) The Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	There were no resignations of senior staff members of the Internal Audit Department or outsourced service providers during the period.	Complied with
	(vi) The internal audit function is independent of the activities it audits.	The Internal Audit Department is independent since they report directly to the BAC and is not involved in any operational activities of the Bank. Its functions are performed with impartially, proficiency and due professional care.	Complied with
	(k) The minutes to determine whether the Committee has considered major findings of internal investigations and Management's responses thereto;	The Committee has reviewed all the findings relating to investigations tabled at the BAC and advised the CIA for appropriate actions.	Complied with
	(l) Ensure that whether the Committee has had at least two meetings with the External Auditors without the Executive Directors being present.	During the year, the Committee met with the External Auditor on two occasions without the presence of the Executive Director.	Complied with
	(m) The Terms of Reference of the Committee to ensure that there is – (i) Explicit authority to investigate into any matter within its Terms of Reference; (ii) The resources which it needs to do so; (iii) Full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	The Board approved Terms of Reference (ToR) of the Board Audit Committee and TOR covers the above aspects.	Complied with
	(n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties.	During the year 2024, the BAC held 24 regular meetings and its minutes are maintained by the Company Secretary.	Complied with

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Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(o) The Board has disclosed in the Annual Report, (i) Details of the activities of the Audit Committee; (ii) The number of Audit Committee meetings held in the year; and (iii) Details of attendance of each Individual Director at such meetings.	This information is disclosed in the Annual Report under the following headings: (i) & (ii) "Report of the Board Audit Committee". and (iii) "Annual Report of the Board of Directors on the Affairs of the Company"	Complied with
	(p) The secretary of the Committee is the Company Secretary or the Head of the internal audit function.	The secretary of the Committee is the Chief Internal Auditor.	
	(q) The Committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditors.	This requirement has been documented in the "Whistle-blowing" policy and approved by the Board.	Complied with
3 (6) (iii)	The following rules apply in relation to the Human Resources and Remuneration Committee:		
	(a) The Committee has implemented a policy to determine remuneration (salaries, allowances, and other financial payments) relating to Directors, CEO and Key Management Personnel of the Bank by review of the "Terms of Reference" and minutes.	The BHRRC has implemented a policy to determine the remuneration of Directors. The Committee has implemented a policy to determine the remuneration relating to CEO and KMPs of the Bank.	Complied with
	(b) The goals and targets for the Directors, CEO and the Key Management Personnel are documented.	Goals and targets of CEO and KMPs for the year 2024 have been set and reviewed by the committee in March 2024.	Complied with
	(c) The Committee has considered evaluations of the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determines the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The Bank has a process to review and evaluate the performance of CEO and KMPs by the BHRRC/BAC/BIRMC as appropriate. The performance evaluations of the Key Management Personnel have been completed against the set targets and the goals for 2024 & submitted for the approval of BHRRC.	
	(d) The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	The CEO is present at all meetings other than when matters relating to the CEO are discussed.	Complied with
3 (6) (iv)	The following rules apply in relation to the Nomination Committee:		
	(a) The Committee has implemented a procedure to select/appoint new Directors, CEO, and Key Management Personnel.	The Board has a policy and procedure for the selection and appointment of the Directors, CEO and KMPs.	Complied with
	(b) The Committee has considered and recommended (or not recommended) re-election of current Directors.	Duly recommended.	Complied with
	(c) The Committee has set the criteria such as qualifications, experience, and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the Key Management Personnel, by review of job descriptions.	Criteria such as qualifications, experience, and key attributes required for eligibility for appointment or promotion to the post of CEO are submitted at the Selection and Nomination Committee. Criteria for KMPs are included in their job descriptions approved by the BHRRC. These job descriptions are submitted at the Nomination Committee for their review.	

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(d) The Committee has obtained from the Directors, CEO, and Key Management Personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction No. 3 (3) and as set out in the Statutes.	Signed declarations are obtained from Directors, CEO, and KMPs that they are fit and proper persons to hold the office.	Complied with
	(e) The Committee has considered a formal succession plan for the retiring Directors and Key Management Personnel	The Committee developed Succession Plan Policy and Procedure for appointing Independent Non - Executive Directors which is in place for retiring Directors of the Bank. Succession Plan of KMPs for 2024 was prepared in November 2023 and approved by the Board on 15 Dec 2023. However, the bank is in the process of reviewing the existing succession plan in terms of changes taken place to key management positions during the year 2024.	Complied with Complied with
	(f) The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	The Committee is chaired by an Independent Director, and the majority of the members are also Independent Directors as at the date of this report. The CEO participates only on invitation.	Complied with
3 (6) (v)	The following rules apply in relation to the Board Integrated Risk Management Committee (BIRMC):		
	(a) The Committee shall consist of at least three Non-Executive Directors, CEO, and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks, and work within the framework of the authority and responsibility assigned to the Committee.	At present the BIRMC consists of five Non- Executive Directors. The Committee includes CEO and KMPs supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks as members of the Committee.	Complied with
	(b) The Committee has a process to assess all risks, i.e. credit, market, liquidity, operational, and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information In the case of subsidiary companies and associate companies, risk management shall be done, both on a Bank basis and Group basis.	Credit, market, operational, and strategic risks are evaluated on a monthly basis by the Risk Management Department and discussed at the Executive Integrated Risk Management Committee. The minutes are submitted to the BIRMC on a monthly/quarterly basis.	Complied with
	c) The Committee has reviewed the adequacy and effectiveness of all management level Committees such as the Credit Committee and the Asset and Liability Committee, and report any risk indicators periodically.	The Committee reviews the adequacy and effectiveness of management level committees such as the Executive Credit Committee, Executive Integrated Risk Management Committee, the Investment Committee, and the Assets and Liability Management Committee.	Complied with
	(d) The Committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	The BIRMC reviews risk indicators which may have exceeded the defined limits.	Complied with
	(e) The Committee has met at least quarterly.	The Committee met twelve times during 2024.	Complied with
	(f) The Committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.	Disciplinary actions to be taken against officers responsible for failure to identify specific risk is discussed at the Committee and it is incorporated into the disciplinary procedure manual.	Complied with
	(g) The Committee submits a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	A risk assessment report is submitted to the Board within a one week of each BIRMC meeting.	Complied with

CORPORATE GOVERNANCE

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(h) The Committee has established a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls, and approved policies on all areas of business operations and that there is a dedicated Compliance Officer selected from Key Management Personnel to carry out the compliance function and report to the Committee periodically.	Compliance function is in place to ensure that the Bank complies with all relevant regulations, rules, and guidelines. A dedicated senior officer has been appointed by the Bank in this regard who has designated as a KMP. The Compliance Officer submits a monthly compliance status to the Board and a Related Party Transactions Report on a quarterly basis to the Board.	
3 (7)	**RELATED PARTY TRANSACTIONS**		
3 (7) (i)	There is an established and documented process by the Board to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: (a) Any of the Bank's subsidiary companies; (b) Any of the Bank's associate companies; (c) Any of the Directors of the Bank; (d) Any of the Bank's Key Management Personnel; (e) A close relation of any of the Bank's Directors or Key Management Personnel; (f) A shareholder owning a material interest in the Bank; (g) A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest.	There is a Board approved "Related Party Transactions Policy" which defines guidelines on related parties and avoiding any conflicts of interest with said parties that may arise from such transactions of the Bank. Transactions with related parties are done strictly according to the Board approved Related Party Transactions Policy and are reported to the Board on a monthly basis. Further, the Related Party Transactions Review Committee (RPTRC) is a subcommittee of the Board and is responsible for making decisions over related party transactions other than day-to-day normal business activities.	Complied with
3 (7) (ii)	There is a process to identify and report the following types of transactions as transactions with related parties that are covered by this direction (a) The grant of any type of accommodation, as defined in the Monetary Board's directions on maximum amount of accommodation. (b) The creation of any liabilities of the Bank in the form of deposits, borrowings, and investments. (c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank. (d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential, or otherwise sensitive information that may give benefits to such related parties	There is a Board approved "Related Party Transactions Policy" which defines guidelines on related parties and avoiding any conflicts of interests with said parties that may arise from such transactions of the Bank. The Bank has an established process of reporting related party transactions with regard to related entities to the Board of Directors on a quarterly basis.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3 (7) (iii)	The Board has a process to ensure that the Bank does not engage in transactions with related parties as defined in Direction 3 (7) (i), in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business.	The Board approved "Related Party Transactions Policy" is in place. It defines related parties and types of related party transactions and how the Bank does not engage in transactions with related parties as defined in Direction 3 (7) (i) above, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business.	Complied with
	(a) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board.	The Bank modified the system to enable the effective identification of related party transactions and to ensure that there are no favourable treatments offered to such related parties than that accorded to other constituents of the Bank carrying on the same business.	
	(b) Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counter-party.		
	(c) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;		
	(d) Providing services to or receiving services from a related party without an evaluation procedure;	Monitoring is being carried out covering all the products of the Bank to ensure that the Bank does not offer "more favourable treatment" to related parties.	
	(e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential, or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	However, this process needs to be strengthened, implementing a mechanism to get a "pop up" when the name or other identifying data of a related party is entered into systems of the Bank.	
3 (7) (iv)	The Bank has a process for granting accommodation to any of its Directors and Key Management Personnel, and that such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two- third 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 as well.	This requirement is documented in the Board approved Related Party Transactions Policy.	Complied with
3 (7) (v)	(a) The Bank has a process, where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, the steps have been taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.	No such matters were pending as at 31st December 2024.	Complied with

CORPORATE GOVERNANCE

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(b) Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, has the Bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.	No such matters are outstanding as at 31st December 2024.	Complied with
	(c) There is a process to identify any Director who fails to comply with the above sub directions, be deemed to have vacated the office of Director and has the Bank disclose such fact to the public.	Such a situation did not occur during 2024.	Complied with
	(d) Process in place to ensure Clause 3 (7) (v) (c) does not apply to any Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such Bank.	Such a situation did not occur during 2024.	Complied with
3 (7) (vi)	There is a process in place to identify when the Bank grants any accommodation or "more favourable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such Bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	No favourable treatment was given to the employees under any category other than staff benefit schemes approved by the Board of Directors.	Complied with
3 (7) (vii)	There is a process to obtain prior approval from the Monetary Board for any accommodation granted by the Bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary Board and any remission without such approval is void and has no effect.	Not applicable due to the reasons mentioned in 3 (7) (v) and 3 (7) (vi) above.	Complied with
3 (8)	**DISCLOSURES**		
3 (8) (i)	The Board ensures that the Board has disclosed:		
	(a) Annual Audited Financial Statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Annual Audited Financial Statements including the basis of preparation and presentation and statement of compliance is disclosed in the Annual Report 2024 and such Audited Financial Statements and quarterly Financial Statements have been published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Compiled with
	(b) Quarterly Financial Statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.		Complied with
3 (8) (ii)	The Board has made the following minimum disclosures in the Annual Report:		
	(a) The statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Specific disclosures are available on page 165 of this Annual Report under "Statement of Directors Responsibility for Financial Reporting".	Complied with

<table>
<tr><th>Guideline</th><th>Function of the Board</th><th>Level of Compliance</th><th>Complied/ Not Complied</th></tr>
<tr><td></td><td>(b) The report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</td><td>Specific disclosures are available on pages 161 to 162 of this Annual Report under "Directors' Statement on Internal Control over Financial Reporting".</td><td>Complied with</td></tr>
<tr><td></td><td>(c) The Board has obtained the assurance report issued by the Auditors under "Sri Lanka Standards on Assurance Engagements SLSAE – 3050 – Assurance reports for banks on Directors Statement on Internal Control" referred to in Direction 3 (8) (ii) (b) above.</td><td>The Board has obtained the Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statement on Internal Control" and included on page 163 of this Annual Report.</td><td>Complied with</td></tr>
<tr><td></td><td>(d) Details of Directors, including names, qualifications, age, experience fulfilling the requirements of the guideline, fitness and propriety, transactions with the Bank, and the total of fees/remuneration paid by the Bank.</td><td>Details on the same are disclosed under the heading "Board of Directors".</td><td>Complied with</td></tr>
<tr><td></td><td>(e) Total net accommodation as defined in Direction 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.</td><td>Disclosures of accommodation outstanding as of balance sheet date to related parties are made under Notes to the Financial Statements in the Annual Report. Net accommodations granted to each category of related parties and its percentage as a Bank capital is as follows:

<table><tr><th>Category of Related party</th><th>Balance</th><th></th></tr><tr><th></th><th>(LKR Mn)</th><th>%</th></tr><tr><td>Board of Directors</td><td>41.50</td><td>0.28</td></tr><tr><td>Corporate Management</td><td>207.12</td><td>1.42</td></tr><tr><td>Related Companies</td><td>1,000</td><td>6.68</td></tr></table>
Spouses and other family members of related parties - NIL</td><td></td></tr>
<tr><td></td><td>(f) The aggregate values of remuneration paid by the Bank to its Key Management Personnel and Directors, and the aggregate values of the transactions of the Bank with its Key Management Personnel and Directors, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.</td><td>Disclosure of remuneration paid by the Bank to its KMPs and Directors and other transactions with KMPs and Directors are disclosed below.

<table><tr><th rowspan="2">Category of KMP</th><th colspan="2">Balance as at 31 December 2024 (LKR Mn)</th><th rowspan="2">Remuneration fees paid during the year (LKR Mn)</th></tr><tr><th>Deposits</th><th>Loan outstanding</th></tr><tr><td>Board of Directors</td><td>-</td><td>-</td><td>41.50</td></tr><tr><td>Corporate management (AGM grade and above)</td><td>46.75</td><td>24.72</td><td>182.40</td></tr></table></td><td></td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(g) Board has confirmed in its Annual Corporate Governance Report that all the findings of the "Factual Findings Report" of Auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the Annual Corporate Governance Report.	The Board has confirmed in the Annual Corporate Governance Report that all the findings of the "Factual Findings Report" of Auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in Annual Corporate Governance Report.	Complied with
	(h) A report setting out details of the compliance with prudential requirements, regulations, laws, and internal controls and measures taken to rectify any material non-compliance.	This aspect is covered by the "Board of Directors on the affairs of the Company" on pages 151 to 160 of this Annual Report.	Complied with
	(i) A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such Where Listed Entities concerns.	No such direction was issued by the Monetary Board during the year.	Complied with

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
A. DIRECTORS			
A.1. THE BOARD			
The Bank should be headed by a Board, which should direct, lead, and control the Bank			
Except one Director who serves in the capacity of CEO, all the other Directors of the Bank function in a Non-Executive capacity. The Board consists of professionals in the fields of Banking, Accounting, Rural Development, Management and Economics. All Directors possess the skills, experience and knowledge combined with a high sense of integrity and independent judgement. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Bank. The Board's composition reflects sound balance of independence and anchors shareholder commitment.			
1. Board meetings	A.1.1	The Board should meet regularly. At least once a quarter.	The Board meets regularly on a monthly basis. During the year the Board met 17 times.
2. Board responsibilities	A.1.2	Board should provide an entrepreneurial leadership within a framework of prudent and effective controls.	The Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the management of business. The Board has provided strategic direction in vision statement, mission statement and the Annual budget.
3. Compliance with laws and access to independent professional advice	A.1.3	The Board collectively and Directors individually must act in accordance with rules and regulations.	The Board collectively as well the Directors individually, recognize their duties to comply with laws of the country which are applicable to the Bank. A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Bank's expense. This is being carried out through the Board Secretary, as and when it is requested.
4. Board secretary	A.1.5	All Directors should bring an independent judgement to bear on issues of strategy.	Directors are responsible for bringing independent and objective judgement, and scrutinizing the decisions taken by the Corporate Management led by the CEO, on issues of strategy, performance, resource utilization and business conduct.
5. Independent judgement	A.1.5	All Directors should bring an independent judgement to bear on issues of strategy.	Directors are responsible for bringing independent and objective judgement, and scrutinizing the decisions taken by the Corporate Management led by the CEO, on issues of strategy, performance, resource utilization and business conduct.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
6. Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company.	Chairperson and members of the Board have dedicated adequate time for the fulfilment of their duties as Directors of the Bank. In addition to attending Board meetings, they have attended Subcommittee meetings and also have made decisions via circular resolution where necessary. Papers relating to the Board meetings are sent well in advance allowing sufficient time for preparation.
7. Training for new Directors	A.1.7	Every Director should get an appropriate training.	The Board of Directors recognizes the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors.
A.2. CHAIRMAN AND CEO			
There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions. The roles of the Chairman and the Chief Executive Officer are functioning separately at SDB bank. The Chairman's main responsibility is to lead, direct and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. CEO is responsible for the day-to-day operations of the Bank.			
1. Division of responsibilities of the Chairman and the MD/CEO	A.2.1	A decision to combine the posts of Chairman and the CEO in one person should be justified and highlighted in the Annual Report.	The roles of the Chairperson and the Chief Executive Officer have been segregated, ensuring an appropriate balance of power.
A.3. CHAIRMAN'S ROLE			
The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully and preserves order and facilitates the effective discharge of the Board function.			
1. Role of the Chairman	A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure an effective discharge of the Board functions.	The Chairperson leads the Board ensuring effectiveness in all aspects of its role. The Chairperson of SDB bank is a Non-Executive Director, elected by the Board. The Chairperson's role encompasses – Ensuring that the new Board members are given appropriate induction, covering terms of appointment, duties and responsibilities.
A.4. FINANCIAL ACUMEN			
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board is equipped with members having sufficient financial acumen and knowledge.			
1. Availability of sufficient financial acumen and knowledge	A.4.1	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	There is sufficient financial acumen on the Board, gained from leading large private and public enterprises coupled with academic and professional backgrounds. The details of their qualifications and experiences have been listed in the Annual Report under "Board of Directors".
A.5. BOARD BALANCE			
It is preferable for the Board to have balance of Executive and Non-Executive Directors such that no individual or a small group of individuals can dominate the Board's decision-taking.			
1. Presence of Non-Executive Directors	A.5.1	The Board should include at least two Non- Executive Directors or a number equaling to 1/3 of all Directors whichever is higher and in the event of CEO and Chairman is same the majority should be consistent with Non- Executives.	Majority of the Directors are Non-Executive Directors. CEO is the only one Executive Director functions in an executive capacity. The requirement as per the direction has been complied throughout 2024.
2. Independent Directors	A.5.2	Two or 1/3 of Non-Executive Directors out of all, should be Independent Directors.	Board comprises four Independent, Non- Executive Directors as at the report date.

CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
3. Criteria to evaluate Independence of Non- Executive Directors	A.5.3	For a Director to be deemed as "Independent", such Director should be independent from management and free of any business or other relationships that could materially interfere.	Board comprises four Independent, Non- Executive Directors as at the report date. Compliant with independent criteria as at the report date.
4. Signed declaration of independence by the Non- Executive Directors	A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence.	A declaration of Independence is signed by all Non-Executive Directors.
5. Determination of independence of the Directors by the Board	A.5.5	The Board should make a determination annually as to the independence or Non-Independence of each Non-Executive Director.	The Board has determined that the submission of declaration/s by the Non- Executive Directors, as to their independence, as fair representation and will continue to evaluate their submission annually.
6. Appointment of alternate Director	A.5.6	If an Alternate Director is appointed by a Non- Executive Director such Alternate Director should not be an Executive of the Bank.	No Alternate Director was appointed during the year 2024.
7. Senior Independent Directors	A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non- Executive Directors to be the "Senior Independent Director" and disclose this appointment in Annual Report.	Roles of the Chairperson and the CEO are held by two different individuals that carry out different functions.
8. Confidential discussion with the Senior Independent Director	A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors.	The roles of the Chairperson and the CEO are segregated.
9. Meeting of Non-Executive Directors	A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Until October 2024 all the Directors were Non-Executive Directors and met on a monthly basis. Therefore, the requirement as per the direction has been complied.
10. Recording of concerns in Board minutes	A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	Concerns of Directors have been duly recorded in Board minutes.
A.6. SUPPLY OF INFORMATION			
Management should provide time bound information in a form and of quality appropriate to enable the Board to discharge its duties.			
1. Information to the Board by the Management	A.6.1	Management has the responsibility to provide the information appropriately and timely to the Board. But information volunteered by Management is not always enough and Directors should make further inquiries where necessary.	The Board was provided with timely and appropriate information by the Management by way of Board papers and proposals. The Board sought additional information as and when necessary. Members of the Corporate Management made presentations on issues of importance whenever clarification was sought by the Board. The Chairperson ensured that all Directors were briefed on issues arising at Board meetings.
2. Adequate time for effective Board meetings	A.6.2	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven days before.	The Board papers were circulated to the Directors at least a week before the respective Board meetings by giving an adequate time for Directors to study the papers and prepare for a meaningful discussion at the meeting.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
A.7. APPOINTMENTS TO THE BOARD			
There should be a formal and transparent procedure for the appointment of new Directors to the Board.			
1. Nomination Committee	A.7.1	A Nomination Committee should be established to make recommendations to the Board on selection of New Directors. The Chairman and members of the Committee should be disclosed in the Annual Report.	The Board Nomination, Selections and Governance Committee made recommendations to the Board on all new Board appointments. The Terms of Reference of the Committee was formally approved by the Board and Chairperson and members are disclosed in the Annual Report under "Report of The Board Nomination, Selections and Governance Committee (BNS & GC).
2. Assessment of Board composition by the Nomination Committee	A.7.2	The Nomination Committee or in the absence of Nomination Committee, the Board as a whole should annually assess Board composition.	The Board Nomination, Selections and Governance Committee carried out continuous review of the structure, size and composition (including the skills, knowledge, experience and independence required for Directors) of the Board to address and challenge adequately key risks and decisions that confront or may confront the Board and makes recommendations to the Board with regard to any changes.
3. Disclosure of details of new Directors to shareholders	A.7.3	Upon the appointment of a new Director, the Company should forthwith disclose relevant particulars to shareholders.	New appointments of Directors are disclosed through the CSE as well as at the AGM.
A.8. RE-ELECTION			
All Directors should submit themselves for re-election at regular intervals and at least once in every three years.			
1. Appointment of Non- Executive Directors	A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions of Companies Act relating to the removal of Directors and their reappointment should not be automatic.	Articles of Association of the Bank requires each Director other than the CEO and any nominee Director, to retire by rotation once in every three years and is required to stand for re-election by the shareholders at the Annual General Meeting. The proposed re-election of Directors is subject to prior review.
2. Election of Directors by the shareholders	A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment and re-election thereafter at intervals of no more than three years.	Complied with Subject to provisions in the Articles of Association.
A.9. APPRAISAL OF BOARD PERFORMANCE			
The Board should periodically appraise its own performance against the pre-set targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
1. Appraisal of Board performance	A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.	Self-assessments for Board of Directors were done for the year 2024.
2. Annual self-evaluation of the Board and its committees	A.9.2	The Board also should undertake an annual self-evaluation of its own performance and that of its committees.	There is a self-performance evaluation procedure for the Board of Directors of the Bank.
3. Disclosure of the method of appraisal of Board and Board Subcommittee performance	A.9.3	The Board should state how such evaluation was done in the Annual Report.	Refer the write up of the "Corporate Governance Report" in the Annual Report.

CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
A.10. DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders			
1. Details in respect of Directors	A.10.1	The Annual Report of the Company should disclose details regarding Directors.	Details of the Directors are given in the Annual Report under "Board of Directors" and "Annual Report of the Board of Directors on the Affairs of the Company".
A.11. APPRAISAL OF THE CEO			
The Board of Directors should at least annually assess the performance of the Chief Executive Officer.			
1. Targets for MD/ CEO	A.11.1	At the commencement of every fiscal year the Board in consultation with the CEO should set objectives for the Company.	CEO's performance objectives are aligned with business objectives of the Bank. The performance targets for the CEO are set at the commencement of every year by the Board.
2. Evaluation of the performance of the MD/CEO	A.11.2	The performance of CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets have been achieved.	Bank has a process to review and evaluate the performance of the CEO at the Board Human Resources and Remuneration Committee.
B. DIRECTORS' REMUNERATION			
B.1. REMUNERATION PROCEDURES			
The Bank should have a formal and transparent procedure for developing policy on Executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her remuneration.			
1. HR and Remuneration Committee	B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board.	The HR and Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy of the Directors and KMPs, and for making all relevant disclosures.
2. Composition of the HR and Remuneration Committee	B.1.2 and B.1.3	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman who should be appointed by the Board and the Chairman and members of the Committee should be stated in the Annual Report.	All Committee members are Non-Executive Directors and the Chairman is appointed by the Board. Composition of the Committee is given in the Annual Report under "Report of the Board Human Resources and Remuneration Committee".
3. Remuneration of the Non- Executive Directors	B.1.4	The Board as a whole or as required by the Articles of Association the shareholders should determine the remuneration of Non-Executive Directors.	Remuneration of Non-Executive Directors is determined by the Board Human Resources and Remuneration Committee.
4. Consultation of the Chairman and access to professional advice	B.1.5	The Remuneration Committee should consult the Chairman and CEO about its proposals relating to the remuneration of other executive Directors and have access to other professional advice.	Inputs of the Chairperson is obtained as and when required for the said subcommittee and access is available to obtain professional advice, if necessary.
B.2. LEVEL AND MAKE UP OF REMUNERATION			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Bank successfully. A Proportion of Executive Directors remuneration should be structured to link rewards to the corporate and individual performance.			
1. Level and make up of the remuneration of Executive Directors	B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors.	The Board is mindful of the fact that the remuneration of the Executive and the Non- Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Bank.
2. Comparison of remuneration with other companies	B.2.2	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors.	The Board is mindful of the fact that the remuneration of Executive and the Non- Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Bank.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
3. Comparison of remuneration with other companies	B.2.3	The Remuneration Committee should judge where to position the level of remuneration of the Company relative to other companies.	The Remuneration Committee in deciding the remuneration of the Directors (including the compensation package of the CEO) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors.
4. Comparison of remuneration with other companies in the Group	B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions.	Please refer the above comment under B.2.2.
5. Performance – related payment to Executive Directors	B.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	This requirement has been complied with.
6. Executive share options	B.2.6	Executive share options should not be offered at a discount.	Such a share option scheme is not in practice in the Bank
7. Deciding the Executive Directors' remuneration	B.2.7	In designing schemes for performance-related remuneration, Remuneration Committee should follow the relevant SEC regulations.	This requirement has been complied with.
8. Early termination of Directors	B.2.8	Remuneration Committee should consider what compensation commitments, their Directors' contracts of service, if any, entail in the event of early termination.	Compensation on early termination will be discussed on a case by case basis considering the relevant facts.
9. Early termination not included in the initial contract	B.2.9	Where the initial contract does not explicitly provide for compensation commitments, remuneration committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	Compensation on early termination will be discussed on a case by case basis by the Remuneration Committee.
10. Remuneration of the Non-Executive Directors	B.2.10	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their roles, taking into consideration market practices.	The level of remuneration of Non-Executive Directors reflect the time commitment and responsibility of their role taking into consideration market practices.
B.3. DISCLOSURE OF REMUNERATION			
The Bank should disclose the Remuneration Policy and the details of remuneration of the Board as a whole.			
1. Disclosure of Remuneration	B.3.1	The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Directors.	Refer page 144 to the Financial Statements relating to Related Party Transactions included in the Annual Report for remuneration of Directors, and "Report of the Board Human Resources and Remuneration Committee" for composition of the Remuneration Committee with names.

CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
C. RELATIONS WITH SHAREHOLDERS			
C.1. CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING AND CONDUCT OF GENERAL MEETINGS			
Boards should use the AGM to communicate with shareholders.			
1. Encourage their participation	C.1.1	Companies should count all proxy votes and should indicate the level of proxies lodged in each resolution, and the balance for and withheld after it has been dealt with on a show of hands, except where a poll is called.	The Bank has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
2. Separate resolution for all separate issues	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular purpose a resolution at the AGM relating to the adoption of the report and accounts.	The Bank proposes a separate resolution at the AGM on each substantially separate issue.
3. Availability of all Board Subcommittee Chairmen at the AGM	C.1.3	The Chairman of the Board should arrange for the Chairman of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	The Board which includes the Chairman of the Audit, Remuneration, Nomination, and Integrated Risk Management Committees are present at the AGM to answer any questions.
4. Adequate notice of the AGM	C.1.4	The Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The Bank gives notice of the AGM and related papers to the shareholders 15 working days prior to the Meeting date.
5. Procedures of voting at General Meetings	C.1.5	The Company should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	Voting procedures at General Meetings are circulated to the shareholders along with the Annual Report.
C.2. COMMUNICATION WITH SHAREHOLDERS			
The Board should implement effective communication with shareholders.			
1. Dissemination of timely information	C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	All the financial information of the Bank could be accessed through newspapers, the Bank's website and the CSE website by stakeholders.
2. Policy and Methodology for communication with shareholders	C.2.2	The Company should disclose the policy and methodology for communication with shareholders.	Communication with shareholders is done through individual letters, through inquiries from Company Secretary Department, Annual Report, Bank Facebook page and Bank's Website.
3. Implementation Of communication Policy and Methodology	C.2.3	The Company should disclose how they implement the above policy and methodology.	A Board-approved communication policy is in place.
4. Contact person for communication	C.2.4	The Company should disclose the contact person for such communication.	Following is the contact number of person to be contacted - The Company Secretary – 011 2832 590
5. Awareness of Directors on major issues and concerns of shareholders	C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	In line with the Articles of the Association, Non-Executive Directors are selected by the shareholders at the AGMs. Shareholders can inform their concerns through those directors to discuss at Board Meetings. Moreover, Shareholders can direct the concerns to the Company Secretary via the above given contact number to discuss at Board Meetings.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
6. The Contact person in relation to shareholders' matters	C.2.6	The Company should decide the person to contact relating to shareholders matters. The relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the Board of Directors.	Following is the contact number of person to be contacted relating to shareholders' matters. Company Secretary – 011 2832 590
7. The process of responding to shareholder matters	C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Answering the shareholders' matters is done by Company Secretary / through the above contact numbers and at the AGM.
C.3. MAJOR AND MATERIAL TRANSACTIONS			
Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Bank, if entered into.			
1. Statutory and regulatory reporting	D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators.	SDB bank has reported a true and fair view of its position and performance for the year ended 31st December 2024 and at the end of each month of 2024. In the preparation of quarterly and annual financial statements, SDB bank had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 and amendments thereto, and are prepared and presented in conformity with Sri Lanka Accounting Standards. SDB bank has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.
2. Directors' Report in the Annual Report	D.1.2	The Directors' Report which forms a part of the Annual Report, should contain a declaration by the Directors stating that Bank's operations are in line with statutory requirements.	The "Annual Report of the Board of Directors on the Affairs of the Company" given in the Annual Report covers all areas of this section.
3. Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board on preparation and presentation of Financial Statements, and a statement of Internal Control.	This requirement is satisfied by the "Statement of Directors' Responsibility for Financial Reporting" and "Directors' Statement on Internal Control over Financial Reporting" given in the Annual Report. Statement of Internal Control is also given in the Annual Report.
4. Management Discussion and Analysis	D.1.4	Annual Report should contain a "Management Discussion and Analysis".	The Annual Report contains a "Management Discussion and Analysis".
5. Declaration by the Board that the business is a going concern	D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	This is given in the "Annual Report of the Board of Directors on the affairs of the Company" in the Annual Report.
6. Summoning an EGM to notify serious loss of capital	D.1.6	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an EGM of the Company to notify shareholders of the position and remedial actions.	Such a situation has not arisen during the period
7. Disclosure of Related Party Transactions	D.1.7	The Board should adequately disclose the Related Party Transactions in its Annual Report.	Related party transaction details are given in the Annual Report.

CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
D.2. INTERNAL CONTROL			
The Board should have a sound system of internal controls to safeguard shareholders" investments and the Bank's assets.			
1. Annual evaluation of the internal controls system	D.2.1	The Directors should at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal control.	The Board is responsible for establishing a sound framework of internal controls and monitoring its effectiveness on a continuous basis. The system of internal controls was evaluated by the Board Audit Committee in the year 2024. Risk has been reviewed by BIRMC quarterly. The Board of Directors was satisfied with the effectiveness of the system of internal controls, which is evidenced through the "Independent Assurance Report to the Board of Directors of SANASA Development Bank PLC" given by the External Auditors with regard to the "Directors' Statement on Internal Control over Financial Reporting" in the Annual Report.
2. Need for internal audit function	D.2.2	Companies should have an internal audit function.	The Bank has a separate Internal Audit Department (IAD). The IAD is independent since they report directly to the BAC.
3. Reviews of the process and effectiveness of risk management and internal conntrols	D.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	During the Financial Year 2024, the BAC reviewed the effectiveness of risk management and internal controls through the reports tabled by the Internal Audit Department. Further, the Directors' Statement on Internal Controls over Financial Reporting in the Annual Report confirms the same.
4. Sound system of internal control and its content	D.2.4	Directors should follow the said guidance on responsibilities in maintaining a sound system of internal controls.	Directors' Statement on Internal Controls over Financial Reporting in the Annual Report describes the related areas.
D.3. AUDIT COMMITTEE			
The Board should have formal and transparent arrangements for selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Bank's External Auditor.			
1. Composition of the Audit Committee	D.3.1	The Audit Committee should comprise of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher.	Complied with. (Please refer the composition of Board Audit Committee in the Annual Report.)
2. Review of objectivity of the External Auditor	D.3.2	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors.	The Audit Committee ensures the independence and objectivity of External Auditors.
3. Terms of reference of the Audit Committee	D.3.3	The Audit Committee should have a written Terms of Reference.	Bank has written Terms of Reference (TOR) for Audit Committee which complies with the requirements of the code.
4. Disclosures of the Audit committee	D.3.4	The names of the Directors of the Audit Committee, determination of the independence of the Auditors and its basis should be disclosed in the Annual Report.	The names of the members of the Audit Committee are given in the Annual Report. The External Auditor has provided an independent confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by SEC and the BAC has reviewed the same to ensure their independence

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
D.4. CODE OF BUSINESS CONDUCT AND ETHICS			
The Bank should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management Team.			
1. Code of Business Conduct and Ethics	D.4.1	Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if there is such a Code, make an affirmative declaration in the Annual Report.	The Bank has developed a Code of Business Conduct and Ethics for all employees, which addresses conflicts of interest, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.
2. Affirmation by the Chairman that there is no violation of the Code of Conduct and Ethics	D.4.2	The Chairperson must affirm in the Company's Annual Report that she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Please refer the "Chairperson Statement on Corporate Governance" for details.
D.5. CORPORATE GOVERNANCE DISCLOSURES			
The Bank should disclose the extent of adoption of best practice in Corporate Governance.			
1. Disclosure of Corporate Governance	D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner in which Company has complied with the principles and provisions of this code.	This requirement is met through the presentation of this report.
E. INSTITUTIONAL INVESTORS			
E.1. SHAREHOLDERS' VOTING			
Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.			
1. Institutional shareholders	E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern.
E.2. EVALUATION OF GOVERNANCE DISCLOSURES			
1. Evaluation of Governance Disclosures	E.2.1	When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.	Institutional investors' concerns are addressed as and when raised.
F. OTHER INVESTORS			
F.1. INVESTING/DIVESTING DECISION			
1. Individual shareholders	F.1.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Information is readily available for individual shareholders investing directly in shares of the Company to carry out adequate analysis.
F.2. SHAREHOLDER VOTING			
2. Individual shareholders' voting	F.2.1	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	All individual shareholders are given the opportunity to participate at Annual General Meetings and exercise their voting rights by sending individual invitations.

CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2024
G. SUSTAINABILITY REPORTING			
G.1. PRINCIPLES OF SUSTAINABILITY REPORTING			
1. Principle 1 Economic sustainability	G.1.1	Principle of economic sustainability governance recognises how organisations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate in their sphere of influence and how this is integrated through the organisation.	The Board of Directors through multiple subcommittees guides and reviews the performance of the bank in relation to economic sustainability. Key Board Subcommittees in this regard includes the Board Strategic Planning Committee, Board Cooperative, Rural Enterprise and Livelihood Development Committee, Board Subcommittee on Sustainability, Board Integrated Risk Management Committee and the Board Credit Committee. The management executes a Board approved integrated strategy, where the performance is reviewed and discussed in aforementioned Board Subcommittees and also in the meetings of the Board of Directors. Integrated Sustainability Framework is in place approved by the Board of Directors addressing the key focused areas on sustainability, such as environmental stewardship, social responsibility and sustainable economic growth. Bank considers its regional influence and its impact when planning its strategies, activities and decisions on economic performance for economic sustainability governance.
2. Principle 2 – The environment	G.1.2	Environmental governance of an organisation should adopt an integrated approach that takes into consideration economic, social, health and environmental implications of their decisions and activities.	The Board of Directors through the Board Subcommittee on Sustainability reviews the implementation of the integrated strategy. Bank's seven pronged approach to sustainability management considers the economic, social, health and environmental implications of the decision and activities undertaken by the bank.
3. Principle 3 – Labour practice	G.1.3	Labour practices governance of an organisation encompasses all policies and practices relating to work performed by or on behalf of the organisation.	The Board of Directors through the Board Human Resources and Remuneration Committee reviews the implementation of the labour practices.
4. Principle 4 – Society	G.1.4	Society governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community development.	The Board of Directors through the Board Subcommittee on Sustainability reviews the Social Performance Management of the organisation in alignment with the Universal Standards for Social and Environmental Performance Management. It is supported by other committees such as the Board Cooperative, Rural Enterprise and Livelihood Development Committee and Board Strategic Planning Committee.
5. Principle 5 – Product responsibility	G.1.5	Product responsibility governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment.	The Board of Directors through the Board Subcommittee on Sustainability reviews the product responsibility aspects (value propositions on responsible finance) through Social Performance Management System of the bank in alignment with the Universal Standards for Social and Environmental Performance Management.
6. Stakeholder identification, engagement and effective communication	G.1.6	Internal and external stakeholder groups should be identified in relation to the Company's sphere of influence, impact and implication. Communication should be proactive and transparent.	The Board Strategic Planning Committee reviews stakeholder materiality aspects when formulating the integrated strategy. This involves identification and engagement of stakeholders through various functions of the bank.
7. Principle 7 – Formalisation of sustainability report	G.1.7	Sustainability reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis.	The Board of Directors through the Board Subcommittee on Sustainability and the Board Strategic Planning Committee reviews sustainability performance of the bank and its adherence to reporting and disclosure requirements. This requirement is met through the presentation of this report.

COMPLIANCE WITH COLOMBO STOCK EXCHANGE (CSE) LISTING RULES - SECTION 09 ON CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
9.1	**APPLICABILITY OF THE CORPORATE GOVERNANCE RULES**		
	The Bank is to publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	This report serves this purpose.	Complied with
9.2	**POLICIES**		
9.2.1	Establish and maintain the following policies, and disclose its existence and details of implementation on the website-		
	• Policy on the matters relating to the Board of Directors • Policy on Board Committees • Policy on Corporate Governance, Nominations and Re-election • Policy on Remuneration • Policy on Internal Code of Business Conduct and Ethics for all Directors and employees including Policies on trading in the Bank's listed securities • Policy on Risk management and Internal controls • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistle blowing • Policy on Anti-Bribery and Corruption	Following policies and procedures as required under the rule are currently in force at the Bank; Policy on the matters relating to the Board of Directors, Policy on Board Committees, Policy on Corporate Governance, Nominations and Re-election, Remuneration Policy and Procedure for Board of Directors, Remuneration Policy (Employees), Internal Code of Business Conduct and Ethics for Board of Directors and employees including Policies on trading in the Bank's listed securities, Policies on Risk management and Internal controls, Communication Policy covering Relations with Shareholders and Investors, Integrated Sustainability Policy Framework, Assets and Liability Management Policy covering Control and Management of Company Assets and Shareholder Investments, Policy on Corporate Disclosures, Policy on Whistle blowing and Policy on Fraud, Corruption and Operational Risk management. However, reviews of these policies need to be undertaken by the Bank in order to ensure further improvements.	Complied with

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
9.3	**BOARD SUB COMMITTEES**		
9.3.1/ 9.3.2	Following Board Committees to be established and the Bank to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules • Nominations and Governance Committee • Remuneration Committee • Audit Committee • Related Party Transactions Review Committee	The following Board Sub Committees referred to in the Rule are constituted and maintained and are functioning effectively; • Board Audit Committee (BAC) • Board Human Resources and Remuneration Committee (BHRRC) • Board Selection, Nominations & Governance Committee (BSN & GC) • Board Integrated Risk Management Committee (BIRMC) • Board Related Party Transactions Review Committee (BRPTRC)	Complied with
9.3.3	The Chairperson of the Board shall not be the Chairperson of the above Board sub-committees.		Complied with
9.4	**PRINCIPLES OF DEMOCRACY IN SHAREHOLDER DEALINGS**		
9.4.1	The Bank is to maintain records of all resolutions and the requisite information of shareholder resolutions and provide copies to the SEC or CSE if requested.	The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.	Complied with
9.4.2	A shareholder communications and relations policy is to be established and its existence is to be disclosed in the Annual Report and website.	The Bank's Communication Policy ensures this requirement. This report in the annual report 2024 serves the disclosure requirement.	Complied with
	Bank to have and disclose a contact person for communication with shareholders.	Details of the contact personnel are provided in the "Corporate Governance" section under "Communication with Shareholders" of this Report.	Complied with
9.5	**POLICY ON BOARD RELATED MATTERS**		
9.5.1	Bank to establish and maintain a formal policy governing matters relating to the Board of Directors covering the requisites in 9.5.1	The policy on matters relating to the Board of Directors was approved by the Board.	Complied with
9.6	**CHAIRPERSON AND CEO**		
9.6	The Chairperson of the Bank should be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same person.	The Chairperson of the Bank is not an Executive Director. The positions of Chairperson and CEO are held by two different individuals.	Complied with
9.6.3	If the Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, the Bank is to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3	Such a situation has not arisen during the year.	N/A
9.7	**FITNESS OF DIRECTORS AND CEO**		
9.7.1/ 9.7.2/ 9.7.3/ 9.7.4	The Bank is to ensure that the Directors and CEO and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Bank to obtain declarations from all directors and CEOs on an annual basis confirming their fitness and propriety.	The Company Secretary obtains declarations from the Directors on an annual basis. The Director's fitness and propriety in line with the Listing Rules have been obtained and submitted to the Board to assess and ensure that the Directors are fit and proper persons to hold office as specified in the criteria.	Complied with

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
9.8	**BOARD COMPOSITION**		
9.8.1	The minimum number of Directors shall be 5.	The number of Directors during the year 2024 complied with the thresholds detailed in these Rules. As at 31st December 2024, the Board comprised twelve (12) Directors.	Complied with
9.8.2/ 9.8.3/ 9.8.5	The minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change is to be rectified within 90 days.	The Board comprises of four independent Non-Executive Directors as at the date of this report.	Complied with
9.9	**ALTERNATE DIRECTORS**		
	The Bank is to follow the requirements laid down in 9.9 when appointing an Alternate Directors.	Such a situation has not arisen during the year	N/A
9.10	**DIRECTOR DISCLOSURES**		
9.10.1	The Bank is to disclose policy on the maximum number of directorships allowed to be held by a Director. If such a number is exceeded, an explanation is to be provided in the Annual Report	As required by the Banking Act Directions, no Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed under the section of "Board of Directors" of the Annual Report.	Complied with
9.10.3	The bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	The Bank makes the required announcements as and when necessary.	Complied with
9.11	**NOMINATIONS AND GOVERNANCE COMMITTEE**		
9.11.1	The bank shall have a Nominations and Governance Committee (NGC).	In view of the revised Listing Rules Board Selection, Nominations and Governance Committee established.	Complied with
9.11.3	NGC to have written Terms of Reference.	TOR of the BSN & GC was amended incorporating the governance aspect of TOR.	Complied with
9.11.2	Establish and maintain a formal procedure for appointments and re-election of Directors through the Nominations and Governance Committee	The BSN & GC considers Board vacancies and recommends suitable candidates, when necessary, in accordance with the Board-approved procedure for selection and appointment of Directors and in line with applicable laws and regulations.	Complied with
9.11.4 9.11.5	Functions and Composition of the NGC - Comprise a minimum of 3 Directors out of which a minimum of 2 shall be Independent - not consist of Executive Directors – Chairperson to be an Independent Director	Please see the detailed report under the section "Report of the Board Selection and Nomination Committee" of the Annual Report for the functions and composition.	Complied with
9.12	**REMUNERATION COMMITTEE**		
9.12.2/ 9.12.5	The bank shall have a Remuneration Committee and the Committee to have written Terms of Reference.	The Bank has a Board Human Resources & Remuneration Committee & written Terms of Reference to such committee is in force.	Complied with
9.12.3/ 9.12.4	BHRRC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual directors.	The Bank has a Board-approved Policy and Procedure for the Selection, Appointment, and Remuneration of the Directors (Independent) and CEO, addressing the remuneration aspects of Directors & CEO.	Complied with
9.12.6	Functions and Composition of the HRRC Comprise a minimum of 3 Directors out of which a minimum of 2 shall be independent not consist of Executive Directors Chairperson to be an Independent Director.	Please see the detailed report on "Board Human Resources & Remuneration Committee" in the Annual Report.	Complied with

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
	The Remuneration Committee shall comprise of Non-Executive Directors a majority of whom shall be Independent. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Please see the detailed report on the "Board Human Resources & Remuneration Committee" in the Annual Report.	Complied with
9.13	**AUDIT COMMITTEE AND BIRMC**		
9.13.1/ 9.13.2	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. Audit Committee to have written Terms of Reference.	The Bank has a separate Board Audit Committee (BAC) and a Board Integrated Risk Management Committee (BIRMC) with separate written Terms of References.	Complied with
9.13.3/ 9.13.4	Functions and Composition of the BAC - Comprise a minimum of 3 Directors out of which a minimum of 2 or a majority (whichever higher) shall be Independent - not consist of Executive Directors - chairperson to be an independent director • Compulsory meetings on a quarterly basis prior to recommending the financials to be released to the market • Quorum- the majority of those in attendance shall be independent • CEO and CFO to attend meetings by invitation. • Provided however where there is a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.	The BAC comprises two (02) Independent, Non-Executive Directors and one (01) Non-Independent, Non-Executive Director as at report date. The Chairman of the BAC is an Independent Non-Executive Director. Interim Financial Statements have been recommended to the Board by the BAC on a quarterly basis prior to release to the market. The BAC held 24 meetings in 2024 and the majority of the attendance of directors were independent. Further, the BIRMC has had 12 meetings in 2024 and the CEO/CFO attended all those meetings by invitation.	Complied with
	Where the parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary.		N/A
	The Chairperson of the BAC shall be a Member of a recognised professional accounting body. Provided, however this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee.	The Chairman of the BAC, Mr. Chaaminda Kumarasiri is a chartered accountant and possesses over 26 years of experience. His qualifications are detailed under the section of "Board of Directors" of the Annual Report.	Complied with
	The Audit Committee shall comprise of Non- Executive Directors a majority of whom shall be independent. One Non-Executive Director shall be appointed as the Chairman of the committee by the board of Directors. Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	See the detailed report on the "Board Audit Committee" included in the Annual Report	Complied with

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
	In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.	Not Applicable.	N/A
	Functions and Annual Report Disclosures of the Audit Committee.	See the detailed report on the "Board Audit Committee" included in the Annual Report.	Complied with
9.14	**RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**		
9.14.1	The bank shall have a Related Party Transactions Review Committee (RPTRC)	The Terms of Reference of the Bank's Related Party Transactions Review Committee were amended in view of the revised Listing Rules.	Complied with
9.14.2/ 9.14.3	Functions and Composition of the BRPTRC - Comprise a minimum of 3 Directors out of which 2 shall be Independent - may include Executive Directors - Chairperson to be an independent director	Please see the detailed report of "the Board Related Party Transactions Review Committee" included in the Annual Report.	Complied with
	Where the parent and subsidiary are both listed the RPTRC of the parent may be permitted to function as the RPTRC of the subsidiary.	Not Applicable.	N/A
9.14.4	**GENERAL REQUIREMENTS**		
	The frequency of meetings shall be at least quarterly.	In 2024, the BRPTRC had 04 meetings, with 1 meeting per quarter.	Complied with
	Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis.	Please see the detailed report of "the Board Related Party Transactions Review Committee" included in the Annual Report.	Complied with
	Members of the BRPTRC to ensure they have or have access to adequate knowledge expertise and advice.	The members being aware of the same and exercise this right as and when needed.	Complied with
	Where necessary, the BRPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.	When necessary, Related Party Transactions were submitted to the Board in 2024.	Complied with
	Interested Directors shall not vote on or shall not be present during the deliberations on the specific matter	Interested Directors did not participate or vote on any discussions during the deliberations on the interested matters in 2024.	Complied with
9.14.5	Subject to the exemptions, RPTRC shall review in advance all proposed RPTs	The BRPTRC reviews all transactions falling within the scope of this rule.	Complied with
	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction.	This requirement has been incorporated into the policy of Related Party Transactions to be followed in the Bank.	Complied with
	The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT.	This requirement has been incorporated into the policy of Related Party Transactions and is followed in the Bank.	Complied with
	Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT.	Interested Directors did not participate or vote on any discussions during deliberations on the interested matters in 2024.	Complied with

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied/ Not Complied
	For recurrent RPTs, the BRPTRC may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the RPTRC on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the RPT remains appropriate.	These requirements have been incorporated into the policy of Related Party Transactions and the Terms of Reference of the BRPTRC.	Complied with
9.14.6	Bank to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6	No such transactions took place in 2024.	N/A
9.14.9	Acquisition and Disposal of substantial assets from/to related parties are to be done with shareholder approval as per Rule 9.14.9.	No such transactions took place in 2024.	N/A
9.16	**ADDITIONAL DISCLOSURES**		
	The Board of Directors must include declarations in the Annual Report, including disclosures about material interests in contracts, a review of internal controls, awareness of applicable laws and regulations, disclosure of areas of material non-compliance, and any relevant fines imposed by regulatory authorities.	This report serves this purpose.	Complied with

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is entrusted by the Board with the responsibility of overseeing the Bank's risk management framework. The key functions of the committee include defining the Bank's risk appetite and ensuring that operations consistently remain within the established risk tolerance levels. Additionally, the BIRMC is tasked with ensuring the establishment of a robust governance structure to effectively identify, manage, and mitigate both existing and emerging risks in a timely manner.

Operating in a dynamic environment, the Bank faces exposure to various risks, and the BIRMC plays a critical role in fostering a culture of risk awareness across the organization. It ensures that employees are kept informed about the most recent developments and trends in risk management. The Committee further evaluates the performance of the Chief Risk Officer and the Chief Compliance Officer to ensure that the personnel within the Risk and Compliance Departments possess the necessary skills and expertise to perform their responsibilities effectively.

COMPOSITION OF THE BIRMC

The BIRMC comprised the following Directors and members:

- **Mr. Prasanna Premaratna -** *Chairman (BIRMC), Independent, Non-Executive Director*
- **Ms. Dinithi Ratnayake -** *Chairperson, Independent, Non-Executive Director (Appointed to the BIRMC w.e.f 29.11.2024)*
- **Mr. Chaaminda Kumarasiri -** *Independent, Non-Executive Director*
- **Mr. Conrad Dias -** *Non-Independent, Non-Executive Director*
- **Mr. Chandana Dissanayake -** *Non-Independent, Non-Executive Director*

Prof. Sampath Amaratunge, Independent, Non-Executive Director served as a member of the BIRMC and resigned from the committee on 29.11.2024. We take this opportunity to place on record the appreciation of the committee for the valuable service rendered by him.

The Chief Executive Officer and Chief Risk Officer are members of the committee and the Chief Risk Officer acts as the secretary of the committee.

TERMS OF REFERENCE (TOR) OF THE COMMITTEE

The BIRMC was established by the Board of Directors in compliance with the direction issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Specialized Banks.

The composition and the scope of the work of the Committee are in conformity with the above directions. The Board of Directors has approved the ToR as per the above directions.

The major function of the BIRMC is to manage and review the overall risk profile of the Bank which includes the following responsibilities:

- The Committee shall assess all risks i.e. credit, market, liquidity, and operational risks of the Bank on a regular basis through appropriate risk indicators.
- The Committee shall review the adequacy and effectiveness of all management-level committees.
- The committee shall take prompt and corrective action to mitigate the effects of specific risks when such risk is beyond the prudential levels decided by the committee.
- The Committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regularity authorities, internal controls, and approved policies in all areas of business operations. A dedicated Chief Compliance Officer selected from the Key Management Personnel shall carry out the compliance function and report to the Committee periodically.
- The Committee shall oversee the strategies implemented by the CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite.
- The BIRMC is further focused on incorporating sustainability considerations into the risk assessment and mitigation processes. The Bank strives to identify and manage environmental, social, and governance (ESG) risks, ensuring that the risk management framework supports the bank's long-term resilience and sustainability goals.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

During the year under review, several value additions and procedures were introduced by the Committee to further strengthen the Risk Management Process of the Bank. The Enterprise-wide Risk Management Framework was launched with a view to addressing the gaps by enhancing the risk management framework to better align with industry best practices and regulatory expectations. The initiative aims to strengthen the bank's ability to manage risks effectively, safeguard stakeholder interests, and maintain operational stability.

The Committee also reviewed and approved the revised delegation of lending authority based on the emerging business needs and the growth strategy of the Bank. The Committee discussed the risks arising out of the retail credit portfolio which need to be closely monitored in order to mitigate the inherent risks of the portfolio.

The BIRMC reviewed the internal capital adequacy calculations methodology and future projections. Further, the Bank's Internal Capital Adequacy Assessment Process report submitted to the regulator was reviewed by the Committee to ensure assumptions and methodologies used in stress testing as well as the three-year capital projections were at acceptable levels.

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Committee also reviewed the significant risks arising from Credit, Market, Liquidity and Operational areas in addition to reviewing the effectiveness and efficiency of Key Management Committee meetings held during the year.

MEETINGS

The BIRMC met fourteen (14) times during the year under review. The attendance of the Committee members at the meetings of the committee is tabled on page 157. The minutes of meetings are regularly forwarded to the Board together with detailed key risk indicators, stress testing reports, and forecasts. All key risk indicators and potential risks were discussed and reviewed at each meeting and appropriate mitigatory measures were taken where necessary.

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BIRMC members following the good governance practices of the industry.

For and on behalf of the Board Integrated Risk Management Committee,



Mr. Prasanna Premaratna
Chairman
Board Integrated Risk Management Committee (BIRMC)

2nd May 2025
Colombo, Sri Lanka

REPORT OF THE BOARD AUDIT COMMITTEE

COMPOSITION OF THE BOARD AUDIT COMMITTEE (BAC)

The Board Audit Committee appointed by and responsible to the Board of Directors ("the Board") comprises two (02) Independent, Non-Executive Directors and one (01) Non- Independent, Non- Executive Director.

The following members serve in the Board Audit Committee (BAC):

- **Mr. Chaaminda Kumarasiri -** *Chairman (BAC), Independent, Non-Executive Director*
- **Mr. Prasanna Premaratna -** *Independent, Non- Executive Director*
- **Mr. B.R.A. Bandara -** *Non- Independent, Non- Executive Director (Appointed to the BAC w.e.f 29.11.2024)*

Prof. Sampath Amaratunge, Independent, Non – Executive Director served as a member of the BAC until 14.02.2025. Mr. Naveendra Sooriyarachchi, Non-Independent, Non-Executive Director served as a member of the BAC until 27.02.2025. We take this opportunity to place on record the committee's appreciation for the valuable service rendered by Prof. Sampath Amaratunge and Mr. Naveendra Sooriyarachchi as members of the committee.

The Chairman of the BAC, Mr. Chaaminda Kumarasiri is an Independent Non- Executive Director. Brief profile of Mr. Chaaminda Kumarasiri and other members of the BAC are given on pages 46 to 49 in the Annual Report.

The Chief Internal Auditor functions as the Secretary to the BAC.

TERMS OF REFERENCE

The BAC was functioned as per the Terms of Reference approved by the Board of Directors. The Board reviews the Terms of Reference once a year and/or when necessary and it ensures that new developments as per regulations are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The BAC also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

REGULATORY COMPLIANCE

The roles and functions of the BAC are regulated by the Banking Act Direction No. 12 of 2007, the mandatory Code of Corporate Governance for Licensed specialized Banks in Sri Lanka, issued by the Central Bank of Sri Lanka, the Rules on Corporate Governance as per the Section 9.13 of listing rules issued by the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Board has taken necessary steps to identify new requirements as per the Banking Act Direction No 05 of 2024 on corporate governance for licensed Banks issued by the Central Bank of Sri Lanka with effective from 1st January 2025 and compliance with the same direction where necessary.

The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through follow-up reports tabled during the year 2024.

DUTIES AND ROLE OF THE BOARD AUDIT COMMITTEE

The BAC is responsible for:

- Reviewing financial information of the Bank in order to monitor the integrity of the Financial Statements, its Annual Report, accounts and quarterly reports prepared for disclosure.
- Reporting to the Board on the quality and acceptability of the Bank's accounting policies and practices.
- Assessing the reasonableness of the underlying assumptions for estimates and judgements made in preparing the Financial Statements.
- Reviewing of the accounting and financial reporting, risk management processes and regulatory compliance.
- Reviewing of the Financial Statements (including interim financial statements) prior to publication to ensure compliance with statutory provisions, accounting standards and accounting policies.
- Reviewing of the internal audit reports and liaising with Corporate Management in taking precautionary measures to minimize control weaknesses, procedure violations and frauds.
- Assessing the independence and reviewing the adequacy of the scope, functions and resources of the Internal Audit Department, including the appointment of the Chief Internal Auditor (CIA) and the performance of the CIA and senior staff members of the Internal Audit Department.
- Overseeing the appointment, re-appointment, compensation, resignation, dismissal of the External Auditor, including review of the external audit, its scope, cost and effectiveness and monitoring of the External Auditor's independence.
- Reviewing of the adequacy and effectiveness of the Bank's systems of internal control over financial reporting to provide reasonable assurance regarding the reliability of Financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the applicable accounting standards and the regulatory requirements.
- Reviewing the Terms of Reference (TOR) of the Board Audit Committee periodically and ensuring that it reflects the best practices of the industry at all times.
- Ensure that the Bank adopts and adheres to high standards of Corporate Governance Practices.
- Engaging independent advisors on specialized functions where it is deemed necessary.

REPORT OF THE BOARD AUDIT COMMITTEE

MEETINGS

For the purpose of discharging its duties, the BAC met twenty-four (24) times during the year. The attendance of the Committee members of each of these meetings is given in the table in page 157 of the Annual Report. The minutes of the meetings have been regularly reported to the Board of Directors. Chief Internal Auditor and Chief Financial Officer have normally attended meetings on invitation and Executive Director / Chief Executive Officer and the relevant Corporate Management/ Officers in other grades are also participated in the meetings on invitation. On the invitation of the Committee, the Engagement Partner and the Senior Officers of the Bank's External Auditors, Messrs Ernst & Young attended nine (09) Committee meetings during the year. In five (05) Out of twenty-four (24) meetings, it has been discussed and recommended the Quarterly and Annual Financial Statements for the Board approval.

The Committee met Chief Internal Auditor without the presence of Management in an occasion to assess the independence and other confidential matters. The BAC met the External Auditors in nine (09) occasions during the year and in which two (02) occasions were without the presence of the Executive Director / Chief Executive Officer and the Management to ensure that there were no limitations of scope in relation to the external audit and to allow for full disclosure of any incident which could have had a negative impact on the effectiveness on the external audit.

FINANCIAL REPORTING

The Committee, as part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management and the External Auditors with regard to the interim and the Annual Financial Statements prior to their release for publication. The review included the quality and acceptability of accounting policies and practices, the clarity of the disclosures and the extent of compliance with Sri Lanka Accounting Standards (SLFRS and LKAS), the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 and amendments thereto and other relevant financial and governance reporting requirements. The Committee continuously reviewed the extent to which the Bank complies with the CBSL Directives No. 13 of 2021 and No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities & Other Financial Assets in Licensed Banks and the implementation of Sri Lanka Accounting Standards – SLFRS 9 "Financial Instruments" issued by The Institute of Chartered Accountants of Sri Lanka. To facilitate their review, the BAC considered reports from the Chief Financial Officer and also reports from the External Auditors on the outcome of their review of the annual audit.

The Committee also assessed the prevailing macro-economic challenges and their collective impact on SDB Bank's financial reporting process. Accordingly, the Committee reviewed the key assumptions used for the 'expected credit loss' impairment computations as at the end of each quarter, prior to the publication of the Quarterly Financial Statements. Further the Committee considered the management overlay against the Bank's lending portfolio and the adequacy of disclosures made by the management.

As part of the BAC's responsibilities, notably its review of financial results, reports from Internal and External audits, the Bank's Accounting Policies, as well as the Annual Financial Statements; the BAC took cognisance of the Key Audit Matters as reported in the Independent Auditors' Report.

In addition, the Committee reviewed Management's judgements on significant accounting and external reporting requirements and obtained external auditor's agreement with the treatment thereof.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

The Bank is required to comply with Section 3 (8) (ii) (b) of the Banking Act Direction No. 12 of 2007 on Corporate Governance for Licensed Specialized Banks issued by the Central Bank of Sri Lanka and assessed the adequacy and effectiveness of internal control over financial reporting as of 31st December 2024.

The above was conducted based on the criteria set out in the Guidance for Directors of Banks on "The Directors' Statement of Internal Control", issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2010.

The Bank's assessment was concentrated on processes documented by the respective process owners with the guidance of the Bank's Internal Audit and External Auditors. Based on Internal Auditors' and External Auditors' assessments, the Board has concluded that, as of 31st December 2024, the Bank's internal control over financial reporting is effective. Directors' Report on the Bank's Internal Control over Financial Reporting is provided on pages 161 to 162 in the Annual Report. The Bank's External Auditors have reviewed the effectiveness of the Bank's internal control over financial reporting and have 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 over financial reporting of the Bank. External Auditor's Report on the Bank's Internal Control over Financial Reporting is provided on page 163 of the Annual Report.

ANNUAL CORPORATE GOVERNANCE REPORT

As required by Section 3 (8) (ii) (g) of the Banking Act Direction No. 12 of 2007, on Corporate Governance for Licensed specialized Banks issued by the Central Bank of Sri Lanka, the Annual Corporate Governance Report for 2024 and the compliance with Colombo stock Exchange (CSE) listing rules – Section 09 on Corporate Governance for 2024 are provided on pages 103 to 118 and 124 to 138 respectively in the Annual Report. The External Auditors of the Bank have performed procedures set-out in Sri Lanka Related Services Practice Statement (SLRSPS) 4750 issued by The Institute of Chartered Accountants of Sri Lanka, to meet the compliance requirement of the Corporate Governance directive. The findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on page 118.

EXTERNAL AUDIT

With regard to the external audit function of the Bank, the role played by the BAC was as follows:

- Conducting the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. To ensure that the Auditors had the independence to discuss and express their opinions on any matter, they were granted a further opportunity to meet the Board Audit Committee separately, without the presence of Management.
- Further BAC reviewed the Independent Confirmation issued by the External Auditor as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.
- The Committee discussed with the External Auditors on their audit plan, scope and the methodology they propose to adopt in conducting the annual audit, prior to commencement of the audit for financial year 2024. There was no limitation of scope, and the Management has fully provided all information and explanations requested by the Auditors.
- As per the Banking Act Direction No. 12 of 2007, the mandatory Code of Corporate Governance for Licensed Specialized Banks in Sri Lanka, issued by the Central Bank of Sri Lanka, the Board Audit Committee ensured for the Financial Year ended 31st December 2024, that the engagement of the Audit Partner did not exceed five years and that the particular Audit Partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. However, requirements as per the Banking Act Direction No 05 of 2024 on corporate governance for licensed banks issued by the Central Bank of Sri Lanka with effect from 1st January 2025, Board Audit Committee shall take necessary steps to ensure that the engagement of the external auditor does not exceed six years and change the engagement partner once in every three years.
- Reviewed the Audited Financial Statements with the External Auditor who is responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards.
- Reviewed the Key Audit Matters (KAM) Report and Management Letters issued by the External Auditor together with Management responses thereto.
- Reviewed the non-audit services provided by the External Auditor and was of the view that such services were not within the category of services identified as prohibited under

(a) The guidelines issued by the Central Bank of Sri Lanka, for External Auditors, relating to their statutory duties in terms of Section 39 of the Banking Act No. 30 of 1988 and amendments thereto.

(b) The Guideline for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

INTERNAL AUDIT

The BAC monitored and reviewed the scope, extent and effectiveness of the activities of the Bank's internal audit function.

This included reviewing of updates on audit activities and achievements against the Internal Audit Plan, advising Corporate Management to take precautionary measures on significant audit findings and assessment of resource requirements including succession planning of the Internal Audit Department. The BAC had necessary interactions with the Chief Internal Auditor throughout the year.

During the year, BAC reviewed the Internal Audit Plan and monitored the progress of same on regular basis. The Committee reviewed all major findings revealed through audit investigations and potential fraud monitoring activities carried out during the year.

Audit findings presented in the reports are prioritized based on the level of risks. The Committee followed up on internal audit recommendations with the Corporate Management regularly. Internal audit reports were made available to examiners of the Central Bank of Sri Lanka and External Auditors, when requested by them.

Along with the significant findings, the Internal Audit Department has engaged in sharing and providing knowledge through audit exit meetings to the Bank's staff for better control awareness and identifying early warning signals. In keeping with BAC recommendations, the internal audit has also provided input to the Corporate Management for effective control and prevention of frauds. Further the Internal Audit Department conducted awareness sessions on the Whistleblowing Policy of the bank during 2024. The Committee reviewed the performance appraisal of the Chief Internal Auditor and other Pillar Heads of the Internal Audit Department.

INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL

The internal Audit function is governed by the Internal Audit Charter which defines Vision, Scope, Independence and the Authority. The Internal Audit Manual and the Internal Audit Charter were reviewed/ revised and approved by the BAC and the Board respectively.

WHISTLEBLOWING

SANASA Development Bank's Whistleblowing Policy is intended to serve as a channel of fraud risk management. The policy allows any member who has a legitimate concern on an existing or potential "wrong doing", by any person within the Bank, to come forward voluntarily, and bring such concerns to the notice of an independent / designated authority. Concerns raised are investigated and the identity of the person raising the concern is kept confidential, even anonymous complaints are looked at. A process has been established to track such whistleblowing and take necessary actions. This procedure is being monitored by the BAC.

REPORT OF THE BOARD AUDIT COMMITTEE

POLICY ON NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITORS OF THE BANK

The Committee reviewed the Policy on Non-Audit Services provided by the External Auditors of the Bank which was formulated as per the recommendations in the Statutory Examination Report of the Central Bank of Sri Lanka.

REPORTING TO THE BOARD

The Minutes of the BAC meetings were tabled at Board meetings thereby providing Board members with access to the deliberations of the Committee.

PROFESSIONAL ADVICE

The BAC has the authority to seek external professional advice from time to time on matters within its purview.

BOARD AUDIT COMMITTEE EVALUATION

The annual evaluation of the BAC was conducted by the Board of Directors during the year and concluded that its performance was effective. Also, a self- assessment review of the BAC was done by the BAC directors annually following the good governance practices of the industry.

On behalf of the Board Audit Committee (BAC),



Mr. Chaaminda Kumarasiri
Chairman
Board Audit Committee (BAC)

2nd May 2025
Colombo, Sri Lanka

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board Human Resources and Remuneration Committee (BHRRC) of SDB Bank was established under the Terms of Reference approved by the Board of Directors of the Bank. Its primary responsibility is to establish the conceptual framework on establishing a Remuneration Policy and other key policies related to Human Resources Management and Development.

COMPOSITION OF THE BHRRC

The Board Human Resources and Remuneration Committee consists of five (05) Non-Executive Directors listed below:

- **Mr. Thusantha Wijemanna -** *Chairman (BHRRC), Independent, Non-Executive Director*
- **Mr. Chaaminda Kumarasiri –** *Independent, Non-Executive Director*
- **Mr. Prasanna Premaratna -** *Independent, Non-Executive Director*
- **Mr. Naveendra Sooriyarachchi -** *Non- Independent, Non-Executive Director*
- **Mr.Sarath Nandasiri -** *Non- Independent, Non-Executive Director (Appointed to the BHRRC w.e.f 27.02.2025)*

Mr.Chandana Dissanayake, Non-Independent, Non- Executive Director served as a member to the Committee till 27.02.2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Mr. Chandana Dissanayake as member of the Committee.

Company Secretary of the Bank serves as the Secretary to the Committee based on the approved Terms of Reference of the Committee. Attendance of the Committee meetings is mandatory for the Executive Director/Chief Executive Officer and the Chief Human Resources Officer, except when matters relating to those two positions are being discussed.

COMMITTEE MEETINGS OF BHRRC

The Committee held fourteen (14) meetings during the year under review to endorse proposals related to a wide array of aspects relating to the Human Resources function of the Bank. The Committee has been able to continuously direct the HRM functions of the Bank to align with its strategic direction while complying with the regulatory and statutory framework of the Bank.

SCOPE AND RESPONSIBILITIES

The Board Human Resources and Remuneration Committee is vested in assisting the Board to discharge its responsibilities in the following areas:

- Recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.
- Engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.
- Guide the implementation of Human Resource Management and Human Resource Development functions of the Bank.
- Provide guidance to ensure that HR policies and strategies are aligned with the strategic direction of the Bank.
- Provide the necessary direction for fostering a performance culture within the Bank.
- Ensure conformity of the Bank's HR policies and practices with labour laws, Central Bank Regulations and other applicable standards.

KEY HR INITIATIVES DURING THE YEAR

The Committee comprehensively reviewed the performance of the Key Management Personnel (KMP) of the Bank for the year 2023 against the set goals and targets. BHRRC also set goals and targets for KMPs for 2024 in line with the strategic vision and direction of the Bank in 2024.

The Committee acknowledges that in addition to effective strategic planning and talent management, cultivating a work environment that supports and sustains a culture of superior performance that drives success both currently and in the future is essential and thus approved a performance-linked bonus plan for all staff according to the overall achievement of Bank level profit target. The committee also provided its approval to the Annual Training Plan.

On the direction of BHRRC the Disciplinary Code of the Bank was reviewed by the corporate management and amendments were recommended. Adhering to the Human Resources and Remuneration Policy the committee approved the promotions and recommended recruitment of Key Management Personnel during the year.

Further, the amendments recommended by BHRRC on the HR Policy and Procedure Manual of the Bank were adopted.

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BHRRC members following the good governance practices of the industry.

For and on behalf of the Board Human Resources and Remuneration Committee,



Mr. Thusantha Wijemanna
Chairman
Board Human Resources and Remuneration Committee (BHRRC)

2nd May 2025
Colombo, Sri Lanka

REPORT OF THE BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE

The Board Selection Nomination and Governance Committee (BSN & GC) carried out its activities during the year within the scope of its Terms of Reference in conformity with the directions of Banking Act Direction No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka (as amended) and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMPOSITION OF THE BSN & GC

The Board Selection Nomination and Governance Committee comprises five (05) Non-Executive Directors appointed by the Board of Directors of the Bank, the majority of whom are Independent. The following Directors serve on the BSN&GC:

- **Mr. Thusantha Wijemanna** - *Chairman– (BSN&GC), Independent, Non-Executive Director (Appointed to the BSN&GC w.e.f.01.02.2025)*
- **Ms. Dinithi Ratnayake** - *Chairperson - Independent, Non-Executive Director*
- **Mr. Chaaminda Kumarasiri** - *Independent, Non-Executive Director*
- **Mr. Chandana Dissanayake** - *Non-Independent, Non- Executive Director (Appointed to the BSN&GC w.e.f.29.02.2024)*
- **Mr. Conrad Dias** - *Non-Independent, Non- Executive Director (Appointed to the BSN&GC w.e.f.09.09.2024)*

Mr. Chaaminda Kumarasiri, Independent, Non-Executive Director served as the Chairman of BSN & GC until 29.11.2024. Prof. Sampath Amaratunge appointed as the Chairman of the BSN&GC w.e.f.29.11.2024 and served as the Chairman of the BSN&GC until 31.01.2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Prof. Amaratunge as the Chairman of the Committee and for the services rendered by Mr. Chaaminda Kumarasiri during his tenure as the Chairman of the Committee.

The Company Secretary functions as the Secretary of the BSN&GC.

PRIMARY OBJECTIVES OF THE BSN & GC

The BSN & GC was established to assist the Board of Directors in fulfilling its role and responsibilities with regard to the selection and appointment of Independent Directors, election and re-election of Non- Independent Directors, appointment of Chief Executive Officer and other Key Management Personnel of the Bank and recommendation of the overall Corporate Governance Framework of the Bank.

RESPONSIBILITIES OF THE BSN & GC

The BSN & GC is responsible for reviewing the composition of the Board and Board Subcommittees with a view to ensuring that they are properly constituted and well-balanced in terms of experience, expertise, skills, and diversity. Further, the BSN & GC is mandated:

- To ensure the implementation of the Board approved policy and procedure in the selection and nomination of new Directors and Key Management Personnel of the Bank and to make recommendations regarding such appointments.
- To recommend the re-appointment/ re-election of current Directors considering the performance and contribution made by such Directors towards the overall discharge of responsibilities of the Board.
- To review and determine the criteria such as qualifications, experience, and key attributes, required for the eligibility for appointment of CEO and appointment/promotion for other Key Management Positions.
- To ensure that the Directors, CEO, and other Key Management Personnel are fit and proper persons to hold such positions as required by the Banking Act and applicable statutes.
- To consider from time to time the requirement of additional/ new skills and expertise at the Board level and make a suitable recommendation to the Board, to mobilise such skills and expertise.
- To put in place a proper succession plan for retiring Directors and Key Management Personnel with a view to ensuring the uninterrupted and smooth functioning of all aspects of the Bank's operations and decision-making process in the long run and business continuing in unforeseen situations.
- To review and recommend the overall Corporate Governance Framework of the Bank and to periodically update the Corporate Governance Policies of the Bank in line with regulatory and legal developments.

The Terms of Reference of the Board Selection Nomination and Governance Committee were adopted by the Board in 2012 and it was further reviewed and refined in 2024.

MEETINGS OF THE BSN & GC AND ITS EFFECTIVENESS

The Committee met twenty (20) times during the year under review and it focused mainly on the following:

- **Board composition** The Committee identified the skills required and recommended the appointment of one new Executive Director with expertise in Trade Finance, Banking, Risk Management, Credit and Management aspects.
- **Filling the skills gaps in the Key Management Team** The Committee continuously reviewed the required skills and experience at the Top Management level and made recommendations to the Board with regard to the appointment of Key Management Personnel.
- **Recruitments/ Service confirmation** During the period under review, the Committee made recommendations to the Board to recruit several Key Management Personnel (KMP), and also confirmed a few Key Management Personnel (KMP) in service.

- **Succession Plan** During the year under review, the Committee proposed the Management to continuously develop the Succession Plan and examined and made recommendations to the Board on Succession Plan.

- **Job grading** The Committee made recommendations to the Board, to promote and upgrade a few KMPs.

- **Corporate Governance Policies** The Committee reviewed and recommended the policies pertaining to Corporate Governance for approval of the Board in line with regulatory and legal requirements.

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BSN&GC members following the good governance practices of the industry.

For and on behalf of the Board Selection Nomination and Governance Committee,



Mr. Thusantha Wijemanna
Chairman
Board Selection Nomination and Governance Committee (BSN & GC)

2nd May 2025
Colombo, Sri Lanka

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board of Directors of the Bank constituted a Board Related Party Transactions Review Committee (BRPTRC) voluntarily in July 2014 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE, which required mandatory compliance from 1st January 2016. The composition and scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

COMPOSITION OF THE BRPTRC

The Committee consists of three (03) Independent, Non- Executive Directors as listed below:

- **Mr. Chaaminda Kumarasiri –** *Independent, Non-Executive Director (Appointed as the Chairman of BRPTRC w.e.f. 01.02.2025)*
- **Mr. Prasanna Premaratna –** *Independent, Non-Executive Director*
- **Mr. Thusantha Wijemanna –** *Independent, Non-Executive Director*

Prof. Sampath Amaratunge, Independent, Non-Executive Director served as the Chairman of the BRPTRC until 31.01.2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Prof. Sampath Amaratunge.

The Company Secretary is functions as the Secretary to the Committee as per the approved Terms of References of the Committee.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference (TOR) of the BRPTRC were approved by the Board of Directors and are reviewed annually. As part of the annual review process, the Committee reviewed the TOR in December 2024. The Committee carries out the following duties and responsibilities:

- Review all transactions with Related Parties of the Bank in order to ensure that Related Parties are treated in par with other stakeholders of the Bank;
- Implement regulations relating to Related Parties issued by the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka;
- Ensure that the interests of Shareholders as a whole are taken into account by the Bank when entering into related party transactions; and
- Ensure that there is a safeguard to prevent of taking advantage of their positions by Directors, Key Management Personnel or Substantial Shareholders.

COMMITTEE MEETINGS OF BRPTRC

The Committee met four (04) times on a quarterly basis during the year under review and the attendance at the Committee members at meetings is stated in the table on page 157 of the Annual Report. Attendance of Committee meetings is compulsory for the Chief Executive Officer, Chief Compliance Officer, and Chief Risk Officer except when matters related to those positions are discussed.

The proceedings of the Committee meetings are formally documented and have been regularly reported to the Board of Directors. The Board of Directors take due consideration of the comments/ observations made by the Committee when decisions are made.

OBJECTIVE OF THE COMMITTEE

In carrying out the duties of the Committee, the Committee avoids "Conflicts of Interest" which may arise from any transaction of the Bank with any person, particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the Corporate Governance Directions which requires the Bank to avoid engaging in transactions with related parties in a manner that would grant such parties "more favorable treatment" than accorded to other constituents of the Bank carrying on the same business, in line with the security requirements as stated in the Banking Act Directions and in compliance with the approval procedure set out in the Banking Act.

SUMMARY OF ACTIVITIES

The Committee reviewed the transactions relating to Investment in Commercial Papers of LOLC Holdings PLC, Extension of existing loan facility of LKR 400 Mn to E.B Creasy & Company PLC and Jt. Borrower Candy Delights Ltd, Renewal of the Short Term Revolving Loan of LKR 350 Mn E.B Creasy & Company PLC and Jt. Borrower Candy Delights Ltd, and a few other related party transactions with SANASA Campus Ltd, SANASA Printers & Publishers Ltd etc.

The Committee observed that no favorable treatment has been granted for those Related Party Transactions.

The Committee noted that the Bank has not entered into any transactions as contemplated in Section 9.14.5 of the Listing Rules of the CSE and that accordingly there are no disclosures to be made in this regard in accordance with Section 9.14.7 (1) (a) and (b)of the Listing Rules of the CSE.

The Committee has reviewed the Related Party Transactions of the Bank during the period of 1 January 2024 to 31 December 2024 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9.14 of the Listing Rules of the CSE.

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BRPTRC members following the good governance practices of the industry.

For and on behalf of the Board Related Party Transactions Review Committee,



Mr. Chaaminda Kumarasiri
Chairman
Board Related Party Transactions Review Committee (BRPTRC)

2nd May 2025
Colombo, Sri Lanka

REPORT OF THE BOARD STRATEGIC PLANNING COMMITTEE

In 2015, the Board of Directors established the Board Strategic Planning Committee (BSPC) to support the Board in shaping and adapting the Bank's strategic business direction. The Committee focuses on enhancing profitability and brand equity through sustainable, appropriate, and responsible practices.

COMPOSITION OF BSPC

The BSPC consists of four (04) Non-Executive Directors appointed by the Board of Directors. The following Directors serve on BSPC.

- **Mr. Chandana Dissanayake -** *Chairman (BSPC), Non- Independent, Non-Executive Director (appointed as the Chairman of BSPC w.e.f. 01.01.2025)*
- **Ms. Dinithi Ratnayake -** *Chairperson , Independent, Non-Executive Director*
- **Mr. Conrad Dias -** *Non-Independent, Non-Executive Director*
- **Mr. B R A Bandara -** *Non-Independent, Non-Executive Director*

Ms. Dinithi Ratnayake, Independent , Non-Executive Director served as the Chairperson of BSPC until 31.12.2024. Dr. Mahesha Ranasoma, Non-Independent , Non-Executive Director served as a member of the BSPC until 31.12.2024. Mr. Chaaminda Kumarasiri, Independent, Non-Executive Director served as a member of BSPC until 27.02.2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by, Dr. Mahesha Ranasoma and Mr. Chaaminda Kumarasiri as members of the Committee and Ms. Dinithi Ratnayake as the Chairperson of the Committee until 31.12.2024.

Mr. Kapila Ariyaratne, Executive Director/Chief Executive Officer attends the Board Strategic Planning Committee meetings by invitation, contributing his expertise and operational leadership and guidance to the strategic direction of the Bank.

The Company Secretary serves as the Secretary to the Committee.

The Committee has reinforced its commitment to supporting national economic transformation while maintaining SDB Bank's identity as a values-driven financial institution dedicated to serving its customers and communities effectively.

MEETINGS OF BSPC

The Committee convened three (03) times during the year to review and finalize the SDB Bank Strategies for 2023–2025. As part of meeting the requirements of the Central Bank of Sri Lanka (CBSL), the Committee reviewed the financial figures (P&L) up to 2026 and monitored the implementation of the strategies, including the communication plan and roll-out.

The Committee has undertaken a review of the 2023-2026 Strategic Plan to align it with the country's new economic reforms. This review ensures that the Bank remains responsive to evolving economic indicators and market directions, enabling it to continue delivering sustainable growth and value to its stakeholders. With a focus on Food and Agriculture, digital transformation, SME development, financial inclusion, climate resilience, and sustainable banking, the revised strategy aims to drive long-term impact while strengthening the Bank's role in national economic progress.

With these strategic realignments, SDB Bank remains committed to driving sustainable financial solutions, fostering economic resilience, and delivering long-term value to its stakeholders. This also included the reviewing of progress made through strategic engagements and alliances. The outline of the strategy framework is

- Each of the Strategic Segments / Horizons is based on core, growth and explore perspectives
- The bank's identity and positioning – to be focused on banking the progressive masses
- Co-operative strategy
- Retail/ SME strategy
- ESG Strategy
- Data & Digital Strategy
- Communication Strategies

As the financial landscape undergoes significant changes, the Committee has focused on key areas such as:

- Macroeconomic Adjustments: Incorporating revised GDP growth projections, inflation trends, and interest rate movements into the strategic outlook.
- Regulatory Compliance: Ensuring the bank's strategy aligns with the latest policy reforms and financial sector regulations.
- Market Opportunities: Identifying new growth sectors, investment opportunities, and financial inclusion strategies that align with national development priorities.
- Sustainable Banking Commitments: Ensuring alignment with the Bank's Sustainable Approach and the SDGs it focuses on, particularly in fostering economic resilience, gender equality, and climate action.

With these strategic realignments and 6 specified strategic Pillars and Goals, SDB Bank remains committed to driving sustainable financial solutions, fostering economic resilience, and delivering long-term value to its stakeholders.

REPORT OF THE BOARD STRATEGIC PLANNING COMMITTEE

TERMS OF REFERENCE (TOR)

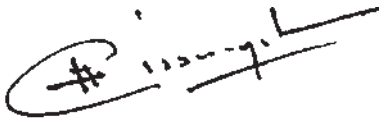
The BSPC's scope includes:

- Comprehensive evaluation of the Bank's performance against strategic goals outlined in the Corporate Plan, including identifying areas for improvement and leveraging new market opportunities.
- Review and recommendation of the Bank's marketing and business development strategies for Board approval, analyzing risks, benefits, and strategic implications.
- Advising the Corporate Management and the Board on business expansion opportunities, particularly in new markets and technology platforms.

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BSPC members following the good governance practices of the industry.

For and on behalf of the Board Strategic Planning Committee



Mr. Chandana Dissanayake
Chairman
Board Stratergic Planning Committee (BSPC)

2nd May 2025
Colombo, Sri Lanka

REPORT OF THE BOARD CREDIT COMMITTEE

The main income generation activity of the Bank is its lending operation. It has employed the capital funds of its shareholders as well as deposits mobilised from its depositors to engage in this exercise.

Therefore, it has cast a considerable responsibility on the Board of Directors of the Bank to employ these funds with the highest degree of prudence to ensure the safety of the funds and maximum profitability to the Bank.

The Board Credit Committee (BCC) is established to formulate the policies, strategies, and directions in the Bank's credit operation and be the forerunner to the Board of Directors for it to make the necessary strategic decisions.

COMPOSITION OF THE BCC

The membership of the Board Credit Committee comprised of five (05) Non- Executive Directors who meet at least 10 times annually to deliberate on issues under its purview:

The following Directors serve on the BCC:

- **Mr. Naveendra Sooriyarachchi -** *Chairman (BCC), Non-Independent, Non-Executive Director (Appointed as a Chairman of BCC w.e.f 29.02.2024)*
- **Mr. Thusantha Wijemanna -** *Independent, Non-Executive Director*
- **Mr. Romani De Silva -** *Non-Independent, Non-Executive Director*
- **Mr. Chandana Dissanayake -** *Non-Independent, Non-Executive Director (Appointed to the BCC w.e.f 27.02.2025)*
- **Mr. Prasanna Premaratna -** *Independent, Non-Executive Director (Appointed to the BCC w.e.f 27.02.2025)*

Ms.Dinithi Ratnayake, Independent, Non-Executive Director served as a member of BCC till 29.11.2024 and Mr. Sarath Nandasiri, Non-Independent, Non- Executive Director served as a member of BCC till 27.02.2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Ms.Dinithi Ratnayake and Mr.Sarath Nandasiri as members of the Committee.

The Company Secretary functions as the Secretary of the Committee. Executive Director / Chief Executive Officer, and/or any other relevant Management personnel shall attend the Meetings as and when required by the Committee to assist them and to provide expert knowledge on different areas of issues.

The main areas falling under the purview of the Board Credit Committee are as follows and it is empowered to:

- Formulate the Credit Policy and Recovery Policy of the Bank and review and recommend timely changes for the approval of the Board of Directors
- Monitor the credit growth/ performance of the Bank vis-à-vis the annual budget forecasts and the previous year performance
- Analytically appraise credit proposals and recommend to the Board of Directors for approval
- Evaluate the market potential due to the prevailing economic crisis in the country together with inherent risks attached and provide appropriate guidelines
- Monitor the interest rate behaviour of the market and the internal and external factors affecting such fluctuations
- Monitor the portfolio mix to ensure sectoral exposure, collateral diversification, term diversification, and lending to priority sectors
- Provide relevant directions to ensure adherence to statutory and regulatory compliance requirements
- Ascertain the quality of the credit portfolio by monitoring credit collections and delinquent loan recoveries
- Evaluate and afford interest concessions where appropriate, for full and final settlements of hard-core loans and write-offs of loan capitals whenever it deems necessary and recommend to the Board of Directors
- Apart from the aforementioned, the Board Credit Committee has the prerogative to call for any other information or special report relating to the Credit Operation of the Bank, if it deems it necessary for its scrutiny
- Ensure that the sustainability related risks and opportunities are accurately identified, monitored in the credit approving process

COMMITTEE MEETINGS OF BCC

The Committee met Fifteen (15) times, during the year under review to discuss the normal scope of work and the proceedings of the Committee meetings have been reported to the Board of Directors.

The Committee carried out the following activities:

- Reviewed and revised the credit policy of the bank and recommend for the approval of Board of directors
- Reviewed and revised Terms of Reference of the Committees and recommended for approval of the Board of Directors
- Reviewed and approved credit proposals over and above the delegated limits of specified categories and annual review of facilities,
- Reviewed the loan recovery process, progress of the recoveries of past due loans, adequacy of provisioning and credit audit finding.

REPORT OF THE BOARD CREDIT COMMITTEE

- Reviewed the Top 20 Watch List Customers and Top 20 NPL Customers List and advised the Management on recoveries
- Reviewed the progress of Remedial Management and Revival Unit Activities approved restructures, rescheduling and concessions where appropriate
- Reviewed the large exposures of the bank
- Reviewed the credit portfolio reports monitored the performance of lending activities on monthly basis against budgets/ business plans and strategies of the bank with the major business units and recommended improvements
- Reviewed Legal policies, practices and advised on the litigation against defaulters

COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the BCC members following the good governance practices of the industry.

For and on behalf of the Board Credit Committee,



Mr. Naveendra Sooriyarachchi
Chairman
Board Credit Committee (BCC)

2nd May 2025
Colombo, Sri Lanka



The Threads of Adaptability

FINANCIAL CALENDAR

FINANCIAL CALENDAR - 2024

Annual General Meeting	
28th Annual General Meeting	To be held on 30 May 2025
27th Annual General Meeting	Held on 31 May 2024

Annual Financial Statements*	
Annual Financial Statements 2024	Signed on 28 February 2025
Annual Financial Statements 2023	Signed on 30 April 2024

Interim Financial Statements**	**Date released to the CSE**	**Date published to the newspapers (In Sinhala, English, Tamil)**
4th Quarter 2023	28 March 2024 (Audited)	29-Mar-24
1st Quarter 2024	15-May-24	31-May-24
2nd Quarter 2024	15-Aug-24	28-Aug-24
3rd Quarter 2024	13-Nov-24	29-Nov-24
4th Quarter 2024	28 February 2025 (Audited)	28-Mar-25

PROPOSED FINANCIAL CALENDAR - 2025

Annual General Meeting	
29th Annual General Meeting	To be held on or before 29 May 2026

Annual Financial Statements*	
Annual Financial Statements 2025	To be signed in March 2026

Interim Financial Statements**	**Date released to the CSE**	**Date published to the newspapers (In Sinhala, English, Tamil)**
1st Quarter 2025	15-May-25	30-May-25
2nd Quarter 2025	15-Aug-25	29-Aug-25
3rd Quarter 2025	14-Nov-25	28-Nov-25
4th Quarter 2025	26-Feb-26	31-Mar-26

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

GENERAL

The Directors have pleasure in presenting to the shareholders the Annual Report of the SANASA Development Bank PLC together with the Audited Financial Statements for the year ended 31st December 2024 and the Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and amendments thereto and the Directions issued thereunder including the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Banks in Sri Lanka" and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices.

The Financial Statements of the Bank for the year ended 31st December 2024, including the comparatives for 2023 were approved and authorized for issue by the Board of Directors on 12th April 2024 in accordance with the Resolution of the Directors. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

SANASA Development Bank PLC ("The Bank") is a licensed specialized bank registered under the Banking Act No. 30 of 1988 and was incorporated as a public limited liability company in Sri Lanka on 6 August 1997 under the Companies Act No. 17 of 1982. The Bank was reregistered as per the requirements of the Companies Act No. 07 of 2007 ("Companies Act") on 30 October 2007. The reregistration number of the Bank is PB 62 PQ. The Registered Office as well as the Head Office of the Bank is at No. 12, Edmonton Road, Kirulapone, Colombo 6, Sri Lanka.

The ordinary voting shares of the Bank are listed on the Main Board of the Colombo Stock Exchange since May 2012. The Bank has been assigned a National Long-Term Rating of BB+(lka) by Fitch Ratings Lanka Ltd.

VISION, MISSION, GOALS, VALUES AND CORPORATE CONDUCT

The Bank's Vision and Mission statements are exhibited on page 4 of the Annual Report.

The business activities of the Bank are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

The Bank issues a copy of its Code of Ethics to each, and every staff member and all employees are required to abide by the Bank's Code of Conduct.

PRINCIPAL BUSINESS ACTIVITIES

The principal activities of the Bank include accepting deposits at competitive rates of interest and the investment of these deposits in community-based lending programmes, with a special focus on Cooperative Societies, their members, and other micro-enterprises, and issuing local and international debit cards. The Bank's range of products includes Special Deposits, Credit, Pawning, Leasing, and Re-finance Loan Schemes.

At the end of 2024, the Bank has established 94 delivery points (2023 – 94) across all districts of the country

REVIEW OF OPERATIONS

The "Chairperson's Review" on pages 36 to 39 the "Chief Executive Officer's Review" on pages 40 to 43 and the "How we create value" on pages 24 to 25, together with the Audited Financial Statements provide an overall review of business performance and the state of affairs of the Bank together with important events that took place during the year as required by the Section 168 of the Companies Act No. 07 of 2007 and the recommended best accounting practices

FUTURE DEVELOPMENTS

The Bank intends to expand its network of delivery channels by employing a client- focused strategy with effective management of capital, liquidity, and risks. Please refer to sections on "Chairperson's Review", "Chief Executive Officer's Review" on pages 36 to 43, and "How we create value" on pages 24 to 25 for initiatives taken in this regard.

FINANCIAL STATEMENTS

The Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and they comply with the requirements of Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988. The Financial Statements of the Bank for the year ended 31st December 2024 duly signed by the Chief Financial Officer and Chief Executive Officer, two Directors of the Bank, and the Company Secretary are given on page 170. P&L is in page 169, which forms an integral part of the Annual Report of the Board of Directors.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Bank, which reflect a true and fair view of the financial position and performance of the Bank. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies, and Notes thereto appearing on pages 169 to 243 have been prepared in conformity with the requirements of the SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and the Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" appearing on page 165 forms an integral part of this Report

AUDITORS' REPORT

The External Auditors' of the Bank are Messrs Ernst and Young, Chartered Accountants. Messrs Ernst & Young, Chartered Accountants carried out the Audit on the Financial Statements of the Bank for the year ended 31st December 2024 and their report on these Financial Statements, as required by the Section 168 (1) (c) of the Companies Act is given on pages 166 to 168 of this Annual Report. The Auditors' remuneration details are stated in Note 15.2 to the Financial Statements on page 195. Auditors are independent and do not have any relationships or any interest in contracts

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

with the Bank.

SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies adopted in the preparation of the Financial Statements are given on page 176 and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007

GOING CONCERN

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, such as restrictions or plans to curtail operations.

FINANCIAL RESULTS AND APPROPRIATIONS

GROSS INCOME

The gross income of the Bank for 2024 was Rs. 21.06 Bn (2023: Rs. 30.79 Bn). An analysis of the gross income is given in Note 6 to the Financial Statements on page 188.

PROFITS AND APPROPRIATIONS

The profit before tax as in the Financial Statements of the Bank amounted to Rs. 684.26 Mn in 2024 (2023: Rs.771.92 Mn) and this has decreased by 11.35% when compared to 2023. Further, the profit after tax as in the Financial Statements of the Bank amounted to Rs. 409.53 Mn in 2024 (2023: Rs. 466.82 Mn) and this was a decrease of 12.27% when compared to 2023. A detailed breakup of the profits and appropriations of the Bank is given below:

Description	2024	2023
	LKR	LKR
Profit before Tax	**684,262,921**	771,926,150
Less: Taxation	**(274,728,675)**	(305,103,937)
Net profit after tax	**409,534,246**	466,822,213
Other Comprehensive Income (OCI)		
Actuarial Gain/(losses) on defined benefit plans	**(195,633,301)**	92,684,997
Deferred tax relating to defined benefit plans	**58,689,990**	(27,805,499)
Revaluation surplus on property plant & Equipment	**69,025,000**	74,939,000
Total comprehensive income for the year	**341,615,935**	606,640,711
Unappropriated balance carried forward from the previous year	**2,590,860,977**	2,007,561,377
Balance available before adjustment	**2,932,476,912**	2,614,202,088
Appropriations		
Transfer to the statutory reserve fund	**(20,476,713)**	(23,341,111)
Dividend		
Scrip Dividend	**(139,807,974)**	
Unappropriated balance carried forward as of 31 December	**2,772,192,225**	2,590,860,977

TAXATION

The Bank applied the rate of 30% and other amendments in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as of 31st December 2024.

Bank applied the rate of 30% to compute the deferred tax as of 31st December 2024.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments (including all taxes, duties, and levies payable by the Bank) due to the Government, other regulatory institutions, and related to the employees have been made on time or where relevant provided for.

Reserves

A summary of the Bank's reserves position is given below

As at 31 December	2024	2023
	LKR	LKR
Statutory reserve fund	**361,049,165**	340,572,452
Other reserves	**430, 606,217**	361,581,217
Retained profits	**2,388,242,983**	2,275,936,735

Information on the movement of reserves is given in the Statement of Changes in Equity on page 171 and in Notes 35 to 37 to the Financial Statements on pages 217 to 218.

CAPITAL EXPENDITURE

The total capital expenditure on the acquisition of property plant and equipment of the Bank amounted to Rs. 429,588,159 (2024) Rs. 92,141,023 (2023). Details are given in Note 25.2 to the Financial Statements.

CAPITAL COMMITMENTS

The contracted and approved capital expenditure as at the date of the reporting is given in Note 25.2 to the Financial Statements

PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LEASEHOLD PROPERTY

Information on property, plant and equipment and leasehold property of the Bank are given in Note 25 to the Financial Statements on pages 206 to 209.. Particulars of intangible assets are given in Note 27 to the Financial Statements on pages 210 to 211.

STATED CAPITAL

The stated capital of the Bank as at 31st December 2024 amounted to Rs. 11,406,601,998 consisting of 164,166,494 ordinary voting shares.

Distribution Schedule of Shareholdings

	As at 31 December 2024		As at 31 December 2023	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Individual	**35,242**	**37,079,035**	35,134	29,569,154
Institution				
Foreign	**3**	**37,350,366**	5	36,617,211
Local and other institutions	**62**	**67,579,467**	60	72,815,390
SANASA Federation				
Acc 1	**1**	**797,822**	1	780,970
Acc 2		**31,511**		30,846
SANASA Societies	**3,399**	**10,249,218**	3400	10,040,102
SANASA Unions	**35**	**3,527,611**	35	3,453,115
MPCCS	**24**	**1,269,539**	24	1,242,737
Trust Companies	**105**	**6,281,925**	105	6,149,307
Total	**38,871**	**164,166,494**	38,764	160,698,832

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

	31 December 2024				31 December 2023			
	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%
1 - 1,000	**36,328**	**93.46**	**4,850,937**	2.95	36,427	93.97	4,851,314	3.02
1,001 - 10,000	**1,891**	**4.86**	**5,803,990**	3.54	1,765	4.55	5,594,235	3.48
10,001 - 100,000	**555**	**1.43**	**17,080,778**	10.41	492	1.27	15,733,918	9.79
100,001 - 1,000,000	**79**	**0.20**	**17,504,585**	10.66	64	0.17	15,299,757	9.52
1,000,001 - and above	**18**	**0.05**	**118,926,204**	72.44	16	0.04	119,219,608	74.19
Total	**38,871**	**100**	**164,166,494**	100	38,764	100	160,698,832	100

Substantial Shareholding

Names of the 20 (Twenty) largest shareholders, with their respective shareholdings and percentage holdings as at 31 December 2024 with their comparative shareholding as at 31 December 2023 are as follow;

		31 December 2024 (Amalgamated)		31 December 2023 (Amalgamated)	
No.	**Name of the Shareholder**	**No of Shares**	**%**	**No. of Shares**	**%**
1	LOLC INVESTMENT HOLDINGS ONE (PRIVATE) LIMITED	**24,624,948**	**15.0000**	24,104,800	15.0000
2	SENTHILVERL HOLDINGS (PVT) LTD	**21,019,383**	**12.8037**	19,306,601	12.0142
3	NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.	**17,989,491**	**10.9581**	17,609,503	10.9581
4	BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES SA/NV	**16,416,564**	**9.9999**	16,069,800	9.9999
5	AYENKA HOLDINGS (PRIVATE) LIMITED	**7,034,112**	**4.2848**	14,460,956	8.9988
6	MR. C.F. FUHRER	**4,929,116**	**3.0025**	-	-
7	SANASA LIFE INSURANCE COMPANY PLC	**4,610,425**	**2.8084**	4,715,996	2.9347
8	ALLIANCE FINANCE COMPANY PLC	**3,592,187**	**2.1881**	3,516,310	2.1881
9	PEOPLES LEASING & FINANCE PLC/L.P.HAPANGAMA	**3,279,555**	**1.9977**	3,102,528	1.9306
10	SBI VEN HOLDINGS PTE LTD*	**2,944,311**	**1.7935**	2,885,618	1.7957
11	DR. T. SENTHILVERL	**2,634,908**	**1.6050**	4,798,223	2.9859
12	PEOPLE'S LEASING & FINANCE PLC	**2,320,270**	**1.4134**	2,271,260	1.4134
13	BANK OF CEYLON A/C CEYBANK UNIT TRUST	**1,573,477**	**0.9585**	1,539,241	0.9578
14	HATTON NATIONAL BANK PLC/SARRAVANAN NEELAKANDAN	**1,471,083**	**0.8961**	1,440,010	0.8961
15	KEGALLE SANASA SHARE HOLDERS TRUST COMPANY LIMITED	**1,287,440**	**0.7842**	1,260,246	0.7842
16	SANASA GENERAL INSURANCE COMPANY LTD	**1,148,681**	**0.6997**	1,124,418	0.6997
17	POLGAHAWELA SANASA SOCIETIES UNION LTD	**1,035,980**	**0.6311**	1,014,098	0.6311
18	NIKAWARATIYA THRIFT AND CREDIT CO-OPERATIVE SOCIETY UNION LIMITED	**1,014,273**	**0.6178**	992,849	0.6178
19	BINGIRIYA MULTIPURPOSE COOPERATIVE SOCIETY LTD	**991,850**	**0.6042**	970,900	0.6042
20	SANASA FEDERATION LIMITED	**829,333**	**0.5052**	811,816	0.5052

*"SBI EMERGING ASIA FINANCIAL SECTOR FUND PTE. LTD" now known as "SBI VEN HOLDINGS PTE LTD"

EQUITABLE TREATMENT TO SHAREHOLDERS

The Bank has at all times ensured that all shareholders are treated equitably.

INFORMATION ON THE DIRECTORS OF THE BANK

The Board of Directors of the Bank consists of twelve Directors (as at 31/12/2024) with wide financial and commercial knowledge and experience. The names of the Directors of the Bank as at 31st December 2024 are given below as per Section 168 (1) (h) of the Companies Act. Their brief profiles appear on pages 46 to 49 of the Annual Report.

The classification of Directors into Executive Director (ED), Non- Executive Director (NED) and Independent Director (ID), Non- Independent Director (NID) is given against the names as per Listing Rules and Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka.

No	Name of Director	Executive / Non - Executive Status	Independent / Non - Independent Status
1	Ms.Dinithi Ratnayake (Chairperson)	Non-Executive	Independent
2	Prof. Sampath Amaratunge	Non-Executive	Independent
3	Mr.Chaaminda Kumarasiri	Non-Executive	Independent
4	Mr.Prasanna Premaratna	Non-Executive	Independent
5	Mr.B.R.A.Bandara	Non-Executive	Non - Independent
6	Mr.Thusantha Wijemanna	Non-Executive	Independent
7	Mr.S.H.Sarath Nandasiri	Non-Executive	Non - Independent
8	Mr.Conrad Dias	Non-Executive	Non - Independent
9	Mr.Naveendra Sooriyarachchi	Non-Executive	Non - Independent
10	Mr.Romani De Silva	Non-Executive	Non - Independent
11	Mr.Chandana Dissanayake	Non-Executive	Non - Independent
12	Mr. Kapila Ariyaratne	Executive Director/ CEO	Non - Independent
New Appointments made during 2024			
Mr. Kapila Ariyaratne (Appointed to the Board w.e.f. 07.10.2024)		Executive Director-/ CEO	Non - Independent
Resignations/ Retirement during 2024			
Dr.Mahesha Ranasoma (resigned from the Board w.e.f 31.12.2024)		Non-Executive	Non - Independent

Special Note

Prof. Sampath Amaratunge, Non-Executive, Independent Director - retired from the Board w.e.f. 14.02.2025 (due to the completion of 9-years) further at the 27th AGM held on 31st May 2024 Director Mr.Conrad Dias who represent LOLC Investment Holdings One (Private) Limited and Director Mr. B.R.A. Bandara who represents Polgahawela SANASA Societies Union Ltd were re-elected as Non-Executive, Non Independent Directors of the Bank

RETIREMENT BY ROTATION AND RE- ELECTION/RE- APPOINTMENT OF DIRECTORS

In terms of Article 6 (4) (i) the following Directors shall retire by rotation at the 28th AGM and the Board recommended their re-election.

i. Mr. S.H. Sarath Nandasiri

ii. Mr. Romani De Silva

BOARD SUBCOMMITTEES

The Board of Directors of the Bank formed four mandatory Board Subcommittees namely, the Board Selection Nomination and Governance Committee, the Board Human Resources and Remuneration Committee, the Board Integrated Risk Management Committee and the Board Audit Committee as required by the Banking Act Direction No 05 of 2024 on "Corporate Governance for Licensed Banks in Sri Lanka" issued by the CBSL.

The Board formed a Board Related Party Transactions Review Committee in 2014 to assist the Board in reviewing all related party transactions carried out by the Bank, by early adopting the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (the SEC) which became mandatory from 1 January 2016.

The Board of Directors also has formed five other voluntary Board Subcommittees to assist the Board.

These committees play a critical role in order to ensure that the activities of the Bank at all times are conducted with the highest ethical standards and in the best interest of all its stakeholders. The Terms of Reference of these Subcommittees confirm to the recommendations made by various regulatory bodies, such as the Central Bank of Sri Lanka, The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission, and The Colombo Stock Exchange.

The composition of both mandatory and voluntary Board Subcommittees, as at 31st December 2024 and the details of the attendance by Directors at meetings are tabulated on page 157 while the reports of these composition of the board sub committees in the page 156 in this Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

Board Subcommittees

Committee	Mandate	Composition
Board Integrated Risk Management Committee	Quarterly	Mr. Prasanna Premaratna (Chairman - BIRMC) Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri Mr. Conrad Dias Mr. Chandana Dissanayake
Board Audit Committee	Monthly	Mr. Chaaminda Kumarasiri (Chairman - BAC) Prof. Sampath Amaratunge Mr. Naveendra Sooriyarachchi Mr. Prasanna Premaratna Mr. B. R. A. Bandara
Board Human Resources and Remuneration Committee	At least 6 times annually	Mr. Thusantha Wijemanna (Chairman - BHRRC) Mr. Chaaminda Kumarasiri Mr. Prasanna Premaratna Mr. Naveendra Sooriyarachchi Mr. Chandana Dissanayake
Board Selection Nomination & Governance Committee	If and when it is required	Porf. Sampath Amaratunge (Chairman - BSN&GC) Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri Mr. Thusantha Wijemanna Mr. Chandana Dissanayake Mr. Conrad Dias
Board Related Party Transactions Review Committee	Quarterly	Porf. Sampath Amaratunge (Chairman – BRPTRC) Mr. Chaaminda Kumarasiri Mr. Prasanna Premaratna Mr. Thusantha Wijemanna
Board Credit Committee	At least 10 times annually	Mr. Naveendra Sooriyarachchi (Chairman - BCC) Mr. Thusantha Wijemanna Mr. Romani De Silva Mr. Sarath Nandasiri
Board Strategic Planning Committee	Quarterly	Ms. Dinithi Ratnayake (Chairperson - BSPC) Mr. Chaaminda Kumarasiri Mr. Conrad Dias Mr. B. R. A. Bandara Dr. Mahesha Ranasoma (resigned from the Board w.e.f. 31.12.2024)
Board Co-operative, Rural Enterprises and Livelihood Development Committee	Once every two months	Mr. B. R. A. Bandara (Chairman – BCRELDC) Porf. Sampath Amaratunge Mr. Prasanna Premaratna Mr. Sarath Nandasiri Mr. Romani De Silva
Board IT Steering Committee	Quarterly	Mr. Conrad Dias (Chairman – BITSC) Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri
Board Sub-Committee on Sustainability	Quarterly	Mr. Romani De Silva (Chairman – BSCS) Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri Mr. Chandana Dissanayake

MEETINGS

Details of the Meetings of the Board of Directors which comprises with Board Meetings, Board Audit Committee Meetings, Board Selection Nomination and Governance Committee Meetings, Board Human Resources and Remuneration Committee Meetings, Board Credit Committee Meetings, Board Strategic Planning Committee Meetings, Board Co-operative Rural Enterprise and Livelihood Development Committee Meetings, Board Subcommittee on Sustainability Meetings, Board IT Steering Committee Meetings, Board Integrated Risk Management Committee Meetings, Board Related Party Transactions Review Committee Meetings and the attendance of Directors at these meetings during the year 2024 are given below

	Board Meeting	Board Audit Committee Meeting (BAC)	Board Selection Nomination & Governance Committee Meeting (BSN & GC)	Board Human Resource and Remuneration Committee Meeting (BHRRC)	Board Credit Committee Meeting (BCC)	Board Strategic Planning Committee Meeting (BSPC)	Board Co-operative, Rural Enterprises & Livelihood Development Committee Meeting (BCRELDC)	Board Sub Committee on Sustainability Meeting (BSCS)	Board IT Steering Committee Meeting (BITSC)	Total
Ms.Dinithi Ratnayake	17/17	-	19/20	-	13/15	03/03	-	03/04	04/04	59/63
Prof.Sampath Amaratunge	17/17	24/24	18/20	-	-	-	06/06	-	-	65/67
Mr.Chaaaminda Kumarasiri	17/17	24/24	20/20	14/14	-	03/03	-	04/04	04/04	86/86
Mr.Prasanna Premaratna	17/17	24/24	-	14/14	-	-	06/06	-	-	61/61
Mr.B.R.A.Bandara	17/17	01/24	-	-	-	03/03	06/06	-	-	27/50
Mr.Thusantha Wijemanna	17/17	-	20/20	14/14	14/15	-	-	-	-	65/66
Mr.Sarath Nandasiri	15/17	-	-	-	15/15	-	06/06	-	-	36/38
Mr.Conrad Dias	15/17	-	06/20	-	-	01/03	-	-	04/04	26/44
Mr.Naveendra Sooriyarachchi	17/17	24/24	-	14/14	15/15	-	-	-	-	70/70
Mr.Romani De Silva	16/17	-	-	-	13/15	-	03/06	04/04	-	36/42
Mr.Chandana Dissanayake	17/17	-	15/20	14/14	-	-	-	04/04	-	50/55
Dr.Mahesha Ranasoma	13/17	-	-	-	-	03/03	-	01/04	-	17/24
Mr.Kapila Ariyaratne *	04/17	-	-	-	-	-	-	-	-	04/17

* Mr. Kapila Ariyaratne appointed as a member of the Board w.e.f 07.10.2024

Board Integrated Risk Management Committee Meeting

		Dates of meetings													
S/N	Name of the member	23.01.2024	14.02.2024	26.03.2024	24.04.2024	28.05.2024	04.06.2024	25.06.2024	23.07.2024	27.08.2024	24.09.2024	23.10.2024	26.11.2024	13.12.2024	20.12.2024	Total
1	Mr. Prasanna Premaratna (Chairman - BIRMC)	P	P	P	P	P	P	P	P	P	P	P	P	P	P	14/14
2	Prof. Sampath Amaratunge*	P	P	P	P	P	EX	P	P	P	P	P	P	N/A	N/A	11/14
3	Mr. Chaaminda Kumarasiri	P	P	P	P	P	P	P	P	P	P	P	P	P	P	14/14
4	Mr. Conrad Dias	Ex	P	P	P	Ex	Ex	P	P	EX	P	P	P	EX	EX	8/14
5	Mr. Chandana Dissanayake	P	P	P	P	P	P	P	P	P	P	P	P	P	P	14/14
6	Ms. Dinithi Ratnayake*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	EX	1/14

P - *Present*, **Ex** - *Excused*, **N/A** - *Not applicable* (since not a member as at the date of the meeting)

*Ms. Dinithi Ratnayake appointed to the BIRMC w.e.f.29.11.2024 and Prof. Sampath Amaratunge resigned from the BIRMC w.e.f.29.11.2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

Board Related Party Transactions Review Committee Meeting

S/N	Name of the member	Dates of meetings				
		19.03.2024	11.06.2024	10.09.2024	12.12.2024	Total
1	Prof. Sampath Amaratunge (Chairman - BRPTRC)	P	P	P	P	4/4
2	Mr.Chaaminda Kumarasiri	P	P	P	P	4/4
3	Mr.Prasanna Premaratna	P	P	P	P	4/4
4	Mr.Thusantha Wijemanna	P	P	P	P	4/4

P - *Present*, **Ex** - *Excused*, **N/A** - *Not applicable* (since not a member as at the date of the meeting)

Ms. D. Ratnayake

Resigned from the BCC w.e.f 29.11.2024
Resigned from the Chairmanship of BSN&GC w.e.f.29.02.2024.
Appointed to the BIRMC w.e.f.29.11.2024

Prof. S. Amaratunge

Appointed as the Chairman of BSN&GC w.e.f. 29.11.2024
Resigned from the BIRMC w.e.f.29.11.2024

Mr. C. Kumarasiri

Appointed as the Chairman of BSN&GC w.e.f 29.02.2024
Resigned from the Chairmanship of BSN&GC w.e.f. 29.11.2024

Mr. B.R.A. Bandara

Appointed as a member of the BAC w.e.f 29.11.2024

Mr. C. Dias

Appointed to the BSN&GC w.e.f 09.09.2024

Mr. N. Sooriyarachchi

Appointed as the Chairman of BCC w.e.f 29.02.2024

Dr. M. Ranasoma

Resigned from the BSCS w.e.f 29.11.2024
Resigned from the BSPC w.e.f. 30.12.2024
Resigned from the Board w.e.f. 31.12.2024

Mr. K. Ariyaratne

Appointed to the Board w.e.f 07.10.2024

DISCLOSURE OF DIRECTORS' DEALING IN SHARES NUMBER OF SHARES

Individual Ordinary Voting Shareholdings of person who were Directors of the Bank at any time during the financial year are as follows:

Name of the Director	As at 31 December 2024	As at 31 December 2023
Ms. D. Ratnayake	-	-
Prof. S. Amaratunge	-	-
Mr. C. Kumarasiri	-	-
Mr. P. Premaratna	**1,532**	1,500
Mr. B.R.A. Bandara	**11,237**	11,000
Mr. T. Wijemanna	-	-
Mr. S. Nandasiri	-	-
Mr. C. Dias	-	-
Mr. N. Sooriyarachchi	-	-
Mr. R. De Silva	**106,907**	104,650
Mr. C. Dissanayake	-	-
Dr. M. Ranasoma*	-	-
Mr. Kapila Ariyaratna	-	-

*Dr. M. Ranasoma resigned from the Board w.e.f. 31.12.2024

Directors' Shareholding Percentage

	As at 31 December 2024	As at 31 December 2023
Directors	**0.07**	0.07
Public	**78.45**	73.74
CEO and Related Parties	**21.47**	26.19

DIRECTORS' STATEMENT OF INTERNAL CONTROL

The Bank maintains Directors' Interests Register as required under the provisions of Section 168 (1) (e) of the Companies Act No. 07 of 2007. The Directors of the Bank have disclosed their interests in contracts or proposed contracts, in terms of Section 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the Interests' Register which is available for inspection in terms of the provisions of the Companies Act. As a practice, Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Bank.

DIRECTORS' REMUNERATION

As required under the Section 168 (1) (f) of the Companies Act No. 07 of 2007, Directors' Remuneration and other benefits in respect of the Bank for the financial year ended 31st December 2024 are given in Note 15 to the Financial Statements on page 195.

RELATED PARTY TRANSACTIONS

Directors have disclosed transactions if any, that could be classified as Related Party Transactions in terms of Sri Lanka Accounting Standards – LKAS 24 "Related Party Disclosures" which is adopted in preparation of the Financial Statements. Those transactions are given in Note 41 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

The Bank has also complied with the requirement of the Code of Best Practice issued by The Institute of Chartered Accountants of Sri Lanka, Listing Rules of Colombo Stock Exchange (CSE) and with all disclosure requirements stipulated thereunder.

DIRECTORS' AND OFFICERS' INSURANCE

The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and the Directors, Secretaries, Officers and certain employees of the Bank as defined in the Insurance Policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Bank has complied with the relevant environmental laws and regulations. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

EVENTS AFTER THE REPORTING PERIOD

No event of material significance that require adjustments to the Financial Statements, has occurred subsequent to the reporting period, other than those disclosed in Note 39 to the Financial Statements on page 220.

APPOINTMENT OF AUDITORS AND THEIR REMUNERATION

The Bank's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. Audit fees and reimbursement of expenses paid to Messrs Ernst & Young during the year under review by the Bank amounted to Rs. 4,950,000 (2023: Rs. 3,921,500). Further Rs. 925,000 (2023: Rs. 5,524,151) were paid by the Bank for audit-related and non-audit services including reimbursement of expenses.

Details of the audit fees paid are given on Note 15.2 to the Financial Statements on page 195.

Based on the declaration provided by Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship or interest with the Bank that in our judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), applicable on the date of this Report.

The retiring Auditors, Messrs Ernst & Young, have expressed their willingness to continue in office. Hence they may come up for re-election at the Annual General Meeting, with the recommendation of Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors is being proposed at the Annual General Meeting.

INFORMATION ON RATIOS, MARKET PRICES OF SHARES AND CREDIT RATINGS

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on "Investor Relations" on pages 258 to 265.

RISK MANAGEMENT AND INTERNAL CONTROL

The Bank has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Bank. The Directors continuously review this process through the Board Integrated Risk Management Committee. Specific steps taken by the Bank in managing both banking and non-banking risks are detailed in the Section on "Managing our Risks" on pages 90 to 97 and in Note 46 to the Financial Statements on pages 228 to 242.

The Directors have taken reasonable steps open to them to safeguard the assets of the Bank and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of Internal controls for identifying, recording, evaluating, and managing the significant risks faced by the Bank throughout the year and it is being under regular review of the Board of Directors. This comprises internal reviews, Internal Audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent, and detect the frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records.

BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board has issued a report on the internal control mechanism of the Bank as per Section 9.2 (b) of Banking Act Direction No. 05 of 2024 on Corporate Governance. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report, which forms an integral part of the Annual Report of the Board of Directors, is given on pages 161 to 162.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

The Board has obtained an assurance report from the External Auditors on Directors' Statement on Internal Control which is given on page 163 of the Annual Report.

OUTSTANDING LITIGATIONS

In the opinion of the Directors and the Bank's Lawyers, pending litigation against the Bank disclosed in Note 38.3 of the Financial Statements given on pages 219 to 220 will not have a material impact on the financial position of the Bank or its future operations.

CORPORATE GOVERNANCE

Directors' Declarations:

I. The Bank complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Integrated Risk Management Committee

II. The Directors have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested.

III. All endeavors have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue;

IV. The business is a going concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Bank's Corporate/Business Plans and is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Bank are prepared based on the going concern assumption; and They have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence. The measures taken and the extent to which the Bank has complied with the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and the SEC, the CSE and the CBSL are given on pages 103 to 134.

ANNUAL GENERAL MEETING AND THE NOTICE OF MEETING

The 28th Annual General Meeting of the bank will be held at the Board Room of SANASA Development Bank PLC, No. 12, Edmonton Road, Kirulapone, Colombo 06 through an "online- virtual" platform by using "audio-visual" tools on 30 May 2025 at 10.00 a.m

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report

For and on behalf of the Board of Directors,



Ms. Dinithi Ratnayake
Chairperson



Ms. Amila Belpamulla
Company Secretary

2nd May 2025
Colombo, Sri Lanka

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 12 of 2007 and with principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Board of Directors presents this report on Internal Control Over Financial Reporting as of 31st December 2024. Further the Banking Act Direction No. 12 of 2007 has been replaced with the Banking Act Direction No 05 of 2024 on corporate governance for license Banks issued by the Central Bank of Sri Lanka with effect from 1st January 2025 and bank would take necessary steps to comply with the same going forward.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at SANASA Development Bank PLC ("the Bank").

In considering such adequacy and effectiveness, the Board recognizes that the business of Banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatements of financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the guidelines 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 considering the principles for the assessment of internal control system as given in that guideline.

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 that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the policies and procedures on risk by designing and implementing suitable internal controls to mitigate risks faced by the Bank.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND 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:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of the Bank's operations and that the Bank's operations are in accordance with the corporate objectives, strategies and annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Department of the Bank verifies compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis through the application of Risk Based Audit Procedures. Audits are carried out on Head office functions, regional offices, and branches in accordance with the annual Risk Based Audit Plan approved by the Board Audit Committee (BAC). Onsite audits, Process Audits and Thematic Audits are carried out to provide independent and objective reports. The frequency of which is determined by the level of risk assessed. Findings of the Internal Audit Department are submitted to the BAC for review at their periodic meetings. The BAC also review and updates on the scope and the adequacy of the internal audit function against the approved audit plan.
- The BAC reviews internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities, including Key Audit Matters (KAM) given by the External Auditors and evaluates the adequacy and effectiveness of the risk management and internal control systems. The minutes of the BAC meetings are forwarded to the Board on a periodic basis. Further, details of the activities undertaken by the BAC of the Bank are set out in the Board Audit Committee Report (BAC).
- The Board Integrated Risk Management Committee (BIRMC) was established to assist the Board to oversee the overall risk management of the principal areas of the Bank. The Executive Integrated Risk Management Committee (EIRMC) includes representation from all key business, operating and control units of the Bank to assist BIRMC to execute the assigned functions as per the ToR.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Bank's core areas of business operations. These committees include the Assets and Liability Management Committee, Investment Committee and the Information Technology Steering Committee etc.
- In assessing the internal control system over financial reporting, the process owners of the Bank collate all the procedures and controls to ensure that the Financial Statements of the Bank provide accurate information. These in turn were reviewed by the Internal Audit Department for suitability of the design and effectiveness on an ongoing basis, throughout the year.

The BAC continuously monitored the implementation of the Sri Lanka Accounting Standards – SLFRS 9 "Financial Instruments" issued by The Institute of Chartered Accountants of Sri Lanka and CBSL Directives No. 13 of 2021 and No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities & Other Financial Assets in Licensed Banks. To facilitate their review, the BAC considered reports from the Chief Financial Officer and also reports from the External Auditors on the outcome of their review of the annual audit.

Comments made by the External Auditors in connection with the Internal Control System Over Financial Reporting in previous years have been reviewed during the year and appropriate steps have been taken to rectify

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

them. The recommendations made by the External Auditors during the year, in connection with the Internal Control System over Financial Reporting will be dealt with in future.

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.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs. Ernst & Young have reviewed the above Directors' Statement on Internal Control over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2024 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 over Financial Reporting of the Bank. Their Report on the Statement of Internal Control over Financial Reporting is given on page 163 of this Annual Report.

By Order of the Board,



Mr. Chaaminda Kumarasiri
Chairman - Board Audit Committee (BAC)



Mr. Prasanna Premaratna
Chairman - Board Integrated Risk Management Committee (BIRMC)



Ms. Dinithi Ratnayake
Chairperson
SANASA Development Bank PLC.

2nd May 2025
Colombo, Sri Lanka

INDEPENDENT ASSURANCE REPORT

Shape the future with confidence

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Chartered Accountants
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TO THE BOARD OF DIRECTORS OF SANASA DEVELOPMENT BANK PLC

Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of SANASA Development Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2024.

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 section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

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

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

Summary of work performed

We conducted our 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 us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us 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 our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

28th February 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E W Jesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of SANASA Development Bank PLC (The Bank) as of 31st December 2024 are prepared in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007 (Companies Act);
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Banking Act No. 30 of 1988 and amendments thereto;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka; and
- Section 9.2 (b) of the Banking Act Direction No. 05 of 2024 on Corporate Governance issued by the Central Bank of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka, which is also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard (LKAS 1) "Presentation of Financial Statements".

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained in the Notes to the Financial Statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis; in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal controls and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

We confirm, compliance with Section 3 (8) (ii) of the Banking Act Direction No. 12 of 2007 on Corporate Governance (Internal Control Over Financial Reporting – ICOFR) issued by the Central Bank of Sri Lanka as of 26 December 2007 and that the Bank's Internal Controls over Financial Reporting is adequate and effective. Annual Report of the Board of Directors on the Affairs of the Bank on pages 151 to 160 has briefly covered the Bank's Internal Control over Financial Reporting. In addition, Directors' Statement on Internal Control over Financial Reporting is provided on page 161. The Bank's External Auditors, Messrs Ernst & Young, have audited the effectiveness of the Bank's Internal Controls over Financial Reporting and have given an unqualified opinion on page 163 of this Annual Report.

The Financial Statements of the Bank were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on page 166 of this Annual Report.

The Audit Committee of the Bank meets periodically with the Internal Auditors and the Independent External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss issues relating to auditing, internal controls, and financial reporting issues.

To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee report is given on page 137.

The Audit Committee approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not impair Messrs Ernst & Young's independence.

We confirm that to the best of our knowledge:

- The Bank has complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There are no material litigations that are pending against the Bank other than those disclosed in Note 38.3 to the Financial Statements in the Annual Report.



Mr. Kapila Ariyaratne
Chief Executive Officer



Mr. Shanka Abeywardene
Chief Financial Officer

31st March 2025
Colombo, Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors in relation to the Financial Statements of the Bank prepared in accordance with the provisions of the Companies Act No. 07 of 2007 are set out in the following statement. The responsibilities of the External Auditor in relation to the Financial Statements are set out in the Report of the Auditors given on pages 166 to 168 of the Annual Report.

As per the provisions of Sections 150 (1), 151,152 and 153 (1) and (2) of the Companies Act No. 07 of 2007 the Directors are required to prepare Financial Statements that give a true and fair view of the financial position of the Bank for each financial year and place them before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at the end of the financial year, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Notes thereto.

The Financial Statements are prepared by the Chief Financial Officer under the supervision of the Chief Executive Officer. The Directors confirm that the Financial Statements of the Bank give a true and fair view of:

1. The state of affairs of the Bank as at 31st December 2024; and
2. The financial performance of the Bank for the financial year ended 31st December 2024.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
2. Judgements and estimates have been made that are reasonable and prudent; and
3. All applicable Accounting Standards, as relevant, have been complied with.

The Directors are also required to ensure that the Bank has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Bank has maintained sufficient accounting records to disclose, with reasonable accuracy the financial position of the Bank. The Financial Statements prepared and presented in this Report are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards which came into effect from 1 January 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

In addition, these Financial Statements comply with the prescribed format issued by the Central Bank of Sri Lanka for the preparation of annual financial statements of Licensed Specialised Banks.

The Directors have also instituted effective and comprehensive systems of Internal Control for identifying, recording, evaluating and managing the significant risks faced by the Bank throughout the year and it is being under regular review of the Board of Directors. This comprises internal reviews, internal audits and the whole system of financial and other controls required to carry on the business of banking in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st December 2024 are given in pages 161 to 162 of the Annual Report, "Directors Statement on Internal Control over Financial Reporting". External Auditors' Assurance Report on the "Directors Statement on Internal Control" is given on page 163 of the Annual Report.

The Directors have taken appropriate steps to ensure that the Bank maintain proper books of accounts and reviews the financial reporting system directly at their regular meetings and also through the Board Audit Committee. The report of the said Committee is given on pages 137 to 140 in the Annual Report. The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

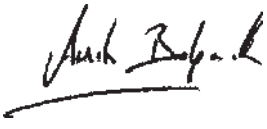
The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

Directors are required to prepare the Financial Statements and to provide the Bank's External Auditor, Messrs Ernst & Young, Chartered Accountants, with every opportunity to carry out whatever reviews and sample checks on the system of internal control they may consider appropriate and necessary for expressing their independent audit opinion on the Financial Statements

The Financial Statements of the Bank have been certified by the Chief Financial Officer of the Bank, the officer responsible for their preparation, as required by Sections 150(1) (b) and 152 (1) (b) of the Companies Act. Also the Financial Statements of the Bank have been signed by two Directors, Chief Executive Officer and Company Secretary of the Bank on page 170 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Bank as at the Statement of Financial Position date have been paid or where relevant provided for. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Ms. Amila Belpamulla
Company Secretary

2nd May 2025
Colombo, Sri Lanka

INDEPENDENT AUDITOR'S REPORT

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Chartered Accountants
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TO THE SHAREHOLDERS OF SANASA DEVELOPMENT BANK PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SANASA Development Bank PLC ("the Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment for expected credit losses of loans and receivables to other customers carried at amortised cost Impairment for loans and receivables to other customers carried at amortised cost as stated in Notes 12 and 21, respectively, is determined by management based on the accounting policies described in Note 2.12. This was a key audit matter due to: • the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future recoveries of such loans and receivables; and • the materiality of the reported amount of Impairment for expected credit losses	In addressing the adequacy of the impairment for expected credit losses of loans and receivables measured at amortised cost, our audit procedures included the following key procedures. • Assessed the alignment of the Bank's Impairment for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of impairment for expected credit losses, policies and procedures by the Board and management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. • Evaluated the reasonableness of credit quality assessments and related stage classifications.

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Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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Key audit matter	How our audit addressed the key audit matter

Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses for loans and receivables include forward-looking macroeconomic scenarios, their associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements are disclosed in Notes 2.12 and 3.2.6.	In addition to the above, the following procedures were performed:
	• For loans and receivables assessed on an individual basis for impairment:
	  • Tested the arithmetical accuracy of the underlying individual impairment calculations
	  • Evaluated the reasonableness of key inputs used in the impairment for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts and status of recovery actions of the collaterals.
	• For loans and receivables assessed on a collective basis for impairment:
	  • Tested the key inputs and the calculations used in the impairment for expected credit losses.
	  • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.
	Assessed the adequacy of the related financial statement disclosures set out in Notes 12, 21 & 46

Information Technology (IT) systems related internal controls over financial reporting
Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.
 	
Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.
	Our audit procedures included the following key procedures:
	• Obtained an understanding of the internal control environment of the processes and tested relevant controls relating to financial reporting and related disclosures.
	• We involved our internal specialised resources and;
	  • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and
	  • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.
	• We tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Bank's 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as

INDEPENDENT AUDITOR'S REPORT

applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

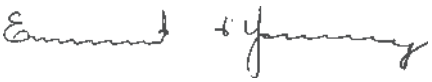
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No. 24 of 2024), we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank.

In our opinion the disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No. 05 of 2024 issued by Central Bank of Sri Lanka.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.



28th February 2025
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024	Note	2024	2023
		LKR	LKR
Gross Income	6	**21,062,580,699**	30,792,731,045
Interest income		**20,005,051,598**	29,904,604,368
Less: Interest expenses		**(12,184,587,605)**	(21,402,708,282)
Net interest income	7	**7,820,463,993**	8,501,896,086
Fee and commission income		**631,017,156**	466,072,678
Less: Fee and commission expenses		**(46,695,036)**	(36,170,237)
Net fee and commission income	8	**584,322,120**	429,902,441
Net gain/(loss) from trading	9	**60,116,875**	1,257,500
Net fair value gain/(loss) of financial assets at fair value through profit or loss	10	**444,081,680**	476,058,048
Net other operating income	11	**(77,686,610)**	(55,261,550)
Total operating income		**8,831,298,058**	9,353,852,526
Less: Impairment for loans and other losses	12	**(558,949,981)**	(1,819,895,158)
Net operating income		**8,272,348,077**	7,533,957,368
Less: Operating expenses			
Personnel expenses	13	**(3,964,778,179)**	(3,304,438,822)
Depreciation and amortisation expenses	14	**(610,921,460)**	(532,734,636)
Other expenses	15	**(2,245,721,885)**	(2,216,703,954)
Operating profit before Value Added Tax (VAT) on financial services		**1,450,926,553**	1,480,079,955
Less: Value Added Tax (VAT) on financial services		**(668,192,659)**	(634,125,294)
Less: Social Security Contribution Levy		**(98,470,974)**	(74,028,512)
Operating profit/(loss) after VAT on financial services		**684,262,920**	771,926,149
Profit before tax		**684,262,920**	771,926,149
Less: Tax expenses	16	**(274,728,675)**	(305,103,937)
Profit for the year		**409,534,246**	466,822,213
Other Comprehensive Income			
Other Comprehensive Income/(Expenses) not to be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit plans	32.1.2	**(195,633,301)**	92,684,997
Deferred tax relating to defined benefit plans	16.2.1	**58,689,990**	(27,805,499)
Revaluation Surplus on Property, Plant and Equipment	25	**69,025,000**	74,939,000
Other Comprehensive Income for the year net of tax		**(67,918,311)**	139,818,498
Total Comprehensive Income for the year		**341,615,936**	606,640,711
Earnings per share on profit			
Basic/diluted earnings per share - (LKR).	17	**2.49**	2.84
Dividend per share: Gross (LKR)		**-**	-

The Accounting Policies and Notes on pages 173 through 243 from an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024	Note	2024	2023
		LKR	LKR
Assets			
Cash and cash equivalents	18	**2,442,293,957**	2,916,328,571
Placements with banks	19	**9,083,957,854**	15,387,769,653
Financial assets fair value through profit or loss	20	**6,739,200,074**	2,815,221,176
Financial assets at amortised cost			
- Loans and receivables to other customers	21	**95,137,106,867**	98,868,895,650
- Debt and other instruments	22	**26,623,135,466**	32,436,341,319
Financial assets measured at fair value through other comprehensive income	23	**208,145,880**	56,939,525
Investment in subsidiary	24	**6,163,100**	6,163,100
Property, plant and equipment	25	**1,115,086,601**	845,329,269
Right of use assets	26	**780,437,781**	680,305,296
Intangible assets	27	**747,453,984**	753,566,178
Deferred tax assets	16.2	**778,912,222**	533,810,343
Other assets	28	**1,494,056,173**	1,656,730,025
Total assets		**145,155,949,959**	156,957,400,105
Liabilities			
Due to other customers	29	**106,989,899,941**	108,118,121,881
Other borrowings	30	**19,075,131,562**	26,593,632,236
Subordinated term debts	31	**-**	4,460,248,007
Retirement benefit obligation	32	**1,041,381,783**	766,114,529
Current tax liabilities		**717,274,037**	375,861,793
Other liabilities	33	**2,745,762,272**	2,377,566,033
Total liabilities		**130,569,449,595**	142,691,544,479
Equity			
Stated capital	34	**11,406,601,998**	11,287,765,221
Statutory reserve fund	35	**361,049,165**	340,572,453
Retained earnings	36	**2,388,242,984**	2,275,936,735
Other reserves	37	**430,606,217**	361,581,217
Total equity		**14,586,500,364**	14,265,855,626
Total equity and liabilities		**145,155,949,959**	156,957,400,105
Contingent liabilities and commitments	38	**869,324,533**	814,261,712

Certification

I certify these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Mr. Shanka Abeywardene
DGM-Finance & Planning/CFO

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board by:



Ms. Dinithi Ratnayake
Chairperson



Mr. Chaaminda Kumarasiri
Director



Mr. Kapila Ariyaratne
Executive Director / CEO



Ms. Amila Belpamulla
Company Secretary

The Accounting Policies and Notes on pages 173 through 243 from an integral part of the Financial Statements.

28th February 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024	Stated capital	Reserves					
	Ordinary voting shares	Statutory reserve fund	Retained earnings	Available for sale reserve/ Fair value through OCI	Revaluation reserve	General reserves	Total equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Opening balance as at 1 January 2023	11,287,765,221	317,231,342	1,767,576,135	(19,051,624)	259,036,868	46,656,973	13,659,214,915
Profit for the year	-	-	466,822,213	-		-	466,822,213
Other comprehensive income (net of tax)	-	-	64,879,498	-	74,939,000	-	139,818,498
Total comprehensive income for the year			531,701,711	-	74,939,000		606,640,711
Transactions with equity holders, recognised directly in equity							
Transfer to statutory reserve fund	-	23,341,111	(23,341,111)	-		-	-
Total transaction with equity holders	-	23,341,111	(23,341,111)	-	-	-	-
Closing balance as at 31 December 2023	11,287,765,221	340,572,453	2,275,936,735	(19,051,624)	333,975,868	46,656,973	14,265,855,626
Opening balance as at 1 January 2024	11,287,765,221	340,572,453	2,275,936,735	(19,051,624)	333,975,868	46,656,973	14,265,855,626
Profit for the year	-	-	409,534,246	-	-	-	409,534,246
Other comprehensive income (net of tax)	-	-	(136,943,311)	-	69,025,000	-	(67,918,311)
Total comprehensive income for the year	-	-	272,590,936	-	69,025,000	-	341,615,936
Transactions with equity holders, recognised directly in equity							
Scrip dividend - 2023	118,836,777	-	(139,807,974)	-		-	(20,971,199)
Transfer to statutory reserve fund	-	20,476,712	(20,476,712)	-		-	-
	118,836,777	20,476,712	(160,284,687)	-	-	-	(20,971,199)
Closing balance as at 31 December 2024	11,406,601,998	361,049,165	2,388,242,984	(19,051,624)	403,000,868	46,656,973	14,586,500,364

Statutory reserve fund

Every licensed specialised bank has to make a provision not less than 5% out of profit after tax to the statutory reserve fund. Such provision should be made annually as stipulated by the Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 33 of 1995 until the said Reserve Fund is equal to 50% of the Equity Capital of the Bank. Thereafter, the Bank has to make a provision not less than 2% out of profit after tax to the Statutory Reserve Fund until the said Fund is equal to the Equity Capital of the Bank.

General reserve

The general reserve is created after provisioning for a statutory reserve fund and interim dividend payments for the respective share holders, this reserve will be used by the Bank for the future capitalisation purposes of the Bank.

Available for sale/Fair value through OCI reserve

The available for sale/Fair value through OCI reserve is consist of fair value adjustment made to unquoted equity investment.

The Accounting Policies and Notes on pages 173 through 243 from an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2024	Note	2024	2023
		LKR	LKR
Cash flows from /(used in) operating activities			
Interest received		**20,577,268,436**	25,826,399,990
Fee and commission received		**696,809,121**	427,167,557
Receipts from other operating activities		**2,779,833**	173,691,435
Interest payment		**(14,406,824,572)**	(22,106,903,889)
Cash payment to employees		**(3,711,040,514)**	(2,669,947,316)
Payments to suppliers and other operating activities		**(2,273,559,667)**	(1,474,003,662)
Fee and commission expenses		**(46,695,036)**	(36,170,237)
Operating profit before changes in operating assets		**838,737,603**	140,233,878
(Increase)/decrease in operating assets			
Funds advanced to customers		**3,068,032,781**	13,713,878,025
Net (increase)/ decrease in other short term securities		**(1,038,710,069)**	(504,780,274)
Net (increase)/ decrease in other assets		**(353,648,817)**	981,718,908
Increase/(decrease) in operating liabilities			
Deposits from customers		**994,426,906**	1,297,608,748
Net increase/ (decrease) in other liabilities		**439,654,428**	(738,504,867)
Net cash from operating activities before taxes		**3,948,492,832**	14,890,154,418
VAT on financial services paid		**(810,714,276)**	(529,353,686)
Income tax paid		**(108,284,316)**	(63,625,526)
Net cash from operating activities		**3,029,494,240**	14,297,175,206
Cash flows from /(used in) investing activities			
Dividend received	11	**291,165**	7,770,016
(Increase)/decrease in non dealing securities		**(151,206,356)**	(1,010)
(Increase)/decrease in dealing securities		**(3,419,780,343)**	(432,167,303)
(Increase)/decrease in treasury bonds and other investments		**13,242,000,498**	(9,320,167,647)
Proceeds from sale of property, plant and equipment		**425,070**	107,695,750
Purchase of property, plant and equipment	25	**(429,588,159)**	(92,141,023)
Purchase of intangible assets	27	**(165,002,818)**	(124,979,901)
Net cash from/(used in) investing activities		**9,077,139,057**	(9,853,991,118)
Cash flows from/(used in) financing activities			
Dividend paid (Withholding Tax)	36	**(20,971,198)**	-
Repayment of long term borrowing		**(20,781,743,621)**	(20,696,428,601)
Interest paid on subordinated debt		**(550,368,079)**	(901,042,055)
Increase/(decrease) in borrowing		**9,524,870,672**	16,972,269,562
Net cash flow from/(used in) financing activities		**(11,828,212,226)**	(4,625,201,094)
Net increase/(decrease) in cash and cash equivalents		**278,421,072**	(182,017,006)
Cash and cash equivalents at the beginning of the year	18.3	**3,166,328,570**	3,348,345,576
Cash and cash equivalents at the end of the year	18.3	**3,444,749,642**	3,166,328,570

The Accounting Policies and Notes on pages 173 through 243 from an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION / REPORTING ENTITY

1.1. General

SANASA Development Bank PLC ("the Bank") is a Licensed Specialized Bank established under the Banking Act No. 30 of 1988 and its amendment there to. It is a limited liability company, incorporated and domiciled in Sri Lanka. The registered office of the Bank is located at No. 12, Edmonton Road, Colombo 6. The Bank has a primary listing on the Colombo Stock Exchange.

1.2. Principal activities

SANASA Development Bank PLC provides a comprehensive range of financial services encompassing Development Banking, Corporate Banking, Personal Banking, Corporate and Trade Finance, Leasing and other Associated Activities.

1.3. Subsidiary

Payment Services (Private) Limited is a fully-owned subsidiary of the Bank, that was acquired on 26 May 2020. It was engaged in the business of providing online payment solutions on the web and mobile platforms under the brand name "UPay". The subsidiary's assets, liabilities, equity, income, expenses and cash flows does not have a material effect on the Consolidated Financial Statements of the Group. Therefore, the subsidiary has been deemed immaterial and has not been consolidated when preparing and presenting the Financial Statements of the Group.

1.4. Parent entity and ultimate parent entity

The Bank does not have an identifiable parent of its own.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Bank which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publish annual and quarterly financial information and other disclosures in the Press and the Website in compliance with Section 6 of the Circular.

2.2. Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements of the Bank as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

The Board of Directors acknowledges their responsibility for financial statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Directors' Responsibility for Financial Reporting" and the certification on the Statement of Financial Position.

2.3. Date of authorization of issue

The financial statements for the year ended 31 December 2024 were authorized for issue in accordance with a resolution of the Directors on 28th February 2025

2.4. Basis of Measurement

The Financial Statements of the Bank have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets held at fair value through other comprehensive income (FVOCI) are measured at fair value (Note 23)
- Financial assets recognised through profit or loss (FVPL) are measured at fair value (Note 20)
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation less the fair value of the plan assets (Note 32)

2.5. Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates. Financial information presented in Sri Lankan Rupees unless otherwise indicated. There was no change in the Bank's presentation and functional currency during the year under review.

2.6. Presentation of Financial Statements

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 45 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

2.7. Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.8. Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation. The details of such reclassifications are presented in Note 47 to the Financial Statements

2.9. Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the direct method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), money at call and short notice, net of unfavourable local bank balances.

2.10. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Bank in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Bank are described in the respective notes.

2.11. Going Concern

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Directors have considered the impact of the current adverse macro-economic conditions on the business operations of the Bank. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Bank. Therefore, the Financial Statements continue to be prepared on the going concern basis. The management has also conducted stress tests to evaluate the robustness of the financial resources of the Bank. This has been reviewed and approved by the Board.

2.12. Impairment Losses on Loans and Advances

The measurement of impairment losses under Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under Note 3.2.6 to the Financial Statements.

In response to the adverse macro-economic conditions the Bank's expectations of economic impacts, key assumptions used in the Bank's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.2.6.6, while the impact on changing the weightages of different macro- economic scenarios during the year are given in Note 46.2.1.(f).

A breakdown of the loans and advances of the Bank classified under stage 2 is given in Note 46.2.1.(g). Sensitivity of the individually significant loan impairment to recovery cash flows is given in Note 46.2.1.(c) while sensitivity of collective impairment provision to the staging of the loans and advances is disclosed in Note 46.2.1.(d).

2.13. Impairment of Other Financial Assets

The Bank reviews its debt securities classified as FVOCI/ amortised cost at each reporting date. Objective evidence that a debt security held at FVOCI/ amortised cost is impaired/having an increased credit risk includes, among other things, significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

2.14. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in more detail in Note 3.2.10.

The Bank measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 43.

2.15. Financial Assets and Liabilities Classification

The Bank's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 42 'Analysis of Financial Instruments by Measurement Basis'.

2.16. Taxation

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The details of deferred tax computation is given in Note 16.2 to the Financial Statements.

2.17. Defined Benefit Plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Bank.

2.18. Property, Plant and Equipment

The freehold land of the bank reflected at fair value at each reporting date, for Other asset bank applies cost model to Property, Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

The details of freehold land and buildings, including valuation are given in Note 25.1 to the Financial Statements. The Bank revalued its freehold lands and buildings as at 31st December 2024 and necessary adjustments were included in the Financial Statements

2.19. Useful Lifetime of the Property, Plant and Equipment

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

2.20. Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

2.21. Classification of Investment Properties

Management exercises judgment in determining whether a property qualifies as an investment property. To ensure consistency, the Bank has established specific criteria for this assessment. A property is classified as an investment property if it is held primarily to earn rental income, for capital appreciation, or both, and generates cash flows largely independent of the Bank's other assets. Conversely, properties used for operational purposes, service delivery, or administrative functions where cash flows are not generated independently are classified as property, plant, and equipment (PPE).

The Bank reviews the classification of its properties annually, considering their current use. As of December 31, 2024, no assets have been classified as investment properties.

2.22. SLFRS 16 – Leases

The Bank uses its judgment to determine whether an operating lease contract qualifies recognition of right of-use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Bank cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Bank would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Bank applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

3. GENERAL ACCOUNTING POLICIES

3.1. Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other operating income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the rate of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non- monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on equity instruments classified as fair value through other comprehensive income, financial liabilities designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges are recognised in other comprehensive income.

3.2. Financial Instruments - Initial Recognition, Classification and Subsequent Measurement

3.2.1. Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank.

3.2.2. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.2.3.1(a) and 3.2.3.1 (b). Financial instruments are initially measured at their fair value.

Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3.2.2.1. 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank recognises the difference between the transaction price and fair value ('Day 1' profit or loss) in the Statement of Profit or Loss over the tenor of the financial instrument using the effective interest rate method. In cases where fair value is determined using data which is not observable,

the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.2.3. Measurement Categories of Financial Assets and Liabilities

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

- Amortised cost, as explained in Note 3.2.3.1
- FVOCI as explained in Notes 3.2.3.5 and 3.2.3.6
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 3.2.3.2 and 3.2.3.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.2.3.4.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, derivative instruments or the fair value designation is applied, as explained in Notes 3.2.3.2, 3.2.3.3, 3.2.3.4 and 3.2.3.7.

3.2.3.1. Loans and advances to customers, debt and other securities, reverse repurchase agreements

The Bank only measures loans and advances to customers, debt and other securities and reverse repurchase agreements at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of collecting contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below

3.2.3.1.(a) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.2.3.1.(b). The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, financial assets are required to be measured at FVPL.

3.2.3.2. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all two of the following characteristics:

NOTES TO THE FINANCIAL STATEMENTS

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank does not have any derivative instruments as at reporting date.

3.2.3.2.(a). Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way, similar to a stand-alone derivative.

An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a nonfinancial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts, are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the income statement. Derivatives embedded in financial assets are no longer separated. Instead, they are classified based on the business model and SPPI assessments as outlined in Notes 3.2.3.1 (a) and 3.2.3.1.(b).

The bank does not have any embedded derivatives as of reporting date.

3.2.3.3. Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term. The Bank does not have any financial liabilities classified as held for trading as at 31st December 2024.

3.2.3.4. Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, Or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, Or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the "Own credit reserve" through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being integral parts of the instrument.

3.2.3.5. Debt instruments at FVOCI

The Bank applies this category for debt instruments when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise government securities.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The ECL calculation for debt instruments at FVOCI is explained in Note 3.2.6.5. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

3.2.3.6. Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3.7. Securities sold under repurchase agreements, due to banks, due to depositors, other borrowers and debt securities holders

After initial measurement, securities sold under repurchase agreements, due to banks, due to depositors, due to other borrowers and due to debt securities holders are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Bank does not have compound financial instruments which contains both liability and equity components and require separation as at the date of the issue.

3.2.4. Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank may acquire, dispose of, or terminates a business line (change in business model). When the Bank reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Bank did not reclassify any of its financial assets in 2024.

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3.2.5. Derecognition of Financial Assets and Liabilities

3.2.5.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.2.5.2. Derecognition other than for substantial modification

3.2.5.2.(a). Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

3.2.5.2. (b). Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability

are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.2.6. Impairment Allowance for Financial Assets

3.2.6.1. Overview of the ECL principles

The Bank has been recording impairment (expected credit losses) for all loans, debt & other financial instruments not held at FVPL. Equity instruments are not subject to impairment under SLFRS 9.

The ECL impairment is based on the credit losses expected to arise over the life of the asset [the lifetime expected credit loss or (LTECL)], when there is a significant increase in credit risk since origination. In all other instances, the impairment is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3.2.6.1(b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 3.2.6.4. The details of individual assessment of ECLs are given in Note 3.2.6.3.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 3.2.6.1 (b). Based on the above process, the Bank categorises its loans into 'stage 1', 'stage 2', 'stage 3' and 'originated credit impaired', as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an impairment based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.
- **Stage 3:** Loans considered credit- impaired [as outlined in Note 3.2.6.1 (a)]. The Bank records an impairment for the LTECLs.
- **Originated credit impaired:** Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Bank did not have originated credit impaired loans as at 31st December 2024 and 2023.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.2.6.1.(a). Definition of default and cure

The Bank considers a financial instrument as defaulted and therefore stage 3 (credit- impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

Such events include:

- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a customer/group of customers
- A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/ group of customers
- The value of collateral is significantly reduced and/or reliability of collateral is doubtful
- The borrower is subject to litigation that significantly affects the performance of the credit facility

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re- classified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 largely depends on the days past due, at the time of the cure. The corresponding reduction in ECL is recognised under "Impairment charge/reversal" in Note 12 to the financial statements.

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The Bank's criterion for 'cure' for rescheduled/restructured loans is more stringent than ordinary loans and is explained in Note 3.2.6.10.

3.2.6.1.(b). Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Bank also applies secondary qualitative methods for triggering a significant increase in credit risk, such as restructuring of an asset while the asset is less than 30 days past due. Further, rescheduled loans will remain in stage 2 for at least one year from the date of Rechedulment even if such loans become less than 30 days past due. In certain cases, the Bank may also consider that events explained in Note 3.2.6.1 (a) are significant increase in credit risk as opposed to a default, for customers who are considered as individually significant.

The Bank is focused on a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 2 or stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 or next bucket based on the industry risk of the underlying borrowers. The Bank has identified industries such as construction (including condominiums), personal other consumption needs, etc. as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2. An analysis of the loans classified under stage 2 is given in Note 46.2.1(g).

3.2.6.2. The calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- **PD -** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.2.6.4(a).
- **EAD -** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.2.6.4(b).
- **LGD -** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.2.6.4(c).

3.2.6.3. Calculation of ECLs for individually significant loans

The Bank first assesses ECLs individually for financial assets that are individually significant to the Bank. In the event the Bank determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 3.2.6.1 (a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Bank takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;

- The amount and timing of expected receipts and recoveries;
- The realisable value of security (or other credit mitigants) and likelihood of successful repossession;

3.2.6.4. Grouping financial assets measured on a collective basis

The Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

- All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.
- The treasury, trading and interbank relationships (such as Due from banks, debt and other instruments at amortised cost/ FVOCI)

For all other asset classes, the Bank calculates ECL on a collective basis. The Bank categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral

3.2.6.4 (a). PD estimation process

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most banks in the country at present.

Accordingly, exposures are categorised among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into adverse DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

However, for loans granted to banks, debt and other financial instruments classified as amortised cost/FVOCI, the Bank relies on external credit ratings in determining their respective PDs. Due to limited stage movements in loan portfolios under moratorium schemes, the Bank has used additional assessments of SICR as explained in Note 3.2.6.1(b) to build an allowance for overlay to better reflect the portfolio position.

3.2.6.4.(b). Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a stage 1 loan, the Bank assesses the possible default events within 12 months. However, if a stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

3.2.6.4.(c). Loss given default

Loss given default is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed the "Above 90 days" at-least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan. Virtually closed contracts are also be added to this data set. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

For financial investments other than loans and advances, the Bank uses the LGD rates specified by the regulator in the Basel III guidelines when calculating the ECL as per SLFRS 9.

3.2.6.5. Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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3.2.6.6. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs. The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2024, the Bank assessed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation.

To reflect these uncertainties in the calculation of expected credit losses, weightages are assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2024.

	Base case	Best case	Worst case
2024	25%	10%	65%
2023	20%	5%	75%

To ensure completeness and accuracy, the Bank obtains the above data primarily from the Central Bank of Sri Lanka (CBSL). Other third party sources such as World Bank and International Monetary Fund etc. is also used when CBSL data is not available.

3.2.6.7. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible.

The collateral comes in various forms, such as cash, securities, guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

3.2.6.8. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category at the lower of the repossessed value or the carrying value of the original secured asset. The Bank did not transfer any repossessed assets to its property, plant and equipment during the years ended 31st December 2024 and 2023.

3.2.6.9. Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. For individual customers, the Bank has a policy of writing off the gross carrying amount when the financial asset is past due for many years, based on historical experience of recoveries of similar assets.

If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

3.2.6.10. Rescheduled and restructured loans

The Bank sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Bank considers a loan as rescheduled/restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit and Risk Departments. Reschedulement/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor rescheduled/ restructured loans to ensure that future payments are likely to occur.

When the Bank reschedule/restructure a loan facility of a customer, the entire portfolio of the customer is classified as minimum stage 2 at the modification date. The Bank also considers whether such assets should be classified as stage 3. Rescheduled customers will remain in stage 3/stage 2 for at least one year even the rescheduled loan facility becomes a performing loan in terms of CBSL Directives. Restructured loans are upgraded to stage 1 by the Bank's Risk Department based on their independent evaluation of the customers. If the upgraded rescheduled/restructured loans become past due (for more than 30 days) on a later date, loss allowance reverts to being measured at an amount equal to life time expected credit losses. Details of restructured/rescheduled loans are disclosed in Note 46.2.1 (i). If modifications are substantial, the loan is derecognised, as explained in Note 3.2.5.1.

3.2.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position only when the Bank has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/ SLFRSs or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.2.8. Hedge Accounting

The Bank designates certain derivatives as either:

- Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- Hedges of net investments in foreign operations (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Bank did not designate any derivative as a hedging instrument during the years ended 31st December 2024 and 2023.

3.2.9. Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2.10. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.3. Leases

At inception of a contract, the Bank assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank considers whether:

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- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Bank has right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Bank has right to direct the use of the asset. The Bank has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either;
- The Bank has the right to operate the asset; or
- The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

3.3.1. Bank as the Lessee

The Bank recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined based on the tenor of rent agreements.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Banks' incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments such as Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Bank presents right of use assets under Note 26 to the financial statements while the corresponding lease liability is presented in Note 33.1, 'Movement in Lease Liabilities'.

3.3.2. Short term leases and leases of low value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Bank recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.3.3. Bank as the Lessor

When the Bank acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

When the Bank is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 21.2.1 'Lease Rental Receivables'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Bank recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

3.4. Fiduciary Assets

The Bank provides fiduciary services that result in the holding of assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Bank.

3.5. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.6. Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Bank which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.7. Impairment of Non-Financial Assets

The carrying amounts of the Bank's non- financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.8. Other Taxes

3.8.1. Value Added Tax (VAT)

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits & provisions relating to terminal benefits.

3.8.2. Social Security Contribution Levy

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from October 01, 2022, Bank is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

3.9. Regulatory Provisions

3.9.1. Deposit Insurance and Liquidity Support Scheme

All Licensed Commercial Banks were required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" in terms of the Banking Act Direction No. 5 of 2010, issued on 27th September 2010. This was subsequently replaced by the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations No. 2 of 2021, dated 06th August 2021. The Bank's total capital ratio as at 31st December 2024 exceed 14% and accordingly the Bank paid a premium of 0.1% of the eligible deposits as deposit insurance premium, during the year ended 31st December 2024.

3.9.2. Crop Insurance Levy

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No. 30 of 1988, Finance Business Act No. 42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 1st April 2013.

4. NEW ACCOUNTING STANDARDS/AMENDMENTS TO EXISTING ACCOUNTING STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

4.1. Amendments to LKAS 1 - Presentation of Financial Statements

4.2. Amendments to LKAS 12 - Income Taxes

4.3. Amendments to LKAS 7 – Statement of Cash Flows

4.4. Amendments to SLFRS 7 – Financial Instrument Disclosure

4.5. Amendments to SLFRS16 – Leases

However, there is no material impact on the financial statements of the bank by applying the above amendment to accounting standards.

5. ACCOUNTING STANDARDS/CBSL DIRECTIVES ISSUED BUT NOT YET EFFECTIVE AS AT 31ST DECEMBER 2024

As of 31st December 2024, there were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka that were not yet effective and had a material impact on the Group's Financial Statements.

The Bank has applied all relevant accounting standards which have been issued up to 31st December 2024 in the preparation of the Financial Statements for the year ended 31st December 2024.

NOTES TO THE FINANCIAL STATEMENTS

6. GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 7 - Net Interest Income, Note 8 - Fee and Commission Income, Note 9 - Net Gain/(Loss) from Trading, Note 10 -Net Fair Value Gain/(Loss) from Financial Assets at Fair Value through Profit or Loss and Note 11 -Net Other Operating Income.

	Note	2024	2023
		LKR	LKR
Interest income	7.	**20,005,051,598**	29,904,604,368
Fee and commission income	8.	**631,017,156**	466,072,678
Net Gain/(Loss) from Trading	9.	**60,116,875**	1,257,500
Net Fair Value Gain/(Loss) from Financial Assets at Fair Value through Profit or Loss	10.	**444,081,680**	476,058,048
Net Other Operating Income	11.	**(77,686,610)**	(55,261,550)
		21,062,580,699	30,792,731,045

7. NET INTEREST INCOME

Accounting Policy

Recognition of Interest Income

The Bank recognises interest income for all financial instruments measured at amortised cost, interest-bearing financial assets measured at FVOCI and FVPL using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the Income Statement.

	2024	2023
	LKR	LKR
Interest income		
Cash and cash equivalents	**100,173,980**	211,901,559
Placements with banks	**1,128,645,949**	1,345,125,378
Financial assets at amortised cost:		
- Loans and receivables to other customers	**14,795,033,351**	22,257,612,378
- Debt and other instruments	**3,848,914,091**	5,838,919,791
Financial assets - fair value through profit or loss	**132,284,227**	251,045,262
Total interest income	**20,005,051,598**	29,904,604,368

	2024	2023
	LKR	LKR
Interest expenses		
Financial liabilities at amortised cost:		
- Due to other customers	**10,287,471,096**	17,077,267,492
- Other borrowers	**1,328,060,835**	3,338,340,764
- Subordinated term debt	**432,543,169**	874,097,563
- Finance cost of lease liability	**136,512,505**	113,002,463
Total interest expenses	**12,184,587,605**	21,402,708,282
Net interest income	**7,820,463,993**	8,501,896,086

7.1. Net interest income from Sri Lanka Government securities

	2024	2023
	LKR	LKR
Net interest income from Sri Lanka Government securities	**3,877,114,943**	6,030,869,770
	3,877,114,943	6,030,869,770

8. NET FEE AND COMMISSION INCOME

Accounting Policy

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Other Fee and Commission Expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

	2024	2023
	LKR	LKR
Fee and commission income	**631,017,156**	466,072,678
Fee and commission expenses	**(46,695,036)**	(36,170,237)
Net fee and commission income	**584,322,120**	429,902,442

NOTES TO THE FINANCIAL STATEMENTS

8.1. Net fee and commission earned from

	2024	2023
	LKR	LKR
Loans	**149,505,718**	90,424,487
Deposits	**105,461,295**	114,788,067
Guarantees	**1,817,996**	1,157,457
Commission earned from insurance	**78,404,998**	14,234,806
Commission earned from ATM	**78,416,349**	79,431,072
Others	**170,715,765**	129,866,554
Net fee and commission income	**584,322,120**	429,902,442

9. NET GAIN/(LOSS) FROM TRADING

Accounting Policy

Net gain/(loss) from trading includes all the capital gain/(loss) from financial assets measured at fair value through profit or loss.

	2024	2023
	LKR	LKR
Sri Lanka Government securities - Treasury bills and treasury bonds	**60,116,875**	1,257,500
	60,116,875	1,257,500

10. NET FAIR VALUE GAIN/(LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Net fair value gain/(loss) from financial assets measured at fair value through profit or loss includes all the gains and losses from changes in fair value from financial assets measured at fair value through profit or loss.

	2024	2023
	LKR	LKR
Sri Lanka Government securities - Treasury bills and treasury bonds	**(2,506,265)**	(296,735)
Unit trust	**446,587,945**	476,354,783
Total	**444,081,680**	476,058,048

11. NET OTHER OPERATING INCOME

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Bank are recognised as other operating income, such as gains on disposal of property, plant and equipment, dividend income and foreign exchange gains/(losses).

Gains/(losses) arising from disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Dividend income from investments in quoted and non quoted shares are recognised when the Bank's right to receive the payment is established.

Foreign exchange gain/(loss) includes gain/(loss) arising from revaluation of foreign currency assets/ liabilities.

	2024	2023
	LKR	LKR
Gain on sale of property, plant and equipment	**78,691**	52,544,280
Dividend income	**291,165**	7,770,016
Other income	**(78,056,466)**	(115,575,845)
Other operating income	**(77,686,610)**	(55,261,550)

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES

Accounting Policy

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.2.6 to the Financial Statements.

12.1. Balances with banks

	2024	2023
	LKR	LKR
Stage 1	**(211,314)**	422,477
Total	**(211,314)**	422,477

12.2. Placements with banks

	2024	2023
	LKR	LKR
Stage 1	**(1,861,868)**	2,597,319
Total	**(1,861,868)**	2,597,319

NOTES TO THE FINANCIAL STATEMENTS

12.3. Financial assets at amorised cost - Loans and receivables to customers

	2024	2023
	LKR	LKR
Stage 1	**91,112,220**	(249,867,319)
Stage 2	**(18,997,884)**	(162,543,555)
Stage 3	**488,879,455**	2,229,017,687
Total	**560,993,791**	1,816,606,813

12.4. Debt and other instruments

	2024	2023
	LKR	LKR
Stage 1	**29,372**	268,549
Total	**29,372**	268,549
Total	**558,949,981**	1,819,895,158

13. PERSONNEL EXPENSES

Accounting Policy

Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability under 'Other liabilities' in Note 33.

The Bank contributes 3% of the salary of each employee to the Employees' Trust Fund and 14% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity and Employees' Provident Fund of the Bank was considered as the defined benefit plan as per Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Gratuity

In compliance with the Gratuity Act No. 12 of 1983, provision is made in the accounts from the first year of service, for gratuity payable to employees.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

The gratuity liability is not externally funded.

The Bank determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period.The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31st December 2024 (current service cost) has been recognised in the Statement of Profit or Loss under 'Personnel expenses' together with the net interest expense. The Bank recognises the total actuarial gain/loss that arise in calculating the Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

Employees' Provident Fund

Employees' Provident Fund is an approved private provident fund which has been set up to meet the provident fund liabilities of the Bank to which the Bank and employees contribute 14% and 8% respectively on the salary of each employee.

	2024	2023
	LKR	LKR
Salary and bonus	**2,738,795,383**	2,142,003,420
Contributions to defined contribution plans - EPF	**335,829,118**	299,845,417
- ETF	**71,963,383**	64,253,589
Contributions to defined benefit plans	**168,751,769**	196,063,740
Overtime	**8,953,429**	7,241,077
Staff welfare	**39,395,375**	41,398,886
Staff allowances	**374,296,359**	160,921,914
Others	**226,793,363**	392,710,779
Total	**3,964,778,179**	3,304,438,822

NOTES TO THE FINANCIAL STATEMENTS

14. DEPRECIATION AND AMORTISATION EXPENSES

Accounting Policy

Depreciation of Property, Plant and Equipment

The Bank provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates, on a straight-line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank.

Improvements to leasehold properties are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold lands are not depreciated.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Asset category	Useful life (years)		Depreciation Rate per Annum (%)	
	2024	2023	2024	2023
Buildings	**20**	20	**5**	5
Computer hardware	**3-5**	3-5	**20-33.33**	20-33.33
Machinery and equipment	**5**	5	**20**	20
Motor vehicles	**4**	4	**25**	25
Furniture and fitting	**5**	5	**20**	20
Digital Equipment	**5**	5	**20**	20

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Bank. The Bank assumes that there is no residual value for its intangible assets.

Asset category	Useful life (years)		Amortization Rate per Annum (%)	
	2024	2023	2024	2023
Computer software	**3-7**	3-7	**14-33.33**	14-33.33
Core Banking System	**10**	7	**10**	14

Investment properties

Properties held to earn rental income have been classified as investment properties. Investment properties are initially recognized at cost. Up to December 2021, After initial recognition the Bank uses the cost method to measure all of its investment property in accodance with requirements in LKAS 40 "Investment Property". However Bank has changed the Measurement subsequent to initial recognition from cost model to fair value model. Standard permitted to only if this results in a more appropriate presentation.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Depreciation for the up to year 2024 is calculated using the straight-line method to write down the cost of investment property to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset category	Useful life (years)		Depreciation Rate per Annum (%)	
	2024	2023	2024	2023
Building	**20**	20	**5**	5

Amortisation of Right-of-Use Assets

The right of use assets are depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as renewal of rent agreements.

Changes in Estimates

Depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31st December 2024, the Bank conducted an operational efficiency review and estimates were not changed accordingly.

	2024	2023
	LKR	LKR
Depreciation of property, plant and equipment	**228,456,223**	184,769,065
Amortisation of Right of use assets	**211,350,225**	207,950,389
Amortisation of intangible assets	**171,115,012**	140,015,182
Total	**610,921,460**	532,734,636

15. OTHER EXPENSES

Accounting Policy

Other expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. Provisions in respect of other expenses are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	2024	2023
	LKR	LKR
Directors' emoluments	**52,328,500**	52,053,551
Auditors' remunerations	**5,875,000**	9,445,651
Professional and legal expenses	**24,684,977**	13,944,241
Office administration and establishment expenses	**2,162,833,408**	2,141,260,511
Total	**2,245,721,885**	2,216,703,954

15.1. Directors' emoluments include fees paid to Non-executive Directors.

15.2. Auditors' remunerations

	2024	2023
	LKR	LKR
Audit fees	**3,900,000**	3,921,500
Audit related fees & expenses	**1,050,000**	4,292,013
Non-audit expenses	**925,000**	1,232,138
	5,875,000	9,445,651

NOTES TO THE FINANCIAL STATEMENTS

16. TAX EXPENSE

Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 16.3.

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of deferred tax liabilities/(assets) is given in Note 16.2 to the Financial Statements respectively.

	2024	2023
	LKR	LKR
Current tax expense		
Income tax for the year	**461,140,565**	236,125,413
Adjustment in respect of current income tax of prior periods	**-**	29,966,079
Deferred taxation charge /(reversal)	**(186,411,890)**	39,012,445
Total	**274,728,675**	305,103,937

16.1. Reconciliation of tax expenses

	2024	2023
	LKR	LKR
Profit before tax	**684,262,920**	771,926,150
Income tax for the period (Accounting profit at 30%)	**205,278,876**	231,577,845
Income exempt from tax /or not taxable	**(329,336,844)**	(211,971,502)
Add: Tax effect of expenses that are not deductible for tax purposes	**870,705,936**	1,115,044,507
Less: Tax effect of expenses that are deductible for tax purposes	**(285,507,405)**	(898,525,437)
Tax expense for the year	**461,140,564**	236,125,413
Adjustment in respect of current income tax of prior period	**-**	29,966,079
Deferred taxation charge	**(245,101,880)**	-
Amount of Deferred Tax Expense /(Income)	**58,689,990**	39,012,445
At the effective income tax rate of 40.15% (2023 : 39.53%)	**274,728,674**	305,103,937

16.2. Deferred tax assets, liabilities and income tax relates to the followings:

	Statement of financial position		Statement of comprehensive income	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Deferred tax liability				
Capital allowances for property, plant and equipment	**(12,544,699)**	36,703,921	**(49,248,620)**	(69,483,190)
Capital allowances for leased assets	**-**	-	**-**	(21,328,813)
	(12,544,699)	36,703,921	**(49,248,620)**	(90,812,003)
Deferred tax assets				
Defined benefit plans	**312,414,535**	229,834,359	**(82,580,177)**	(10,537,714)
Impairment allowance	**425,734,380**	333,050,478	**(92,683,902)**	166,228,786
Right to use assets	**28,218,608**	7,629,427	**(20,589,181)**	1,938,875
	766,367,523	570,514,264	**(195,853,260)**	157,629,947
Deferred taxation charge/(reversal)			**(245,101,880)**	66,817,944
Net deferred tax liability /(asset)	**(778,912,222)**	(533,810,343)		

16.2.1. Composition of deferred tax charge

	2024	2023
	LKR	LKR
Impact on income tax expense	**(186,411,890)**	39,012,445
Impact on other comprehensive income	**(58,689,990)**	27,805,499
Impact on comprehensive income	**(245,101,880)**	66,817,944

NOTES TO THE FINANCIAL STATEMENTS

16.3. Income Tax Rate

The Bank applied the rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as at 31st December 2024.

17. EARNINGS PER SHARE

Accounting Policy

The Bank presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

	2024	2023
	LKR	LKR
Net profit for the year	**409,534,246**	466,822,213
Profit attributable to ordinary shareholders	**409,534,246**	466,822,213

	2024	2023
	Number	Number
Weighted average number of ordinary shares in issue	**164,166,494**	164,166,494
	164,166,494	164,166,494
Basic/diluted earnings per ordinary share	**2.49**	2.84

The subordinated term debts detailed in Note 31 are resulted for anti-diluted earnings per share.

18. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position. All cash and cash equivalent balances held by the Bank were available for use.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above and placements with banks (less than 3 months).

	2024	2023
	LKR	LKR
Cash in hand	**553,989,208**	642,769,843
Balances with banks	**1,888,632,556**	2,274,097,848
Less : Impairment	**(327,807)**	(539,120)
Carrying value after impairment	**2,442,293,957**	2,916,328,571

18.1. Analysis of cash and cash equivalents based on exposure to credit risk

	Stage 1	
	2024	**2023**
	LKR	LKR
Cash and cash equivalents	**2,442,621,764**	2,916,867,692
Less : Impairment	**(327,807)**	(539,120)
Carrying value after impairment	**2,442,293,957**	2,916,328,572

18.2. Stage wise classification of impairment allowances of cash and cash equivalents

	Stage 1	
	2024	**2023**
	LKR	LKR
Opening balance as at 1 January	**539,120**	116,643
Charges/(reversal) to income statement	**(211,314)**	422,477
Closing balance as at 31 December	**327,806**	539,120

18.3. Cash and cash equivalents for cash flow statement

	2024	**2023**
	LKR	LKR
Cash and cash equivalents	**2,442,293,957**	2,916,328,571
Repurchase agreement	**702,455,685**	-
Fixed deposits less than 3 months	**300,000,000**	250,000,000
	3,444,749,642	3,166,328,571

19. PLACEMENTS WITH BANKS

Accounting Policy

Placements with Banks net of impairment allowance includes money at call and short term investments that are subject to an insignificant risk of changes in the fair value, and are used by the Bank in the management of its short term commitments.

	2024	**2023**
	LKR	LKR
Placements with banks	**9,085,399,787**	15,391,073,454
Less: Impairment	**(1,441,933)**	(3,303,801)
Carrying value after impairment	**9,083,957,854**	15,387,769,653

NOTES TO THE FINANCIAL STATEMENTS

19.1. Analysis of placements with banks based on exposure to credit risk

	Stage 1	
	2024	2023
	LKR	LKR
Placements with banks	**9,085,399,787**	15,391,073,454
Less : Impairment allowance for placement	**(1,441,933)**	(3,303,801)
Carrying value after impairment	**9,083,957,854**	15,387,769,653

19.2. Stage wise classification of impairment allowances of placements with banks

	Stage 1	
	2024	2023
	LKR	LKR
Opening balance as at 1 January	**3,303,801**	706,482
Charges/(reversal) to income statement	**(1,861,868)**	2,597,319
Closing balance as at 31 December	**1,441,933**	3,303,801

*** Since specialized banks are not required to maintain statutory reserve requirement (SRR) at CBSL, it must instead comply with capital adequacy and liquidity requirements specific to its business model (Refer Note no 46.6).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

The accounting policies pertaining to "Financial Assets Recognised through Profit or Loss - Measured at Fair Value" are given in Note 3.2.3.4 to the Financial Statements.

	2024	2023
	LKR	LKR
Sri Lanka Government securities - Treasury bills and Treasury bonds	**257,985,600**	1,965,510,013
Unit trust	**6,481,214,474**	849,711,163
Total	**6,739,200,074**	2,815,221,176

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

Accounting Policy

The key accounting policies pertaining to financial instruments including "Loans and Advances" are given in Notes 3.2 to the Financial Statements.

	2024	2023
	LKR	LKR
Gross loans and receivables (Note 21.1)	**103,181,716,494**	106,479,816,039
Less: Individual impairment	**(3,648,482,252)**	(3,874,068,410)
Collective impairment	**(4,396,127,375)**	(3,736,851,979)
Net loans and receivables	**95,137,106,867**	98,868,895,650

21.1. Analysis of loans and receivables to other customers based on exposure to credit risk

	2024			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual impairment loans				
Term loan			**4,895,729,636**	**4,895,729,636**
Leasing			**630,084,631**	**630,084,631**
Collective impairment loans				
Pawning	**7,514,803,817**	**376,473,975**	**42,078,732**	**7,933,356,524**
Cash margin	**6,766,468,794**	**265,262,719**	**6,081,349**	**7,037,812,862**
Staff loans	**1,708,162,412**	**580,301**	**-**	**1,708,742,713**
Term loans				-
Business	**136,205,773**	**47,835,972**	**332,081,005**	**516,122,750**
Co-operative	**759,365,973**	**68,276,446**	**51,360,433**	**879,002,852**
Housing	**1,263,379,574**	**373,730,425**	**455,474,260**	**2,092,584,259**
Personal	**284,992,470**	**33,654,589**	**200,096,890**	**518,743,949**
Fixed and floating	**16,181,849,176**	**973,071,294**	**3,656,555,018**	**20,811,475,488**
SME	**7,995,535,909**	**1,128,859,990**	**3,001,608,318**	**12,126,004,217**
Upahara	**37,622,194,671**	**193,707,668**	**26,835,688**	**37,842,738,027**
Lease rentals receivables	**4,694,322,423**	**1,025,656,189**	**469,339,974**	**6,189,318,586**
Gross loans and receivables	**84,927,280,992**	**4,487,109,568**	**13,767,325,934**	**103,181,716,494**
Less : Impairment allowance	**(678,781,111)**	**(787,536,879)**	**(6,578,291,637)**	**(8,044,609,627)**
Net loans and receivables	**84,248,499,881**	**3,699,572,689**	**7,189,034,297**	**95,137,106,867**

	2023			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual impairment loans				
Term loans			6,483,454,356	6,483,454,356
Leasing			805,596,746	805,596,746
Collective impairment loans				
Pawning	6,175,553,814	548,159,452	199,447,085	6,923,160,351
Cash margin	8,325,801,247	243,872,105	10,157,881	8,579,831,232
Staff loans	1,940,404,631	1,301,826	-	1,941,706,457
Term loans				-
Business	198,797,148	136,587,463	365,004,878	700,389,489
Co-operative	571,784,518	210,562,457	241,892,495	1,024,239,470
Housing	1,190,178,468	518,819,202	375,731,655	2,084,729,325
Personal	275,979,922	43,509,511	322,975,531	642,464,964
Fixed and floating	18,692,667,671	1,228,958,862	3,119,069,241	23,040,695,774
SME	4,905,017,247	2,862,984,459	2,854,380,082	10,622,381,788
Upahara	38,645,233,133	317,122,604	8,416,927	38,970,772,664
Lease rentals receivables	2,490,734,583	1,331,795,845	837,862,995	4,660,393,423
Gross loans and receivables	83,412,152,382	7,443,673,786	15,623,989,872	106,479,816,040
Less : Impairment allowance	(587,668,891)	(806,534,764)	(6,216,716,734)	(7,610,920,389)
Net loans and receivables	82,824,483,491	6,637,139,022	9,407,273,138	98,868,895,650

NOTES TO THE FINANCIAL STATEMENTS

21.2. Gross loans and receivables analysis by product

	2024	2023
	LKR	LKR
Loans and receivables		
Pawning	**7,942,303,776**	6,945,957,120
Cash margin	**7,037,812,862**	8,593,154,720
Staff loans	**1,708,742,713**	1,941,706,782
Term loans		
Business	**1,232,640,068**	1,490,041,073
Co-operative	**1,450,831,734**	1,460,980,899
Housing	**2,306,251,994**	2,479,572,403
Personal	**679,484,302**	761,553,079
Fixed and floating	**22,097,647,846**	24,696,067,872
SME	**13,609,805,956**	13,077,957,313
Upahara	**38,296,792,026**	39,566,834,609
Lease rentals receivable (Note 21.2.1)	**6,819,403,217**	5,465,990,169
Gross total	**103,181,716,494**	106,479,816,039

21.2.1. Lease rentals receivable

	2024	2023
	LKR	LKR
Gross lease receivable within one year	**1,877,007,672**	1,544,196,773
Unearned income on rentals receivable	**(802,927,198)**	(478,408,529)
Gross lease receivable within one year	**1,074,080,474**	1,065,788,244
Gross lease receivable after one year	**6,998,949,492**	5,111,787,181
Unearned income on rentals receivable	**(1,253,626,751)**	(711,585,257)
Gross lease receivable after one year	**5,745,322,741**	4,400,201,924
Gross lease receivable total	**6,819,403,215**	5,465,990,168

21.3. Gross loans and receivables analysis by currency

	2024	2023
	LKR	LKR
Sri Lankan Rupee	**103,181,716,494**	106,479,816,039
Gross total	**103,181,716,494**	106,479,816,039

21.4. Gross loans and receivables analysis Industry

	2024		2023	
	LKR	%	LKR	%
Agriculture, Forestry & Fishing	**17,300,969,256**	**16.77%**	15,609,528,116	14.66%
Manufacturing	**2,595,563,236**	**2.52%**	2,559,981,522	2.40%
Tourism	**1,458,771,059**	**1.41%**	1,445,901,956	1.36%
Construction and Infrastructure Development	**7,845,434,950**	**7.60%**	8,321,980,677	7.82%
Wholesale and Retail Trade	**5,971,526,905**	**5.79%**	8,892,462,225	8.35%
Financial Services	**4,021,290,302**	**3.90%**	3,829,394,911	3.60%
Consumption	**59,467,296,775**	**57.63%**	61,971,904,176	58.20%
Transportation and Storage	**3,032,173,651**	**2.94%**	1,443,625,410	1.36%
Information Technology and Communication	**88,390,275**	**0.09%**	113,268,616	0.11%
Professional, Scientific and Technical Activities	**278,129,576**	**0.27%**	195,446,362	0.18%
Arts, Entertainment and Recreation	**20,195,028**	**0.02%**	19,218,775	0.02%
Education	**179,943,061**	**0.17%**	172,511,114	0.16%
Healthcare, Social Services and Support services	**922,032,421**	**0.89%**	1,904,592,178	1.79%
	103,181,716,495	**100.00%**	106,479,816,038	100.00%

21.4.1. As per the requirement of Central Bank of Sri Lanka (CBSL), a minimum of 10% of the loans and advances shall be granted to the agriculture sector. The Bank has complied with the said requirement as at 31st December 2024 and 31st December 2023.

21.5. Movement in individual and collective impairment based on exposure to credit risk

	2024	2023
	LKR	LKR
Stage 1		
Opening balance as at 1 January	**587,668,891**	837,536,210
Charges/(reversal) to income statement	**91,112,220**	(249,867,319)
Closing balance as at 31 December	**678,781,111**	587,668,891
Stage 2		
Opening balance as at 1 January	**806,534,763**	969,078,318
Charges/(reversal) to income statement	**(18,997,884)**	(162,543,555)
Closing balance as at 31 December	**787,536,879**	806,534,763
Stage 3		
Opening balance as at 1 January	**6,216,716,734**	3,987,699,047
Charges/(reversal) to income statement	**488,879,455**	2,229,017,687
Write - off during the year	**(127,304,552)**	-
Closing balance as at 31 December	**6,578,291,637**	6,216,716,734

NOTES TO THE FINANCIAL STATEMENTS

21.6. Movement in individual and collective impairment

	Individual impairment	Collective impairment	Total impairment
	LKR	LKR	LKR
Opening balance as at 1 January 2023	1,922,093,649	3,872,219,927	5,794,313,576
Charge/(reversal) to income statement	1,951,974,761	(135,367,948)	1,816,606,813
Closing balance as at 31 December 2023	3,874,068,410	3,736,851,979	7,610,920,389
Opening balance as at 1 January 2024	**3,874,068,410**	**3,736,851,979**	**7,610,920,389**
Charge/(reversal) to income statement	**(225,586,158)**	**786,579,947**	**560,993,790**
Recovery/(write-off) during the year	**-**	**(127,304,552)**	**(127,304,552)**
Closing balance as at 31 December 2024	**3,648,482,252**	**4,396,127,374**	**8,044,609,627**

21.7 Based on the impairment model revalidation, product segmentation has been re-classified after evaluating the credit risk characteristics of loan facilities. Analysis of loans and advances, commitments, contingencies mentioned in Note 46 has disclosed the product segmentation as at 31st December 2024 and 2023, after validating the impairment model. The Bank estimated Expected Credit Loss (ECL) as at December 31, 2024, based on the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) computed as at December 31, 2024, after validating the impairment model.

22. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

Accounting Policy

The accounting policies pertaining to financial instruments including "Debt and Other Instruments" are given in Note 3.2 to the Financial Statements.

	2024	2023
	LKR	LKR
Debentures	**101,365,915**	101,651,849
Repurchase agreement	**702,455,685**	-
Treasury bill	**21,787,314,036**	28,448,673,551
Commercial papers	**878,595,890**	505,753,425
Treasury bonds	**3,153,745,609**	3,380,574,793
Less: Impairment	**(341,669)**	(312,299)
Carrying value after impairment	**26,623,135,466**	32,436,341,319

22.1. Analysis of debt and other instruments based on exposure to credit risk

	Stage 1	
	2024	2023
	LKR	LKR
Debentures	**101,365,915**	101,651,849
Treasury bill	**21,787,314,036**	28,448,673,551
Commercial papers	**878,595,890**	505,753,425
Treasury bonds	**3,153,745,609**	3,380,574,793
Less : Impairment allowance	**(341,669)**	(312,299)
Carrying value after impairment	**26,623,135,466**	32,436,341,319

22.2. Stage wise classification of impairment allowances of debt and other instruments

	Stage 1	
	2024	2023
	LKR	LKR
Opening balance as at 1 January	**312,298**	43,749
Charges/(reversal) to income statement	**29,372**	268,549
Closing balance as at 31 December	**341,670**	312,298

22.3. Repurchase and reverse repurchase transactions in scripless treasury bonds and scripless treasury bills

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires Licensed Banks/Primary Dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

	2024		2023	
	Amortised Cost	Fair Value of Securities Received	Amortised Cost	Fair Value of Securities Received
Repurchase Agreement	**702,455,685**	**775,551,027**		
Total	**702,455,685**	**775,551,027**	-	-

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

The accounting policies pertaining to "Financial Assets – Fair Value Through Other Comprehensive Income" are given in Notes 3.2.3.5 & 3.2.3.6 to the Financial Statements.

	2024	2023
	LKR	LKR
Unquoted equity securities (Note 23.1)	**208,145,880**	56,939,525
Financial assets measured at fair value through other comprehensive income	**208,145,880**	56,939,525

23.1. Unquoted equity securities

	2024		2023	
	Number of shares	Amount	Number of shares	Amount
		LKR		LKR
SANASA Life Insurance Co. PLC	**7,590,494**	**75,830,776**	7,590,494	75,830,761
Credit Information Bureau of Sri Lanka	**100**	**10,000**	100	10,000
Consorzio Etimos S.C.	**2**	**75,194**	2	75,194
National Credit Guarantee Institution(NCGI)	**15,114,475**	**151,143,740**	-	
Loss from share valuation as at 31 December		**(18,913,830)**	-	(18,976,430)
		208,145,880		56,939,525

NOTES TO THE FINANCIAL STATEMENTS

23.1.2. Valuation of unquoted equity securities

Type	Level	Method of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Unquoted share investment	Level 3	Market approach - price to book value of comparable peer companies	Medium price to book value - liquidity discount	Positively correlated sensitivity
			Regulatory non-compliance adjustment	Positively correlated sensitivity

24. INVESTMENT IN SUBSIDIARIES

Accounting Policy

The accounting policies for " Investment in Subsidiaries" are given in Note 1.3 to the Financial Statements.

	2024	2023
	LKR	LKR
Unquoted equity investments	**6,163,100**	6,163,100
	6,163,100	6,163,100

24.1. Investment in Subsidiary includes the investment made by the Bank in Payment Services (Private) Limited, amounting to Rs.6,163,100/- . Payment Services (Private) Limited was the operator of Upay digital solution App prior to purchase of this App by SANASA Development Bank PLC on 10th June 2019. With this acquisition, Payment Services (Private) Limited has become a fully owned subsidiary of SANASA Development Bank PLC, with effect from 26th May 2020. Since this investment is immaterial, The Bank do not prepare consolidated Financial Statements.

25. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant and equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable for bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

Cost Model

The Bank applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Bank and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant, machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard - LKAS 23 (Borrowing Costs). A qualifying asset is an asset which takes substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Rates of depreciation for each category of property, plant and equipment are given in Note 14, 'Depreciation and Amortisation Expenses'.

2024	Land and buildings	Computer hardware	Machinery and equipment	Furniture and fittings	Motor vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost							
Opening balance as at 1 January	**559,666,082**	**552,170,317**	**578,388,974**	**487,868,435**	**136,033,057**	**328,008,505**	**2,642,135,370**
Additions	**-**	**404,639,532**	**10,817,209**	**13,392,489**	**738,930**	**-**	**429,588,160**
Surplus on revaluation of property	**69,025,000**	**-**	**-**	**-**	**-**	**-**	**69,025,000**
Transfer to Intangible Assets		**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**(23,023,051)**	**(3,601,355)**	**(147,524)**	**-**	**-**	**(26,771,930)**
Closing balance as at 31 December	**628,691,082**	**933,786,798**	**585,604,828**	**501,113,400**	**136,771,987**	**328,008,505**	**3,113,976,600**
Less: Accumulated depreciation							
Opening balance as at 1 January	**45,644,016**	**531,549,789**	**526,014,527**	**401,357,330**	**135,230,148**	**157,010,292**	**1,796,806,102**
Charge for the year	**3,025,949**	**103,757,146**	**21,255,106**	**34,487,254**	**329,068**	**65,601,701**	**228,456,224**
Transfer to Intangible Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**(22,705,365)**	**(3,519,438)**	**(147,524)**	**-**	**-**	**(26,372,327)**
Closing balance as at 31 December	**48,669,965**	**612,601,570**	**543,750,195**	**435,697,060**	**135,559,216**	**222,611,993**	**1,998,889,999**

NOTES TO THE FINANCIAL STATEMENTS

2023	Land and buildings	Computer hardware	Machinery and equipment	Furniture and fittings	Motor vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost							
Opening balance as at 1 January	484,727,082	1,189,879,194	574,735,899	434,075,858	158,856,127	328,008,505	3,170,282,665
Additions	-	10,527,834	20,999,799	59,936,460	676,930	-	92,141,023
Surplus on revaluation of property	74,939,000	-	-	-	-	-	74,939,000
Transfer to Intangible Assets		(495,742,974)	-	-	-	-	(495,742,974)
Disposals	-	(152,493,737)	(17,346,724)	(6,143,883)	(23,500,000)	-	(199,484,344)
Closing balance as at 31 December	559,666,082	552,170,317	578,388,974	487,868,435	136,033,057	328,008,505	2,642,135,370
Less: Accumulated depreciation							
Opening balance as at 1 January	42,618,068	896,765,096	518,763,151	370,103,366	157,433,860	91,408,591	2,077,092,132
Charge for the year	3,212,371	53,127,286	24,598,100	36,933,318	1,296,288	65,601,701	184,769,064
Transfer to Intangible Assets	-	(265,848,856)	-	-	-	-	(265,848,856)
Disposals	(186,423)	(152,493,737)	(17,346,724)	(5,679,354)	(23,500,000)	-	(199,206,238)
Closing balance as at 31 December	45,644,016	531,549,789	526,014,527	401,357,330	135,230,148	157,010,292	1,796,806,102

	Land and buildings	Computer hardware	Machinery and equipment	Furniture and fittings	Motor vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Net book value as at 31 December 2024	580,021,117	321,185,228	41,854,633	65,416,340	1,212,771	105,396,512	1,115,086,601
Net book value as at 31 December 2023	514,022,066	20,620,528	52,374,447	86,511,105	802,909	170,998,213	845,329,269

25.1. Freehold land and buildings

The details of the land and buildings owned by the Bank are as follows:

						As at 31 December 2024				As at 31 December 2023			
	Valuation information		Extent			Cost/ Fair Value				Cost/ Fair Value			
Location/Address	Name of the Valuer	Effective date of valuation	Land	Building	No of buildings	Land Fair value	Land Cost	Building Cost	Building Carrying value	Land Fair value	Land Cost	Building Cost	Building Carrying Value
			(Perches)	(Square feet)		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
No. 14, Edmonton Road, Kirulapone	Mr. K.T. Nihal	2024-12-24	17.85	-	-	**125,000,000**	**38,999,000**	**-**		116,000,000	38,999,000	-	
No. 12/01, Edmonton Road, Kirulapone	Mr. K.T. Nihal	2024-12-24	18.05	-	-	**94,800,000**	**46,799,000**	**-**		88,000,000	46,799,000	-	
A1, SANASA Housing Project, Toppass, Nuwara Eliya	Mr. E.M.P.A.G.N.I.B. Ekanayake	2025-01-12	13	1,252	1	**15,840,000**	**400,000**	**2,100,000**	**201,250**	13,200,000	400,000	2,100,00	306,250
No. 145, Rathnapura Road, Horana	Mr. D.M.M.G. Podibanda	2025-01-04	13	7,120	1	**39,000,000**	**20,539,000**	**6,500,000**	**1,570,834**	32,500,000	20,539,000	6,500,000	1,895,834
No. 63A, Matara Road, Akuressa	Mr. D.K. Jathunga	2025-01-27	14	3,728	1	**53,200,000**	**14,423,820**	**8,975,180**	**3,029,124**	49,000,000	14,423,820	8,975,180	3,477,883
No. 255, Sunny Side Gardens, Karapitiya	Mr. D.L. Pathmasiri	2024-12-17	18.50	5,992	1	**48,100,000**	**9,250,000**	**20,833,360**	**4,017,369**	46,250,000	9,250,000	20,833,360	5,059,037
No. 342, Main Street, Kegalle	Mr. R.M.W.N.K. Chandrasekara	2024-12-28	19	11,086	1	**190,000,000**	**34,760,400**	**14,118,600**	**3,000,203**	152,000,000	34,760,400	14,118,600	3,706,133
SANASA Campus Ltd, Paragammana, Hettimulla, Kegalle	Mr. H.A.V.S. Indrajith	2025-01-24	320	2,600	1	**3,235,000**	**1,002,912**	**4,568,824**	**-**	3,200,000	1,002,912	4,568,824	278,586
60/64, Sahasapura Scheme, Baseline Mw. Borella	Mr. K.T. Nihal	2024-12-30	-	650	1		**-**	**2,420,118**	**30,251**	-	-	2,420,118	151,257
						569,175,000	**166,174,132**	**59,516,082**	**11,849,030**	500,150,000	166,174,132	59,516,082	14,874,979

*** The market approach and Level 2 fair value measurement have been used by all valuers to determine the value of the above freehold lands.

25.2. During the financial year, the Bank acquired property, plant and equipment to the aggregate value of LKR 429,588,160.47 (2023 - LKR 92,141,023). Cash payments amounting to LKR 429,588,160.47 (2023 - LKR 92,141,023) were made during the year for purchase of property, plant and equipment.

25.3. Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of LKR 1,713,073,705 (2023 - LKR 1,638,580,353)

25.4. There were no restrictions on the title of the property, plant and equipment as at 31 December 2024.

25.5. There were no idle property, plant and equipment as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

26. RIGHT OF USE ASSETS

Accounting Policy

Right-of-use assets are presented in the statement of financial position (refer the accounting policy in Note 3.3). Right to use assets are depreciated on a straight line basis over the lease term.

	2024	2023
	LKR	LKR
Cost		
Opening balance as at 1 January	**1,660,933,310**	1,381,879,073
Additions and improvements during the year	**311,482,711**	279,054,237
Closing balance as at 31 December	**1,972,416,021**	1,660,933,310
Less: Accumulated amortisation		
Opening balance as at 1 January	**980,628,014**	772,677,625
Amortisation expenses for the year	**211,350,225**	207,950,389
Closing balance as at 31 December	**1,191,978,239**	980,628,014
Net book value as at 31 December	**780,437,781**	680,305,296

27. INTANGIBLE ASSETS

Accounting Policy

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill, if any that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred. Goodwill is measured at cost less accumulated impairment losses.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Rates of amortisation for computer software and licenses are given in Note 14, 'Depreciation and Amortisation Expenses'.

	2024	2023
	LKR	LKR
Cost		
Opening balance as at 1 January	**1,580,040,258**	1,014,179,642
Tranfer From Computer		495,742,974
Additions	**165,002,818**	124,979,901
Disposal	**-**	(54,862,259)
Closing balance as at 31 December	**1,745,043,076**	1,580,040,258
Less: Accumulated amortisation		
Opening balance as at 1 January	**826,474,080**	475,348,533
Tranfer From Computer	**-**	265,972,624
Charge for the year	**171,115,012**	140,015,182
Disposal	**-**	(54,862,259)
Closing balance as at 31 December	**997,589,092**	826,474,080
Net book value as at 31 December	**747,453,984**	753,566,178

27.1. There were no idle intangible assets as at 31 December 2024.

27.2. There were no restrictions on the title of the intangible assets as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

28. OTHER ASSETS

	2024	2023
	LKR	LKR
Postage legal and other charges receivable	**122,559,573**	53,869,164
Unamortised staff cost	**968,754,838**	1,114,957,475
Deposits, prepayments and other receivables	**354,696,459**	444,148,270
Inventory	**48,045,303**	43,755,115
Total	**1,494,056,173**	1,656,730,024

29. DUE TO OTHER CUSTOMERS

Accounting Policy

The accounting policies pertaining to "Due to Depositors" are given in Note 3.2.3.7 to the Financial Statements.

	2024	2023
	LKR	LKR
Total amount due to other customers	**106,989,899,941**	108,118,121,881
Total	**106,989,899,941**	108,118,121,881

29.1. Analysis of due to other customers

	2024	2023
	LKR	LKR
By product		
Savings deposits	**20,926,764,822**	16,904,313,938
Fixed deposits	**86,063,135,119**	91,213,807,943
Total	**106,989,899,941**	108,118,121,881

	2024	2023
	LKR	LKR
By currency		
Sri Lanka Rupee	**106,989,899,941**	108,118,121,881
Total	**106,989,899,941**	108,118,121,881

30. OTHER BORROWINGS

Accounting Policy

The accounting policies pertaining to "Other Borrowings" are given in Note 3.2.3.7 to the Financial Statements.

	2024	2023
	LKR	LKR
Term loans (Note 30.1)	**15,324,827,866**	24,850,940,296
Refinance borrowing (Note 30.2)	**3,750,303,696**	1,742,691,940
Total	**19,075,131,562**	26,593,632,236

30.1. Details of term loans

Institution	Fixed/Floating	Tenure (Months)	2024	2023
			LKR	LKR
Sampath Bank PLC	Floating	60		267,315,434
Sampath Bank PLC	Floating	36		710,143,950
Seylan Bank PLC	Floating	60		198,960,466
Seylan Bank PLC	Floating	60		99,961,589
Seylan Bank PLC	Fixed	1		504,191,781
Seylan Bank PLC	Fixed	1		2,011,876,712
Seylan Bank PLC	Floating	12	**502,686,475**	
Seylan Bank PLC	Floating	1	**1,001,868,852**	
HNB Bank PLC	Floating	36		167,037,878
HNB Bank PLC	Floating	60	**187,653,689**	337,886,969
HNB Bank PLC	Floating	48	**125,274,440**	375,667,275
HNB Bank PLC	Fixed	1		1,010,209,589
HNB Bank PLC	Floating	4	**500,817,623**	
HNB Bank PLC	Floating	4	**502,686,475**	
Bank of Ceylon	Floating	60		248,740,875
Bank of Ceylon	Floating	23		194,536,534
Bank of Ceylon	Floating	14-63	**3,711,492,713**	6,825,147,987
United States International Development Finance Corporation (DFC)	Fixed	81	**8,792,347,598**	11,899,263,257
			15,324,827,865	24,850,940,296

30.1.1. Movement in term loans

	Opening Balance As at 1 January 2024	Obtained during year/ Revaluation	Repayment	Closing Balance As at 31 December 2024
	LKR	LKR	LKR	LKR
Sampath Bank PLC	975,000,000		(975,000,000)	-
Seylan Bank PLC	2,798,080,000	1,500,000,000	(2,798,080,000)	1,500,000,000
HNB Bank PLC	1,879,450,000	1,000,000,000	(1,566,810,000)	1,312,640,000
Bank of Ceylon	7,222,519,445		(3,526,670,000)	3,695,849,445
DFC	11,879,167,665		(3,101,668,669)	8,777,498,995
Interest payable	96,723,186	8,059,426	(65,943,187)	38,839,425
	24,850,940,296	2,508,059,426	(12,034,171,856)	15,324,827,865

The Bank complied with all borrowing covenants reported under Note 31.1 as at 31st December 2024, other than the following covenant breaches.

- BIO-Open Credit Exposure Ratio (OCER) breaches in March ,June and December 2024.where the March ratio is within the given waiver extended limits. In addition, Cost to Income ratio also breached for the said three quarters.However total borrowing outstanding for BIO was repaid in December 2024.
- The DFC NPL Ratio from March to December 2024 and the Asset Quality Ratio (OCER) for March, June, and December 2024 were considered in the waiver request. The request included both ratios, and the requested waivers have been granted until 31st March 2025.

The Bank holds dollar denominated FDs to mitigate the foreign currency risk and those match the dollar repayment schedule of the lender. The bank has intimated these breaches to the relevant lenders and the consent for waivers were obtained during post balance sheet period.

NOTES TO THE FINANCIAL STATEMENTS

30.2. Refinance borrowings

	2024	2023
	LKR	LKR
SANASA Federation (Refinance of Athwela Loans)	**54,200,000**	54,200,000
Borrowings under Refinance of Jayatha	**272,950,065**	156,683,361
Borrowing under Saubagya	**316,238,753**	579,142,193
Borrowing - Refinance Smile III	**288,634,600**	289,658,650
Borrowing - Suwashakthi Loan	**4,806,083**	12,658,001
Borrowing - Kapruka Ayojana	**17,312,825**	8,483,370
Borrowing - SAPP 4P Youth Loan	**7,624,650**	21,029,467
Borrowing - SAPP RF Income Loan	**-**	83,333
Borrowing - SAPP 4P Agri Loan	**-**	316,667
Borrowing - SAPP RF Youth Loan	**66,345,517**	111,018,034
Brrowing-SAPP Refinance	**550,000**	17,768,618
Brrowing-ADB Tea Refinance	**159,845,590**	68,098,810
Brrowing-ADB SME LOC Refinance	**897,584,100**	376,089,100
Brrowing-CBSL DAD Refinance	**28,551,543**	39,958,259
Brrowing - SAPP Agri Loan Refinance	**404,167**	3,352,335
Borrowing- ADB SME LOC2 Working Capital	**910,154,382**	-
Borrowing- RE-ENER.MSME GOVERNMENT	**716,748,660**	-
Interest payable	**8,352,761**	4,151,743
	3,750,303,696	1,742,691,940

Movement in refinance loans	Opening Balance As at 1 January 2024	Obtained during year/ Revaluation	Repayment	Closing Balance As at 31 December 2024
	LKR	LKR	LKR	LKR
SANASA Federation (Refinance of Athwela Loans)	54,200,000			54,200,000
Borrowings under Refinance of Jayatha	156,683,361	247,750,000	(131,483,296)	272,950,065
Borrowing under Saubagya	579,142,193		(262,903,440)	316,238,753
Borrowing - Refinance Smile III	289,658,650	82,855,000	(83,879,050)	288,634,600
Borrowing - Suwashakthi Loan	12,658,001		(7,851,918)	4,806,083
Borrowing - Kapruka Ayojana	8,483,370	13,968,000	(5,138,545)	17,312,825
Borrowing - SAPP 4P Youth Loan	21,029,467		(13,404,817)	7,624,650
Borrowing - SAPP RF Income Loan	83,333		(83,333)	-
Borrowing - SAPP 4P Agri Loan	316,667		(316,667)	-
Borrowing - SAPP RF Youth Loan	111,018,034		(44,672,517)	66,345,517
Brrowing-SAPP Refinance	17,768,618		(17,218,618)	550,000
Brrowing-ADB Tea Refinance	68,098,810	91,746,780		159,845,590
Brrowing-ADB SME LOC Refinance	376,089,100	521,495,000		897,584,100
Brrowing-CBSL DAD Refinance	39,958,259		(11,406,716)	28,551,543
Brrowing - SAPP Agri Loan Refinance	3,352,335		(2,948,168)	404,167
Borrowing- ADB SME LOC2 Working Capital		910,154,382		910,154,382
Borrowing- RE-ENER.MSME GOVERNMENT		716,748,660		716,748,660
Interest payable	4,151,743	4,201,018		8,352,761
	1,742,691,940	2,588,918,841	(581,307,085)	3,750,303,696

30.2.1. Maturity analysis of refinance borrowings

	2024	2023
	LKR	LKR
Due within one year	**980,475,716**	844,133,409
1-5 years	**1,673,640,290**	453,309,873
After 5 years	**1,096,187,690**	445,248,658
	3,750,303,696	1,742,691,940

30.3. Securities and terms of borrowings

Interest rate ranging for above borrowings 4% to 10.71% per annum.

As of 2024, the bank has no pledged loan portfolios. In 2023, a sum of LKR 3,467,154,547/- was pledged for other borrowings.

31. SUBORDINATED TERM DEBTS

	2024	2023
	LKR	LKR
Subordinated term debts	-	4,460,248,007
Total	-	4,460,248,007

31.1. Details of subordinated term debts

Investor	Tenor/Repayment	Interest Rate	2024	2023
			LKR	LKR
DGGF	Repayment or conversion after 60 months	6-month T-bill rate+700 basis points Payable per annum		1,774,422,219
BIO	Repayment or conversion after 60 months	6-month LIBOR + 550 basis points Payable per annum		2,692,221,091
Less: Initial transaction cost				(6,395,303)
			-	4,460,248,007

The bank complied with all borrowings covenants attached to above subordinated term loans as at 31st December 2024, other than the following covenant breach.

BIO-Open Credit Exposure Ratio (OCER) breaches in March ,June and December 2024.where the March ratio is within the given waiver extended limits. In addition, Cost to Income ratio also breached for the said three quarters. However total borrowing outstanding for BIO was repaid in December 2024.

The Bank holds Dollar denominated FD to mitigate the foreign currency risk and those match the dollar repayment schedule of the lender. The bank has intimated these breaches to the relevant lenders and the consent for waivers were obtained during post balance sheet period.

32. RETIREMENT BENEFIT OBLIGATION

32.1. Defined benefit liability

	2024	2023
	LKR	LKR
Defined benefit liability (Note 32.1.1)	**1,041,381,783**	766,114,529
Total	**1,041,381,783**	766,114,529

NOTES TO THE FINANCIAL STATEMENTS

32.1.1. Movement in defined benefit obligation

	2024	2023
	LKR	LKR
Opening balance as at 1 January	**766,114,529**	714,077,497
Net benefit expense (Note 32.1.2)	**364,385,070**	103,378,743
Benefit paid	**(89,117,816)**	(51,341,711)
Closing balance as at 31 December	**1,041,381,783**	766,114,529

32.1.2. Net benefit expense

	2024	2023
	LKR	LKR
Amounts recognised in profit and loss		
Interest cost	**102,659,346**	128,533,949
Current service cost	**66,092,423**	67,529,791
Amendments	**-**	-
	168,751,769	196,063,740
Amounts recognised in the other comprehensive income		
Experience (gain)/loss	**59,016,451**	(27,733,983)
(Gain) loss due to changes in assumptions	**136,616,850**	(64,951,014)
	195,633,301	(92,684,997)
Total expense for the year	**364,385,070**	103,378,743

32.1.3. The principal financial assumptions used are as follows:

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2024. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2024	2023
Long term interest rate (%)	**11.90**	13.40
Future salary increase rate (%)	**10.00**	10.00
Retirement age (years)	**60**	60

Mortality - GA 1983 Mortality table issued by the Institute of Actuaries London

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 11.2 years (2023: 08 years)

The discount rate was revised to 11.9% (vs 13.4% last year) to reflect the yield rates of the treasury Bond.

32.2. Sensitivity analysis on discounting rate and salary increment rate to statement of financial position and comprehensive income

		2024		2023	
Assumption	**Rate change**	**Impact to financial position - Increment/ (reduction) of liability**	**Impact to comprehensive income - charged/ (reversal)**	**Impact to financial position - Increment/ (reduction) of liability**	**Impact to comprehensive income - Charged/ (reversal)**
Discount rate	1+	**(94,440,379)**	**(94,440,379)**	(49,248,593)	(49,248,593)
Discount rate	1-	**110,156,318**	**110,156,318**	55,987,184	55,987,184
Salary increment rate	1+	**108,354,707**	**108,354,707**	58,411,559	58,411,559
Salary increment rate	1-	**(94,577,681)**	**(94,577,681)**	(51,954,870)	(51,954,870)

32.3. The expected benefit payout in the future years of retirement gratuity

	2024	2023
	LKR	LKR
Within next 12 months	**68,130,552**	56,281,192
Between 2 and 5 years	**461,532,212**	351,799,496
Beyond 5 years	**844,187,506**	797,510,020

33. OTHER LIABILITY

	2024	2023
	LKR	LKR
Special purpose project funds	**397,252,924**	397,252,924
Lease liability (Note 33.1)	**765,895,546**	602,933,888
Accruals and other payables	**1,582,613,802**	1,377,379,221
Total	**2,745,762,272**	2,377,566,033

33.1. Movement in lease liabilities

	2024	2023
	LKR	LKR
Opening balance as at 1 January/Effect of adoption of SLFRS 16 as at 1 January	**602,933,888**	504,815,967
Additions	**272,209,651**	228,411,727
Accretion of interest	**136,512,505**	113,002,463
Payments during the year	**(245,760,497)**	(243,296,269)
Closing balance as at 31 December	**765,895,546**	602,933,888

33.2. Maturity analysis of contractual undiscounted cash flows

	2024	2023
	LKR	LKR
Less than 1 year	**228,864,770**	216,309,251
Between 1 and 5 years	**783,992,081**	700,966,660
More than 5 years	**203,299,879**	135,910,427
Total lease liabilities as at 31 December	**1,216,156,730**	1,053,186,339

34. STATED CAPITAL

	2024	2023
	LKR	LKR
Ordinary shares - Issued and fully paid	**11,406,601,998**	11,287,765,221
Total	**11,406,601,998**	11,287,765,221

34.1. Details of ordinary shares issued and fully paid

	Value		Number of shares	
	2024	2023	2024	2023
	LKR	LKR		
Opening balance as as 1 January	**11,406,601,998**	11,287,765,221	**164,166,494**	164,166,494
	11,406,601,998	11,287,765,221	**164,166,494**	164,166,494

NOTES TO THE FINANCIAL STATEMENTS

35. STATUTORY RESERVE FUND

	2024	2023
	LKR	LKR
Opening balance as at 1 January	**340,572,453**	317,231,342
Transfer during the period	**20,476,712**	23,341,111
Closing balance as at 31 December	**361,049,165**	340,572,453

36. RETAINED EARNINGS

	2024	2023
	LKR	LKR
Opening balance as at 1 January	**2,275,936,735**	1,767,576,135
Adjusted Opening Balance as at 1 January	**2,275,936,735**	1,767,576,135
Profit for the year	**409,534,247**	466,822,213
Other comprehensive income, net of tax	**(136,943,311)**	64,879,498
Transfers to other reserves	**(20,476,712)**	(23,341,111)
Scrip dividend	**(139,807,974)**	-
Closing balance as at 31 December	**2,388,242,984**	2,275,936,735
Dividend per share	**0.87**	

37. OTHER RESERVES

2024	Opening balance as at 1 January 2024	Movement/ transfers	Closing balance as at 31 December 2024
	LKR	LKR	LKR
General reserve	**46,656,973**	**-**	**46,656,973**
Revaluation reserve	**333,975,868**	**69,025,000**	**403,000,868**
Available for sale/fair value through OCI reserve	**(19,051,624)**	**-**	**(19,051,624)**
Total	**361,581,217**	**69,025,000**	**430,606,217**

2023	Opening balance as at 1 January 2023	Movement/ transfers	Closing balance as at 31 December 2023
	LKR	LKR	LKR
General reserve	46,656,973	-	46,656,973
Revaluation reserve	259,036,868	74,939,000	333,975,868
Available for sale/fair value through OCI reserve	(19,051,624)	-	(19,051,624)
Total	286,642,217	74,939,000	361,581,217

Accounting Policy

The accounting policies pertaining to "Commitments and Contingencies" are given in Note 2.20 to the Financial Statements.

38. CONTINGENT LIABILITIES AND COMMITMENTS

38.1. Bank guarantees and Commitements

	2024	2023
	LKR	LKR
Bank guarantees	**284,090,361**	264,741,850
Undrawn Credit Lines	**585,234,172**	549,519,862
Total	**869,324,533**	814,261,712

38.2. Maturity analysis of Bank guarantees and Commitements

As at December 2023 (LKR)	On Demand	Below 03 Month	03- 06 Month	06 - 09 Month	09 - 12 Month	Above One Year	Total
Financial Guarantee	16,406,485	57,286,705	59,446,530	34,089,190	94,261,700	3,251,240	264,741,850
Undrawn Credit Lines	549,519,862						549,519,862
Total Commitment and Guarantees	565,926,347	57,286,705	59,446,530	34,089,190	94,261,700	3,251,240	814,261,712

As at December 2024 (LKR)	On Demand	Below 03 Month	03- 06 Month	06 - 09 Month	09 - 12 Month	Above One Year	Total
Financial Guarantee	**9,740,343**	**63,181,207**	**74,106,715**	**45,514,357**	**86,941,440**	**4,606,300**	**284,090,362**
Undrawn Credit Lines	**585,234,172**						**585,234,172**
Total Commitment and Guarantees	**594,974,515**	**63,181,207**	**74,106,715**	**45,514,357**	**86,941,440**	**4,606,300**	**869,324,534**

38.3. Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year end, the Bank had several unresolved legal claims.

Following cases are filed against the Bank

1. Cases filed against the Bank with respect to mortgaged property and title of property.	
District courts	L/17/11, L/528, L/577, MB/1935, DLM/48/22, 6940/P, 7628/T

2. Cases filed against the Bank to restraining the payment of Bank Guarantee Bonds	
District Court	DMR/496/15, M/8879

3. Appeals filed by the customers against the court orders delivered favor to Bank	
Supreme Court	SC/HC/LA/143/2024 & SC/HC/LA/145/2024, SC/HC/LA/22/2024
High Court Civil Appeal	WP/HCCA/85/2022 (FA), WP/HCCA/COL/01/2019 (F)
District Court	DMB /005/16, HCCA/82/,2017 (F), 2440/M, WP/HCCA/COL/21/2021 (RA)

4. Appeals filed by the Bank against the court orders delivered favor to customers	
Supreme Court	SC/HC/LA/83/2019, SC/AP/68/2024, SC/SPL/LA/ 203/2024, SC/HC/LA/143/2024 & SC/HC/LA/22/2024

5. Cases filed by customers to obtain injunction orders to restraining the auction of property mortgaged	
Commercial High Court	CHC/955/18, HC/Appeal/12/ 2023, HC/REV/65/ 2023, CHC/99/21/MR, CHC/51/2023/ MR
District Court	DSP/275/20, DSP/51/2021, SP/3964/22, DSP/334/2023, DSP/379/2023, DSP/442/2023, DSP/593/2024, DSP/09/23, DSP/10/23, DSP/11/23, DSP/15/23, L/341/23, M/5387, DSP/82/2024, DSP/551/2023, DSP/18/2024

NOTES TO THE FINANCIAL STATEMENTS

6. Cases filed against the Bank over the repossession of vehicles	
● District Court	SPL/2321, SPL/358, MR/2299

7. Cases filed against the Bank over the loan facilities to claiming right for the ceased assets by the guarantors	
● District Court	218/L, 17615/M/17, 17613/M/17, 13/17/CL, 551/CL, 552/CL, 553/CL

8. Cases filed against the Bank by the employees and former directors	
● District Court	6495/SPL, DMR/4015/17, DSP/430/2021
● Labour Tribunal	LT/JF/163/2020, LT/13/61/2020, LT/PN/25/19/2021, LT/32/RM/05/ 2022, LT/8/51/2022, LT/6R/7958/22, LT/13/46/2023

9. Cases filed against the Bank by other parties	
● District Court	M/10933/20, M/10972/20, L/191/22, L/192/22, L/193/22, L/194/22, L/195/22,

39. EVENTS OCCURRING AFTER THE REPORTING DATE

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

40. RELATED PARTY DISCLOSURE

The Bank carries out transaction in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures", the details of which are reported below: The Bank carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties who are defined as LKAS 24 "Related Party Disclosures".

40.1. Transactions with key management personnel (KMP)

Key management personnel include: the Chairman, the Board of Directors, and Chief Executive Officer, Deputy Chief Executive Officer of the Bank. Transactions with close family members of key management personnel are also taken into account in the transactions with key management personnel. The Same term, including interest/commission rates and security, as for comparable transaction with person of a similar standing or, where applicable, with the employees. The transaction did not involve more than the normal risk of repayment or present other unfavorable features.

40.1.1. Key management personnel compensation

	2024	2023
	LKR	LKR
Short term employee benefits	**72,845,452**	92,837,842

40.1.2. Other transactions (loans and receivables) with key management personnel - Balance outstanding

	2024	2023
	LKR	LKR
Granting	-	3,000,000
Repayments	-	2,153,725
Closing balance as at 31 December	-	13,105,755
Interest income	-	801,294

40.1.3. Deposits and investment from key management personnel - Balance outstanding

	2024	2023
	LKR	LKR
Deposits accepted and renewed during the period	**99,702**	1,025,000
Balance as at 31 December	**119,713**	41,289
Interest Expenses	**1,419**	9,045

40.1.4. Shareholdings by key management personnel

	2024	2023
	Number	Number
Number of shares held by KMP	**119,676**	117,150

40.1.5. Term and conditions of transaction with related parties

All related party transaction are carried out in the normal course of business and transacted at normal business terms. Transaction from related parties are made on terms equivalent to those that prevail in arm's length transaction and comparable with those that would have been charged from unrelated companies. All related party outstanding balances at the year - end are secured and are to be settled in cash.

40.1.6. Recurrent and Non-recurrent Related Party Transactions

The Bank does not have any transactions where the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower.

The Bank did not have any transactions where the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross income of the Bank.

41. ASSETS PLEDGED

As of 2024, the bank has no pledged loan portfolios. In 2023, a sum of LKR 3,467,154,547/- was pledged for other borrowings.

42. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 December 2024	Amortised cost	FVTPL	FVTOCI	Total
	LKR	LKR	LKR	LKR
Financial assets				
Cash and cash equivalents	**2,442,293,957**	**-**	**-**	**2,442,293,957**
Placements with banks	**9,083,957,854**	**-**	**-**	**9,083,957,854**
Financial assets at fair value through profit or loss	**-**	**6,739,200,074**	**-**	**6,739,200,074**
Financial assets at amortised cost				
- Loans and receivables to other customers	**95,137,106,867**	**-**	**-**	**95,137,106,867**
- Debt and other instruments	**26,623,135,466**	**-**	**-**	**26,623,135,466**
Financial assets measured at fair value through other comprehensive income	**-**	**-**	**208,145,880**	**208,145,880**
Total financial assets	**133,286,494,144**	**6,739,200,074**	**208,145,880**	**140,233,840,098**
Financial liabilities				
Due to other customers	**106,989,899,941**	**-**	**-**	**106,989,899,941**
Other borrowings	**19,075,131,562**	**-**	**-**	**19,075,131,562**
Total financial liabilities	**126,065,031,503**	**-**	**-**	**126,065,031,503**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023	Amortised cost	FVTPL	FVTOCI	Total
	LKR	LKR	LKR	LKR
Financial assets				
Cash and cash equivalents	2,916,328,571	-	-	2,916,328,571
Placements with banks	15,387,769,653	-	-	15,387,769,653
Financial assets at fair value through profit or loss	-	2,815,221,176	-	2,815,221,176
Financial assets at amortised cost				
- Loans and receivables to other customers	98,868,895,650	-	-	98,868,895,650
- Debt and other instruments	32,436,341,319	-	-	32,436,341,319
Financial assets measured at fair value through other comprehensive income	-	-	56,939,525	56,939,525
Total financial assets	149,609,335,193	2,815,221,176	56,939,525	152,481,495,894
Financial liabilities				
Due to other customers	108,118,121,881	-	-	108,118,121,881
Other borrowings	26,593,632,236	-	-	26,593,632,236
Subordinated term debts	4,460,248,007	-	-	4,460,248,007
Total financial liabilities	139,172,002,124	-	-	139,172,002,124

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1. Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instrument that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumption that a market participant would make when valuing the instrument.

Fair value through other comprehensive income (OCI)

Fair value through OCI valued using valuation techniques or pricing models primary consist of unquoted.

Fair value through profit and loss (FVTPL)

Quoted equities, Sri Lanka Government securities (Treasury bills and bonds) and unit trust are included in financial assets fair value through profit or loss. Government securities are measured using average yield published by Central Bank of Sri Lanka. Quoted equities are valued using market price in active markets as at the reporting date. Unit trusts are measured using market price in markets that are not active.

43.2. Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

43.2.1. Analysis of financial instruments recorded at fair value by level of fair value hierarchy

	As at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bonds	-	257,985,600	-	257,985,600
Unit trusts	-	6,481,214,474	-	6,481,214,474
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	208,145,880	208,145,880
	-	6,739,200,074	208,145,880	6,947,345,954

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bonds	-	1,965,510,013	-	1,965,510,013
Unit trusts	-	849,711,163	-	849,711,163
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	56,939,525	56,939,525
	-	2,815,221,176	56,939,525	2,872,160,701

The following table shows the total gain/(loss) recognised in profit or loss during the year relating to assets and liabilities held at the year end.

	2024	2023
	LKR	LKR
Net gain/(loss) from trading	**60,116,875**	1,257,500
Net fair value gain/(loss) of financial assets at fair value through profit or loss		
Sri Lanka Government securities- Treasury bonds	**(2,506,265)**	(296,735)
Unit trusts	**446,587,945**	476,354,783
Total gain/(loss)	**504,198,555**	477,315,548

NOTES TO THE FINANCIAL STATEMENTS

43.3. Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

		As at 31 December 2024	
	Level	Carrying value	Fair value
		LKR	LKR
Financial assets			
Cash and cash equivalents	Note*	**2,442,293,957**	**2,442,293,957**
Placements with banks	Note*	**9,083,957,854**	**9,083,957,854**
Financial assets at amortised cost			
- Loans and receivables to other customers	2	**95,137,106,867**	**94,266,912,165**
- Debt and other instruments	Note*	**26,623,135,466**	**26,623,135,466**
Total financial assets		**133,286,494,144**	**132,416,299,443**
Financial liabilities			
Due to other customers	2	**106,989,899,941**	**116,429,001,671**
Other borrowings	2	**19,075,131,562**	**19,075,131,562**
Total financial liabilities		**126,065,031,503**	**135,504,133,233**

		As at 31 December 2023	
		Carrying value	Fair value
		LKR	LKR
Financial assets			
Cash and cash equivalents	Note*	2,916,328,571	2,916,328,571
Placements with banks	Note*	15,387,769,653	15,387,769,653
Financial assets at amortised cost			
- Loans and receivables to other customers	2	98,868,895,650	98,248,869,774
- Debt and other instruments	Note*	32,436,341,319	32,436,341,319
Total financial assets		149,609,335,193	148,989,309,317
Financial liabilities			
Due to other customers	2	108,118,121,881	112,900,381,210
Other borrowings	2	26,593,632,236	26,593,632,236
Subordinated term debts	Note*	4,460,248,007	4,460,248,007
Total financial liabilities		139,172,002,124	143,954,261,453

Note*

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and advances to customers with a variable rate are also considered to be carried at fair value.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing interest rates of the Bank.

44. SEGMENT REPORTING

Accounting Policy

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Taxes are managed at an entity level and are not allocated to operating segments. Including revenue and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenue and incur expenses.

Interest income is reported net as management primarily relies on net interest income as a performance measure, not the gross income and expense.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Bank's total revenue in 2023 or 2024.

The following table presents income, profit, total assets, total liabilities & cash flows of the Bank's operating segments.

	As at 31 December 2024				
	Banking	Leasing	Treasury	Pawning	Total
	LKR	LKR	LKR	LKR	LKR
Interest income	12,668,940,334	985,224,393	5,210,018,248	1,140,868,623	20,005,051,598
Add: Inter-segment interest income	12,718,214,047	-	10,157,292,684	-	22,875,506,731
Total interest income	25,387,154,381	985,224,393	15,367,310,932	1,140,868,623	42,880,558,329
Interest expenses	(8,988,885,884)	(671,227,187)	(1,646,831,341)	(877,643,192)	(12,184,587,605)
Add: Inter-segment interest expense	(10,157,292,684)	-	(12,718,214,047)	-	(22,875,506,731)
Total interest expense	(19,146,178,568)	(671,227,187)	(14,365,045,388)	(877,643,192)	(35,060,094,336)
Net interest income	6,240,975,813	313,997,206	1,002,265,543	263,225,431	7,820,463,994
Fee and commission income	588,662,495	42,354,662	-	-	631,017,157
Fee and commission expenses	(43,450,460)	(3,244,577)	-	-	(46,695,036)
Net fee and commission income	545,212,035	39,110,085	-	-	584,322,119
	-	-	-	-	
Net gain/(loss) from trading	-	-	60,116,875	-	60,116,875
Net fair value gain/(loss) of financial assets at fair value through profit or loss	-	-	444,081,680	-	444,081,680
Net other operating income	(77,977,775)	-	291,165	-	(77,686,610)
Total operating income	7,253,422,109	392,217,376	1,506,755,263	263,225,431	8,831,298,059
Impairment for loans and other losses	(489,984,931)	(74,124,769)	2,043,811	3,115,911	(558,949,979)
Net operating income	6,763,437,178	318,092,607	1,508,799,074	266,341,342	8,272,348,080
Depreciation and amortisation expenses	(520,866,959)	(38,894,705)	(304,179)	(50,855,617)	(610,921,460)
Segment result	6,242,570,219	279,197,902	1,508,494,896	215,485,724	7,661,426,620

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 December 2024				
	Banking	**Leasing**	**Treasury**	**Pawning**	**Total**
	LKR	LKR	LKR	LKR	LKR
Un-allocated expenses					**(6,210,500,064)**
Value Added Tax (VAT) on financial services					**(668,192,659)**
Social Security Contribution Levy					**(98,470,974)**
Profit before tax					**684,262,922**
Tax expenses					**(274,728,675)**
Profit for the year					**409, 534,248**
Other comprehensive income					
Other comprehensive income for the year net of tax					**(67,918,311)**
Total comprehensive income for the year					**341,615,938**
Segment assets	**81,153,575,352**	**6,059,981,939**	**45,096,733,231**	**7,923,549,577**	**140,233,840,099**
Un-allocated assets					**4,922,109,861**
Total assets	**81,153,575,352**	**6,059,981,939**	**45,096,733,231**	**7,923,549,577**	**145,155,949,960**
Segment liabilities	**94,445,916,616**	**7,052,561,103**	**19,849,604,862**	**9,221,367,012**	**130,569,449,594**
Total equity	**-**	**-**	**-**	**-**	**14,586,500,364**
Total liabilities	**94,445,916,616**	**7,052,561,103**	**19,849,604,862**	**9,221,367,012**	**145,155,949,958**
Addition to non-current assets	**507,196,248**	**37,873,872**	**-**	**49,520,858**	**594,590,978**

	As at 31 December 2023				
	Banking	**Leasing**	**Treasury**	**Pawning**	**Total**
	LKR	LKR	LKR	LKR	LKR
Interest income	19,665,660,964	1,026,837,702	7,646,991,989	1,565,113,713	29,904,604,368
Add: Inter-segment interest income	4,481,928,461	-	4,025,954,165	-	8,507,882,626
Total interest income	24,147,589,425	1,026,837,702	11,672,946,154	1,565,113,713	38,412,486,994
Interest expenses	(15,139,688,610)	(825,830,416)	(4,239,893,616)	(1,197,295,639)	(21,402,708,281)
Add: Inter-segment interest expense	(4,025,954,165)	-	(4,481,928,461)	-	(8,507,882,626)
Total interest expense	(19,165,642,775)	(825,830,416)	(8,721,822,077)	(1,197,295,639)	(29,910,590,907)
Net interest income	4,981,946,649	201,007,286	2,951,124,078	367,818,074	8,501,896,087
Fee and commission income	455,611,401	10,461,278	-	-	466,072,678
Fee and commission expenses	(34,299,300)	(1,870,937)	-	-	(36,170,237)
Net fee and commission income	421,312,101	8,590,341	-	-	429,902,441
Net gain/(loss) from trading	-	-	1,257,500	-	1,257,500
Net fair value gain/(loss) of financial assets at fair value through profit or loss	-	-	476,058,048	-	476,058,048
Net other operating income	(63,031,566)	-	7,770,015	-	(55,261,551)
Total operating income	5,340,227,184	209,597,627	3,436,209,641	367,818,074	9,353,852,526
Impairment for loans and other losses	(1,878,020,481)	71,424,755	(3,288,344)	(10,011,087)	(1,819,895,158)
Net operating income	3,462,206,703	281,022,382	3,432,921,297	357,806,987	7,533,957,368
Depreciation and amortisation expenses	(469,698,981)	(25,620,851)	(269,487)	(37,145,317)	(532,734,636)
Segment result	2,992,507,722	255,401,531	3,432,651,810	320,661,670	7,001,222,732

	As at 31 December 2023				
	Banking	**Leasing**	**Treasury**	**Pawning**	**Total**
	LKR	LKR	LKR	LKR	LKR
Un-allocated expenses					(5,521,142,776)
Value Added Tax (VAT) on financial services					(634,125,294)
Social Security Contribution Levy					(74,028,512)
Profit before tax					771,926,150
Tax expenses					(305,103,937)
Profit for the year					466,822,213
Other comprehensive income					
Other comprehensive income for the year net of tax					139,818,498
Total comprehensive income for the year					606,640,711
Segment assets	87,214,383,103	4,757,316,492	53,612,600,244	6,897,196,054	152,481,495,893
Un-allocated assets					4,475,904,211
Total assets	87,214,383,103	4,757,316,492	53,612,600,244	6,897,196,054	156,957,400,104
Segment liabilities	97,794,809,408	5,334,451,075	31,828,353,541	7,733,930,455	142,691,544,479
Total equity	-	-	-	-	14,265,855,626
Total liabilities	97,794,809,408	5,334,451,075	31,828,353,541	7,733,930,455	156,957,400,105
Addition to non-current assets	192,695,123	9,970,496	-	14,455,305	217,120,924

* Inter segment interest income and interest expense have been adjusted to net interest income in Treasury and Banking segments and comparative figure in this Financial Statements is amended.

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45. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	As at 31 December 2024			As at 31 December 2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and cash equivalents	**2,442,293,957**	**-**	**2,442,293,957**	2,916,328,571	-	2,916,328,571
Placements with banks	**9,083,957,854**	**-**	**9,083,957,854**	15,387,769,653	-	15,387,769,653
Financial assets fair value through profit or loss	**6,739,200,074**	**-**	**6,739,200,074**	2,815,221,176	-	2,815,221,176
Financial assets at amortised cost	**-**	**-**				
- Loans and receivables to other customers	**24,960,637,386**	**70,176,469,482**	**95,137,106,868**	26,190,674,960	72,678,220,690	98,868,895,650
- Debt and other instruments	**25,679,512,421**	**943,623,046**	**26,623,135,466**	29,905,436,306	2,530,905,013	32,436,341,319
Financial assets measured at fair value through other comprehensive income	**-**	**208,145,880**	**208,145,880**	-	56,939,525	56,939,525
Investment in subsidiary	**-**	**6,163,100**	**6,163,100**	-	6,163,100	6,163,100
Property, plant and equipment	**-**	**1,115,086,601**	**1,115,086,601**	-	845,329,269	845,329,269
Right of use assets	**103,097,637**	**677,340,145**	**780,437,782**	100,702,927	579,602,370	680,305,297
Intangible assets	**-**	**747,453,984**	**747,453,984**	-	753,566,178	753,566,178
Deferred tax assets	**-**	**778,912,222**	**778,912,222**	-	533,810,343	533,810,343
Other assets	**539,120,857**	**954,935,314**	**1,494,056,171**	541,772,550	1,114,957,474	1,656,730,024
Total assets	**69,547,820,186**	**75,608,129,774**	**145,155,949,959**	77,857,906,143	79,099,493,962	156,957,400,105
Liabilities						
Due to other customers	**64,443,515,192**	**42,546,384,750**	**106,989,899,941**	80,834,963,148	27,283,158,733	108,118,121,881
Other borrowings	**14,534,302,788**	**4,540,828,774**	**19,075,131,562**	21,478,246,371	5,115,385,865	26,593,632,236
Debt securities issued	**-**	**-**	**-**	-	-	-
Subordinated term debts	**-**	**-**	**-**	4,460,248,007	-	4,460,248,007
Retirement benefit obligation	**-**	**1,041,381,783**	**1,041,381,783**	-	766,114,529	766,114,529
Current tax liabilities	**717,274,037**	**-**	**717,274,037**	375,861,794	-	375,861,794
Other liabilities	**1,758,470,312**	**987,291,960**	**2,745,762,272**	1,880,394,342	497,171,691	2,377,566,033
Total liabilities	**81,453,562,328**	**49,115,887,267**	**130,569,449,595**	109,029,713,662	33,661,830,818	142,691,544,480
Net asset/(liability)	**(11,905,742,142)**	**26,492,242,507**	**14,586,500,364**	(31,171,807,519)	45,437,663,144	14,265,855,625

46. RISK MANAGEMENT

46.1. Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Bank's continuous profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to Credit Risk, Liquidity Risk, Market Risk and Operational Risk which has been disclosed in this note as summarised below:

46.2	Credit Risk
46.2.1	Assessment of Expected Credit Losses
46.2.2	Risks on Credit-related Commitments
46.2.3	Collateral and Other Credit Enhancements
46.2.4	Stage-wise movement of loans & advances and commitments & contingencies
46.2.5	Analysis of Risk Concentration

46.2.5.1	Geographical Distribution
46.2.5.2	Industry Analysis
46.2.6	Commitments and Contingencies
46.3	**Liquidity Risk and Funding Management**
46.3.1	Statutory Liquid Assets Ratio (SLAR)
46.3.2	Loans & advances to Deposits (due to banks and due to depositors) Ratio
46.3.3	Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities
46.4	**Market Risk**
46.4.1	Interest Rate Risk
46.4.2	Currency Risk
46.5	**Operational Risk**
46.6	**Capital Management**

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring Bank's risk management policies. The Committee comprises of Non - Executive Directors. Meetings of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor adherence to established limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Integrated Risk Management Unit

The business units (i.e. Credit Departments, Branches, Regional Offices, Treasury etc.) have primary responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the 2nd line of defense and reports to the Chief Risk Officer (CRO) who in turn directly reports to the BIRMC.

Asset/Liability Management Committee (ALCO)

EIRMC consists of executive members of the management team, including the CEO, the CRO and business lines heads, with the main role of coordinating management efforts to implement the RMF. The EIRMC shall include representatives of both the 1st and 2nd line units responsible for material risks, including management of the lending divisions/lines, Treasury, Finance, Operations, as well as Risk Management representatives.

Risk Measurement and Reporting

The Bank's risks are measured using appropriate techniques based on the type of risk and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major types of risks and the results are reported to Board Integrated Risk Management Committee (BIRMC) on a periodic basis. Monitoring and controlling risks are primarily performed based on policies, limits and thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

The Bank's risk measurement and reporting functions were further strengthened during the year amidst the unprecedented economic crisis during the year under review. The credit risk of the Bank's loan book increased as the borrowers required remedial actions through restructuring/ rescheduling which impacted the loan repayments. The regulatory restrictions on initiating legal actions for recovery of loans and advances further elevated the credit risk. Similarly, market risk too increased due to significant volatility in financial markets locally as well as globally. The operational risks too increased owing to potentially higher external frauds due to economic reasons, the work from home arrangements, conducting branch operations with limited staff, etc. during the lockdown periods.

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In this back drop, the Bank took additional measures to ensure that the elevated risks caused by the macroeconomic environment are adequately managed. Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;

- Reviewed risk elevated industries in the context of Macro Economic conditions
- Set up a special Remediation and Rehbilitation Unit to closely work with the Branches in providing reasonable remediation for distressed accounts and borrowers.
- Used of a range of additional stress tests to assess the impact on Bank's performance and capital.
- Strengthened the remedial activities by allocating specific staff from the Branches, Central Credit Dept. to work with borrowers in providing solutions.
- Ensured adequate liquidity resources were held to meet Bank's obligations, given the uncertainties caused by the pandemic.

Risk Mitigation

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc. are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

46.2. Credit Risk

Credit risk is the risk of financial loss to the Bank, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances and investments in debt securities. In addition to the credit risk from direct funding exposures, the Bank would also be exposed to indirect liabilities such as guarantees, which would carry credit risk.

The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

46.2.1. Assessment of Expected Credit Losses

46.2.1.(a). Analysis of the total amortised cost for expected credit losses

As at 31st December		2024				2023
	Note	Stage 1	Stage 2	Stage3	Total	
		LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	18	**2,442,621,764**	**-**	**-**	**2,442,621,764**	2,916,867,692
Placements with banks	19	**9,085,399,787**	**-**	**-**	**9,085,399,787**	15,391,073,454
Financial assets at amortised cost						
- Loans and receivables to other customers	21	**84,248,499,881**	**3,699,572,689**	**7,189,034,297**	**95,137,106,867**	98,868,895,651
- Debt and other instruments	22	**26,623,135,466**	**-**	**-**	**26,623,135,466**	32,436,341,319
Credit related commitments & contingencies	38	**869,324,533**	**-**	**-**	**869,324,533**	814,261,712
Total allowance for expected credit losses		**123,268,981,431**	**3,699,572,689**	**7,189,034,297**	**134,157,588,418**	150,427,439,828

46.2.1.(b). Movement of the total allowance for expected credit losses during the period

	Note	2024	2023
		LKR	LKR
Balance as at 1st January		**7,610,920,389**	7,610,920,389
Net charge for the year		**560,993,790**	-
Write-off during the year	21.6	**(127,304,552)**	-
Balance as at 31st December		**8,044,609,627**	7,610,920,389

The methodology used in the determination of expected credit losses is explained in Note 3.2.6 to financial statements. As explained in the said Note, the Bank has made allowances for overlays where required to address the uncertainties arising due to customers falling in risk-elevated industries.

46.2.1.(c). Sensitivity Analysis: Impact of extending the recovery cash flows by further one year for individually significant impaired loans

Had the Bank further extended the recovery cash flows by one year, only for instances where cash flow is forecasted based on collateral realisation, the cumulative impairment provision for individually significant impaired loans would have increased by Rs 44.13 Mn (2023: Rs 504.31 Mn).

46.2.1.(d). Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank as at 31st December 2024 would have reduced by approximately 5% (2023 - 35%). The total loans and advances in stage 2 as at 31st December 2024 amounts to Rs 4.45Bn of the Bank.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank as at 31st December 2024 would have further increased by approximately 92% (2023 - 281%). The total loans and advances in stage 1 as at 31st December 2024 amounts to Rs 85 Bn of the Bank. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

46.2.1.(e). Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in Probability Default (PDs) and Loss Given Default (LGDs)

	2024				
	Sensitivity effect on Statement on Financial Position				Sensitivity effect on Income Statement
	Increase/(Decrease) in impairment provision				
	Stage 1	Stage 2	Stage 3	Total	
	LKR	LKR	LKR	LKR	LKR
PD 1% increase across all age buckets	192,424,464	12,194,483	-	204,618,947	204,618,947
PD 1% decrease across all age buckets	(192,424,464)	(12,194,483)	-	(204,618,947)	(204,618,947)
LGD 5% increase	112,946,613	87,855,822	391,950,247	592,752,682	592,752,682
LGD 5% decrease	(112,946,613)	(87,855,822)	(391,950,247)	(592,752,682)	(592,752,682)

46.2.1.(f). Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

The Bank calculates expected credit losses based on three probability-weighted scenarios. The weightages used by the Bank as at 31st December 2024 are disclosed in Note 3.2.6.6 along with the weightages used in 2023. During the year, due to the uncertainties arise current adverse macro-economic conditions on the business operations , the Bank increased the weightage assigned to the worst case scenario by 5%, decreasing the weightage of the base case scenario by the same amount. Accordingly, the Bank's impairment provision increased by approximately Rs 6.39 Mn during the year.

A further worst case scenario increase up to 100% with a weightage on other scenario,would have increased the collective impairment provision of the Bank by approximately Rs 20.27 Mn as at 31st December 2024.

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Following table also summarizes the key economic indicators (GDP, Unemployment) used in estimating economic factor adjustment and impact on their changes.

		As at 31 December 2024						
Key drivers	ECL scenario	Assigned Weightings	2024	2025	2026	2027	2028	Long term rate
		%	%	%	%	%	%	%
GDP growth	Base case	25	5.50	1.30	1.70	1.75	1.76	1.76
	Best case	10	5.50	5.99	6.34	6.71	7.03	7.03
	Worst case	65	5.50	5.15	4.95	4.76	4.54	4.54
Unemployment rate	Base case	25	4.10	5.30	5.30	5.29	5.29	5.29
	Best case	10	4.10	4.10	4.08	4.05	4.03	4.03
	Worst case	65	4.10	4.15	4.15	4.17	4.18	4.18
Inflation	Base case	25	(1.70)	4.09	4.42	4.48	4.95	4.95
	Best case	10	(1.70)	3.00	3.00	3.00	3.00	3.00
	Worst case	65	(1.70)	3.00	3.00	3.00	3.00	3.00
Interest Rate	Base case	25	9.06	11.57	10.49	9.20	8.63	8.15
	Best case	10	9.06	8.36	7.94	7.41	6.89	6.41
	Worst case	65	9.06	10.25	10.79	11.24	12.08	12.98

Since the beginning of the year, as the Bank has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised downwards, given the slowdown of economy. Unemployment also follow a similar trend. Central Bank base rates have also been revised downwards for the short term, as part of the governmental response. Long-term expectations remain unchanged.

46.2.1.(g). Breakdown of loans classified under stage 2

Loans classified under the stage 2 includes contractually past due loans and loans which have been shifted to stage 2 based on the criteria specified in the Note 3.2.6.1(a).

	2024				2023
As at 31st December	Not Contractually Past Due	Contractually Past Due			
	0 - 30 Days	31 - 60 Days	61- 90 Days	Total	Total
	LKR	LKR	LKR	LKR	LKR
Term Loans	**284,683,216**	**1,232,297,342**	**1,302,155,825**	**2,819,136,383**	5,318,544,558
Pawning	**247,058,240**	**68,296,226**	**61,119,508**	**376,473,974**	548,159,452
Cash margin	**91,249,227**	**112,452,610**	**61,560,882**	**265,262,719**	243,872,105
Staff loans	**-**	**580,301**	**-**	**580,301**	1,301,826
Lease rentals receivable	**11,431,123**	**656,064,674**	**358,160,393**	**1,025,656,191**	1,331,795,845
	634,421,806	**2,069,691,153**	**1,782,996,608**	**4,487,109,568**	7,443,673,786

46.2.1.(h). Overview of rescheduled/restructured loans & advances

	Amortised Cost			Impairment for ECL		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR	LKR	LKR
2023	968,158,253	4,455,524,348	5,423,682,601	131,777,355	1,535,931,523	1,667,708,878
2024	722,298,917	3,810,468,260	4,532,767,177	103,218,668	1,530,347,303	1,633,565,971

46.2.1.(i). Overview of rescheduled/restructured loans & advances upgraded during the year

The Bank upgrades rescheduled/restructured loans from stage 3/stage 2 to stage 1 as per the upgrading policy described in Note 3.2.6.10 of the Financial Statements. During the year the Bank upgraded Rs 259.36 Mn worth of rescheduled/restructured loans to stage 1. Due to this upgrade, the impairment provision against these loans decreased from Rs 42.7 Mn to Rs 7.7 Mn as at 31st December 2024.

46.2.1.(j). Management overlays on ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. Bank expects that post-model and other judgmental adjustments will be applied for the foreseeable future. Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December are set out in the following tables:

	As at 31 December 2024					
	LKR					
	Modelled ECL	Modelled ECL Post-model adjustments	Management overlays	Total judgements adjustments	Total ECL	Judgmental adjustments as a % of total ECL
Pawning	10,316,464	456,441	-	456,441	10,772,906	4
Cash margin	2,145,853	-	-	-	2,145,853	-
Term loans						
Business	759,443,875	1,754,500	6,282,513	8,037,013	767,480,887	1
Co-operative	379,135,620	2,276,421	1,606,161	3,882,582	383,018,203	1
Housing	342,277,314	(3,170,322)	(9,520,388)	(12,690,711)	329,586,603	(4)
Personal	262,344,150	(20,693,514)	260,755,801	240,062,286	502,406,437	48
Fixed and floating	3,330,131,125	(19,748,759)	(708,083)	(20,456,843)	3,309,674,283	(1)
SME	1,750,692,516	3,852,887	(17,472,979)	(13,620,092)	1,737,072,424	(1)
Upahara	215,276,788	(8,311,385)	16,559,472	8,248,087	223,524,875	4
Lease rentals receivable	741,997,038	36,930,117		36,930,117	778,927,156	5
	7,793,760,743	(6,653,614)	257,502,497	250,848,881	8,044,609,627	

The Bank is in the process of implementing internal scorecard system for analyzing credit risk of financial assets starting from next financial year.

46.2.2. Risks on Credit–related Commitments

The Bank makes available to its customers, guarantees that may require the Bank to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs.

46.2.3. Collateral and Other Credit Enhancements

46.2.3.(a). Net exposure to credit risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

For commercial lending: charges over real estate properties, cash and inventory etc..

For retail lending: mortgages over residential properties, motor vehicles, gold etc.

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Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

There was no change in the Bank's collateral policy during the year. Further, the Bank did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The bank has provided adequate impairment provisions for ECL, against financial assets secured by cash/deposits held within the bank (Note No. 19) Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds. Except for the above the bank has recognised ECL for all other financial assets classified at amortised cost and debt instruments at FVOCI.

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

As at 31st December		2024		2023	
	Note	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
		LKR	LKR	LKR	LKR
Cash and cash equivalents	18	**2,442,293,957**	**2,442,293,957**	2,916,328,571	2,916,328,571
Placements with banks	19	**9,083,957,854**	**9,083,957,854**	15,387,769,653	15,387,769,653
Financial assets fair value through profit or loss	20	**6,739,200,074**	**6,739,200,074**	2,815,221,176	2,815,221,176
Financial assets at amortised cost					
- Loans and receivables to other customers*	21	**95,137,106,868**	**51,255,534,999**	98,868,895,650	58,460,995,034
- Debt and other instruments	22	**26,623,135,466**	**25,920,679,782**	32,436,341,319	32,436,341,319
Financial assets measured at fair value through other comprehensive income	23	**208,145,880**	**208,145,880**	56,939,525	56,939,525
Other assets		**4,922,109,859**	**4,922,109,859**	4,475,904,212	4,475,904,209
		145,155,949,959	**100,571,922,406**	156,957,400,106	116,549,499,487

The loans & advances of the Bank are secured against immovable property and cash/deposits held within the Bank approximately 17% each. (2023: 18% each). Further 15% (2023: 12%) of the loans & advances are secured against other securities including movable property, gold, lease receivables, etc. Approximately 28% (2023: 29%) of stage 3 loans & advances of the Bank are secured against immovable property and cash/ deposits held within the Bank.

Approximately 71% of the loan book consists of Uphara and Uthathamachara, SME and Personal loans, out of its total lending portfolio. 84% of this portfolio is salary/pensioned based. 7% of loan accounts are covered through collateral like properties. And also Upahara and Uththamachara loan portfolio is backed by insurance coverage.

46.2.3.(b). Offsetting financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

46.2.3.(c). Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

46.2.4. Stage-wise movement of loans & advances and commitments & contingencies

46.2.4.(a). Stage-wise movement of gross carrying values of loans and advances

Changes in the gross carrying amount of loans and advances during the period that contributed to the changes in impairment provision is given below:

	Stage 1	Stage 2	Stage 3	
	Subject to 12-month ECL	Subject to Lifetime ECL but not Credit Impaired	Subject to Lifetime ECL Credit Impaired	Total
	LKR	LKR	LKR	LKR
Balance as at 1st January 2023	96,806,435,119	7,020,457,388	12,492,871,262	116,319,763,769
Current stage of new financial assets originated	14,490,731,697	751,806,203	254,760,790	15,497,298,690
Changes in the gross carrying amount				
- Transfer to stage 1	(2,586,302,641)	2,895,415,505	2,888,024,594	3,197,137,458
- Transfer to stage 2	(3,731,268,236)	(483,822,447)	1,378,623,721	(2,836,466,962)
- Transfer to stage 3	(3,155,833,663)	(1,681,017,901)	(236,199,582)	(5,073,051,146)
Financial assets that have been derecognised	(18,411,609,896)	(1,059,164,964)	(1,154,090,912)	(20,624,865,772)
Balance as at 31st December 2023	83,412,152,380	7,443,673,784	15,623,989,873	106,479,816,037

Balance as at 1st January 2024	**83,412,152,380**	**7,443,673,784**	**15,623,989,873**	**106,479,816,037**
Current stage of new financial assets originated	**23,970,370,596**	**970,190,810**	**205,580,305**	**25,146,141,711**
Changes in the gross carrying amount	-	-	-	-
- Transfer to stage 1	**(4,854,427,492)**	**(779,340,932)**	**(435,247,407)**	**(6,069,015,831)**
- Transfer to stage 2	**86,471,318**	**(476,674,689)**	**555,478,259**	**165,274,888**
- Transfer to stage 3	**41,462,550**	**(822,196,636)**	**(606,042,903)**	**(1,386,776,989)**
Financial assets that have been derecognised	**(17,728,748,360)**	**(1,848,542,770)**	**(1,449,127,641)**	**(21,026,418,771)**
Write-off during the year	-	-	**(127,304,552)**	**(127,304,552)**
Balance as at 31st December 2024	**84,927,280,992**	**4,487,109,568**	**13,767,325,934**	**103,181,716,494**

NOTES TO THE FINANCIAL STATEMENTS

46.2.4.(b). Stage-wise movement of impairment for loans and advances

More information about the significant changes in the impairment for loans and advances during the period is provided in the tables below

	Stage 1	Stage 2	Stage 3	
	Subject to 12-month ECL	Subject to Lifetime ECL but not Credit Impaired	Subject to Lifetime ECL Credit Impaired	Total
	LKR	LKR	LKR	LKR
Balance as at 1st January 2023	846,536,210	969,078,318	3,978,699,048	5,794,313,576
Net impairment charge for the year due to:				
New financial assets originated	25,663,545	20,952,625	31,716,784	78,332,954
Changes in the impairment amount				
- Transfer to stage 1	8,347,414	353,880,146	1,673,793,051	2,036,020,611
- Transfer to stage 2	(125,880,600)	(124,529,163)	394,752,598	144,342,835
- Transfer to stage 3	(77,182,966)	(322,779,696)	385,891,540	(14,071,122)
Financial assets that have been derecognised	(89,814,711)	(90,067,466)	(248,136,287)	(428,018,464)
Write-off during the year				
Balance as at 31st December 2023	587,668,892	806,534,764	6,216,716,734	7,610,920,390
Balance as at 1st January 2024	**587,668,892**	**806,534,764**	**6,216,716,734**	**7,610,920,390**
Net impairment charge for the year due to:				
New financial assets originated	**140,847,544**	**271,563,291**	**34,308,218**	**446,719,053**
Changes in the impairment amount				
- Transfer to stage 1	**10,128,668**	**(40,182,936)**	**11,436,012**	**(18,618,256)**
- Transfer to stage 2	**8,269,627**	**(37,073,143)**	**236,856,327**	**208,052,811**
- Transfer to stage 3	**4,853,759**	**(126,643,421)**	**545,974,751**	**424,185,089**
Financial assets that have been derecognised	**(72,987,379)**	**(86,661,674)**	**(339,695,853)**	**(499,344,906)**
Write-off during the year	**-**	**-**	**(127,304,552)**	**(127,304,552)**
Balance as at 31st December 2024	**678,781,111**	**787,536,879**	**6,578,291,637**	**8,044,609,628**

46.2.4.(c). Stage-wise movement of gross carrying values of other financial assets

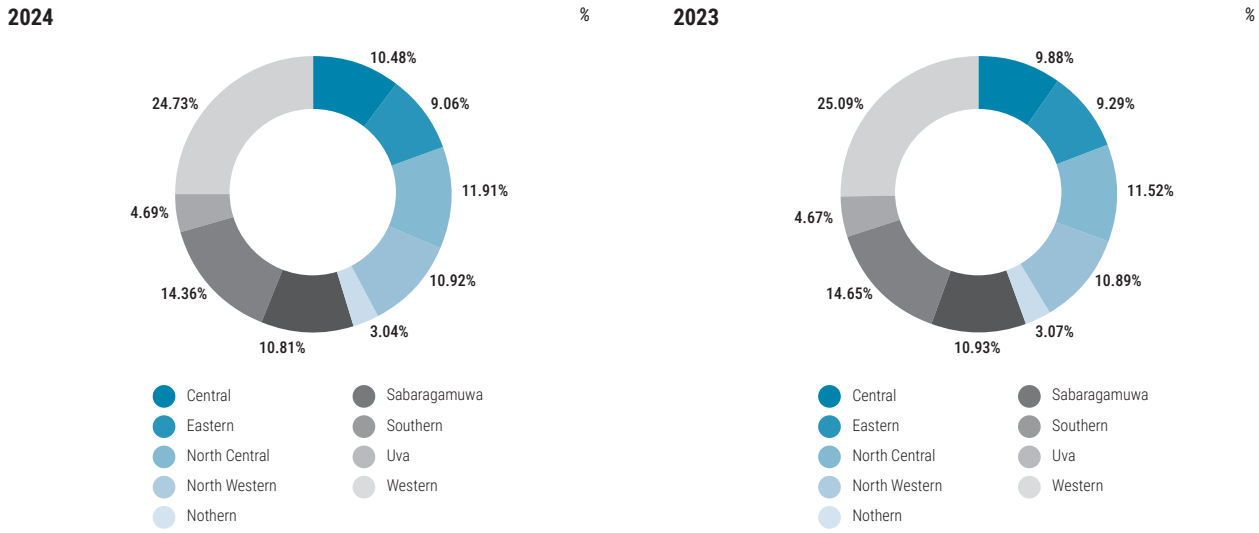
The Bank did not obverse any significant stage movements in other financial assets, which includes cash and cash equivalents, placements with banks, debt and other instruments at amortised cost and debt instruments at fair value through other comprehensive income.

46.2.5. Analysis of Risk Concentration

The following tables show the exposure to credit risk for the Financial Assets, including geography of counterparty and industry.

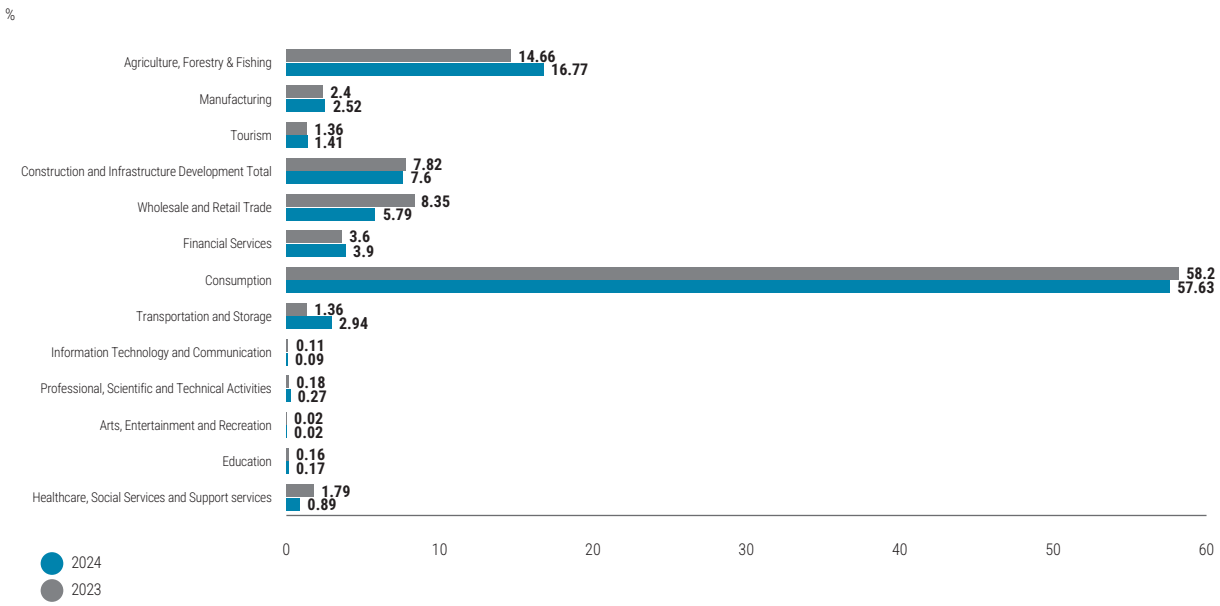
46.2.5.1. Geographical Distribution

Gross advance portfolio - Geographical wise is as follows



46.2.5.2. Industry Analysis

Gross advance portfolio - Industry wise is as follows



NOTES TO THE FINANCIAL STATEMENTS

46.2.6. Commitments and Contingencies

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank should have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the Statement of Financial Position. The Bank's maximum credit risk exposure for commitments and contingencies are disclosed in the Note No. 38.

Bank does not recognize a loss allowance for financial guarantee contracts as these contracts are fully backed by a Bank deposit (Savings or fixed deposit)

46.3. Liquidity Risk and Funding Management

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow. The Bank also has committed lines of credit that could be utilised to meet liquidity needs. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Bank. The most important of this is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement (20%). Liquid assets consist of cash, short–term bank deposits and liquid debt securities including government securities. Further the Statutory Liquid Assets Ratio of the Bank for the month of December 2024 is as follows.

46.3.1. Statutory Liquid Assets Ratio (SLAR)

	2024	2023
	%	%
Liquid Assets Ratio (SLAR)	**N/A**	38.25

*** CBSL has discontinued the requirement to maintain the statutory Liquid Assets Ratio, effective from 15th June 2024.

46.3.2. Loans & advances to Deposits (due to banks and due to depositors) Ratio

The Bank is aware of the importance of deposits as a source of funds for its lending operations. This is monitored using the following ratio, which compares loans & advances to deposits.

Loans & advances to deposits ratio as at 31st December 2024: 96.45% (2023: 98.66%)

46.3.3. Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The tables below summarise the maturity profile of the expected undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2024. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Financial Liabilities

	As at 31 December 2024							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	**2,442,293,957**	**-**	**-**	**-**	**-**	**-**	**-**	**2,442,293,957**
Investments	**1,253,960,045**	**13,134,151,966**	**19,144,616,546**	**3,756,205,845**	**5,779,813,021**	**1,352,859,893**	**-**	**44,421,607,316**
Loans and receivables to other customers	**2,013,709,186**	**3,552,696,157**	**4,872,965,851**	**17,963,338,087**	**15,449,389,688**	**12,470,350,005**	**45,406,460,805**	**101,728,909,779**
Total financial assets	**5,709,963,188**	**16,686,848,123**	**24,017,582,397**	**21,719,543,932**	**21,229,202,709**	**13,823,209,898**	**45,406,460,805**	**148,592,811,052**
Financial liabilities								
Due to other customers	**3,596,921,049**	**7,579,883,969**	**21,307,418,818**	**37,919,889,999**	**28,326,199,984**	**10,775,562,220**	**5,428,984,030**	**114,934,860,069**
Other borrowings	**-**	**2,292,921,353**	**1,572,104,500**	**14,132,624,258**	**8,890,023,238**	**3,443,618,830**	**1,139,241,407**	**31,470,533,586**
Total financial liabilities	**3,596,921,049**	**9,872,805,322**	**22,879,523,318**	**52,052,514,257**	**37,216,223,222**	**14,219,181,050**	**6,568,225,438**	**146,405,393,655**
Net financial assets/ (liabilities)	**2,113,042,139**	**6,814,042,801**	**1,138,059,079**	**(30,332,970,325)**	**(15,987,020,513)**	**(395,971,152)**	**38,838,235,368**	**2,187,417,397**

	As at 31 December 2023							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	2,916,328,571	-	-	-	-	-	-	2,916,328,571
Investments	3,885,792,572	6,815,068,971	14,352,093,814	16,320,594,816	7,445,549,115	4,473,481,132	-	53,292,580,420
Loans and receivables to other customers	2,828,024,765	5,696,551,771	4,522,329,482	17,956,787,969	11,115,033,570	5,460,251,814	60,852,949,718	108,431,929,089
Total financial assets	9,630,145,908	12,511,620,742	18,874,423,296	34,277,382,785	18,560,582,685	9,933,732,946	60,852,949,718	164,640,838,080
Financial liabilities								
Due to other customers	3,245,067,497	8,122,829,470	24,398,647,200	50,566,985,882	15,329,212,914	8,146,695,907	4,186,773,670	113,996,212,540
Other borrowings	505,414,384	2,615,443,266	3,006,925,381	7,014,870,555	9,632,763,415	5,369,459,728	1,560,401,574	29,705,278,303
Subordinated term debts	-	-	149,560,661	4,680,147,512	-	-	-	4,829,708,173
Total financial liabilities	3,750,481,881	10,738,272,736	27,555,133,242	62,262,003,949	24,961,976,329	13,516,155,635	5,747,175,244	148,531,199,016
Net financial assets/ (liabilities)	5,879,664,027	1,773,348,006	(8,680,709,946)	(27,984,621,164)	(6,401,393,644)	(3,582,422,689)	55,105,774,474	16,109,639,064

NOTES TO THE FINANCIAL STATEMENTS

46.4. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Bank classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately.

Market risk limits are set and continuously reviewed by the risk department and treasury department of the Bank. As a part of its established market risk management process, the risk department and treasury department also monitors early signs of possible changes in market conditions such as : anticipated and actual changes to interest rates; Socio Economic factors driving mortgage prepayment behaviors; and economic and geopolitical factors driving currency and equity price movement. Those two departments are take adequate actions to mange market risk when necessary.

46.4.1. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's policy is to continuously monitor positions on a daily basis and use periodic interest re-pricing strategies to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the Bank's Statement of Profit or Loss for the year ended 31st December 2024 and 31st December 2023 to a reasonable possible change in interest rates, with all other variables held constant.

The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

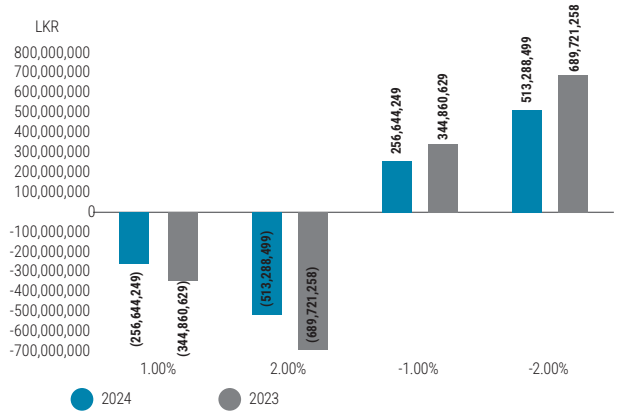
Rate Sensitive Assets (RSA) & Rate Sensitive Liabilities (RSL)

	2024	2023
	LKR	LKR
Rate Sensitive Assets (RSA)	**75,484,700,913**	73,410,165,255
Rate Sensitive Liabilities (RSL)	**101,149,125,845**	107,896,228,143
GAP (RSA - RSL)	**(25,664,424,932)**	(34,486,062,888)

Impact on Statement of Profit or Loss due to Interest Rate Shocks

	2024	2023
	LKR	LKR
Interest Rate Shock		
1.00%	**(256,644,249)**	(344,860,629)
2.00%	**(513,288,499)**	(689,721,258)
-1.00%	**256,644,249**	344,860,629
-2.00%	**513,288,499**	689,721,258

Impact on Statement of Profit or Loss due to interest rate shocks



Interest Rate Sensitivity Analysis

The tables below analyse the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

	Interest rate sensitivity assets and liabilities as at 31 December 2024						
Asset or liability	**Carrying amount**	**On demand**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest sensitive**	**Total**
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	**2,442,293,957**	**2,439,669,796**	**-**	**-**	**-**	**2,624,161**	**2,442,293,957**
Placements with banks	**9,083,957,854**	**-**	**2,832,427,998**	**6,251,529,856**	**-**	**-**	**9,083,957,854**
Financial assets fair value through profit or loss	**6,739,200,074**	**2,106,429,218**	**4,632,770,856**	**-**	**-**	**-**	**6,739,200,074**
Loans and receivables to other customers	**95,137,106,867**	**4,891,750,890**	**4,282,420,117**	**15,786,394,311**	**69,937,685,707**	**238,855,842**	**95,137,106,867**
Debt and other instruments	**26,623,135,466**	**661,593,315**	**23,042,952,411**	**1,974,966,695**	**943,623,045**	**-**	**26,623,135,466**
Interest bearing assets	**140,025,694,218**	**10,099,443,219**	**34,790,571,382**	**24,012,890,862**	**70,881,308,752**	**241,480,003**	**140,025,694,219**
Due to other customers	**106,989,899,941**	**10,227,148,645**	**19,511,709,656**	**34,704,336,230**	**40,569,595,174**	**1,977,110,236**	**106,989,899,941**
Other borrowings	**19,075,131,562**	**2,241,677,700**	**976,483,169**	**11,316,141,918**	**4,540,828,775**	**-**	**19,075,131,562**
Interest bearing liabilities	**126,065,031,503**	**12,468,826,345**	**20,488,192,825**	**46,020,478,148**	**45,110,423,949**	**1,977,110,236**	**126,065,031,503**
Interest rate sensitivity gap	**13,960,662,715**	**(2,369,383,126)**	**14,302,378,557**	**(22,007,587,286)**	**25,770,884,803**	**(1,735,630,233)**	**13,960,662,716**

	Interest rate sensitivity assets and liabilities as at 31 December 2023						
Asset or liability	**Carrying amount**	**On demand**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest sensitive**	**Total**
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	2,916,328,571	2,913,364,178	-	-	-	2,964,393	2,916,328,571
Placements with banks	15,387,769,653	-	3,059,069,687	4,866,422,823	7,462,277,143	-	15,387,769,653
Financial assets fair value through profit or loss	2,815,221,176	207,642,771	622,928,312	1,984,650,093	-	-	2,815,221,176
Loans and receivables to other customers	98,868,895,650	7,201,219,743	3,820,282,241	15,169,172,977	72,678,220,689	-	98,868,895,650
Debt and other instruments	32,436,341,319	5,057,060,472	12,134,110,484	12,714,265,349	2,530,905,014	-	32,436,341,319
Interest bearing assets	152,424,556,369	15,379,287,164	19,636,390,724	34,734,511,242	82,671,402,846	2,964,393	152,424,556,369
Due to other customers	108,118,121,881	10,641,382,868	22,871,148,884	47,313,066,373	25,546,139,929	1,746,383,827	108,118,121,881
Other borrowings	26,593,632,236	3,010,455,729	2,859,712,998	15,608,077,643	5,115,385,866	-	26,593,632,236
Subordinated term debts	4,460,248,007	-	-	4,460,248,007	-	-	4,460,248,007
Interest bearing liabilities	139,172,002,124	13,651,838,597	25,730,861,882	67,381,392,023	30,661,525,795	1,746,383,827	139,172,002,124
Interest rate sensitivity gap	13,252,554,245	1,727,448,567	(6,094,471,158)	(32,646,880,781)	52,009,877,051	(1,743,419,434)	13,252,554,245

NOTES TO THE FINANCIAL STATEMENTS

46.4.2. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Bank doesn't have material currency risk.

The Bank has dollar denominated borrowing, granted by The United States International Development Finance Corporation (DFC) , USD 30Mn as at 31st December 2024. This borrowing is placed as dollar denominated deposits with the Bank of Ceylon matching the capital repayment schedules of the loans.

DFC loan will be matured in June 2028 and the dollar fixed deposits hedged against this loan will mature at each installment repayment date.

46.5. Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk.

Operational Risks of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Chief Risk Officer and the Board Integrated Risk Management Committee which maintains a high level overall supervision of managing Operational Risks of the Bank.

46.6. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Sri Lanka.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and that the Bank to enhance credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or monitor the credit growth carefully.

Regulatory capital	Actual 2024	Required 2024	Actual 2023	Required 2023
	LKR	LKR	LKR	LKR
Common Equity Tier 1 Capital	**13,060,134,160**	**5,676,873,415**	12,978,479,105	5,681,451,935
Total Tier 1 Capital	**13,060,134,160**	**7,423,603,697**	12,978,479,105	7,429,590,992
Tier 2 Capital Instruments	**1,195,277,067**	**912,978,727**	1,403,250,806	1,066,073,516
Total Capital	**14,255,411,227**	**8,336,582,424**	14,381,729,911	8,495,664,508
Total Risk Weighted Assets	**87,085,817,208**		87,421,371,741	
Common Equity Tier 1 Capital Ratio %	**15.00%**	**6.50%**	14.85%	6.50%
Total Tier 1 Capital Ratio %	**15.00%**	**8.50%**	14.85%	8.50%
Total Capital Ratio %	**16.37%**	**12.50%**	16.45%	12.50%

47. COMPARATIVE INFORMATION

The comparative information has been reclassified wherever necessary to conform to the current year's presentation and details are given below.

47.1. Statement of Profit or Loss

Dormant fee income, which was previously classified under Other Income, has been reclassified under Fee Income in the 2024 financial statements to enhance presentation clarity. Accordingly, the comparative figures have also been adjusted.

47.2. Statement of Financial Position

There were no reclassifications during the year.

47.3. Statement of Cash Flow

There were no reclassifications during the year.



Threads that Complete the Weave

TEN YEARS AT A GLANCE

Statement of comprehensive income	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Interest income	**20,005,052**	29,904,604	23,101,048	14,792,068	15,442,003	15,079,324	13,146,787	10,829,333	8,177,187	6,609,248
Interest expenses	**(12,184,588)**	(21,402,708)	(16,261,995)	(8,018,419)	(9,314,576)	(9,382,529)	(8,423,758)	(6,941,841)	(4,846,840)	(3,240,875)
Net interest income	**7,820,464**	8,501,896	6,839,054	6,773,649	6,127,426	5,696,795	4,723,029	3,887,493	3,330,347	3,368,374
Fee and commission income	**631,017**	466,073	504,650	413,675	390,619	237,656	196,762	278,770	212,540	217,475
Fee and commission expenses	**(46,695)**	(36,170)	(26,706)	(23,327)	(14,334)	(6,507)	(4,397)	(3,511)	(9,596)	(2,966)
Net fee and commission income	**584,322**	429,903	477,944	390,347	376,285	231,150	192,365	275,258	202,944	214,510
Net gains/(losses) from trading	**60,117**	1,258	(1,078)	4,144	5,228	1,265	-	-	-	-
Net gains/(losses) from financial instruments at fair value through profit or loss	**444,082**	476,058	166,509	234,934	268,710	114,889	280,172	211,759	17,351	5,095
Other operating income	**(77,687)**	(55,262)	263,007	32,775	55,227	90,969	20,811	50,845	40,046	52,027
Total operating income	**8,831,298**	9,353,853	7,745,435	7,435,849	6,832,877	6,135,068	5,216,378	4,425,356	3,590,687	3,640,005
Impairment for loans and other losses	**(558,950)**	(1,819,895)	(1,898,476)	(643,708)	(417,039)	(917,434)	(525,844)	(293,537)	(125,044)	(49,594)
Net operating income	**8,272,348**	7,533,958	5,846,959	6,792,141	6,415,838	5,217,634	4,690,534	4,131,819	3,465,643	3,590,410
Personnel expenses	**(3,964,778)**	(3,304,439)	(2,940,243)	(2,542,695)	(2,576,773)	(2,116,348)	(1,827,073)	(1,474,146)	(1,266,115)	(1,114,754)
Depreciation and amortisation expenses	**(610,921)**	(532,735)	(488,515)	(528,447)	(454,569)	(431,193)	(224,260)	(191,577)	(176,032)	(148,829)
Other expenses	**(2,245,722)**	(2,216,704)	(1,936,942)	(1,848,265)	(1,400,539)	(1,420,073)	(1,526,132)	(1,364,051)	(1,113,816)	(942,628)
Operating profit before taxes	**1,450,927**	1,480,080	481,259	1,872,734	1,983,957	1,250,021	1,113,068	1,102,045	909,680	1,384,199
Value added tax (VAT) on financial services*	**(668,193)**	(634,125)	(384,302)	(542,926)	(571,027)	(386,522)	(362,941)	(300,962)	(292,254)	(273,641)
Nation Building Tax (NBT) on financial services / Social Security Contribution Levy (SSCL)	**(98,471)**	(74,029)	-	-	-	(51,106)	(52,703)	(48,482)	-	-
Debt repayment levy (DRL) on financial services		-	-	-	-	(226,565)	(53,282)	-	-	-
Operating profit after taxes	**684,263**	771,926	96,957	1,329,808	1,412,930	585,827	644,142	752,601	617,425	1,110,559
Profit before income tax	**684,263**	771,926	96,957	1,329,808	1,412,930	585,827	644,142	752,601	617,425	1,110,559
Income tax expenses	**(274,729)**	(305,104)	(35,791)	(446,530)	(576,643)	(332,422)	(287,192)	(244,778)	(213,704)	(389,984)
Profit for the year	**409,534**	466,822	61,166	883,278	836,287	253,405	356,950	507,824	403,722	720,575
Other comprehensive income										
Actuarial gains/(losses) on defined benefit plans	**(195,633)**	92,685	(39,668)	34,301	(1,855)	(41,588)	(45,995)	2,885	(49,639)	(2,688)
Deferred tax relating to defined benefit plans	**58,690**	(27,805)	11,645	(8,232)	519	11,645	12,879	(808)	13,899	753
Gains/(losses) on re-measuring financial assets measured at fair value through other comprehensive income		-	-	-	-	(3,210)	(3,388)	-	(12,454)	-
Revaluation Surplus on Property, Plant and Equipment	**69,025**	74,939	259,037							
Other comprehensive income for the year net of tax	**(67,918)**	139,819	231,013	26,069	(1,336)	(33,153)	(36,505)	2,077	(48,194)	(1,935)
Total comprehensive income for the year	**341,616**	606,641	292,180	909,347	834,952	220,252	320,445	509,901	355,528	718,639
Basic earnings per share on profit (LKR)	**2.49**	2.84	0.38	7.63	11.05	4.50	6.34	9.87	9.60	17.90

* NBT on financial service expense in included in VAT on financial services expense up to the year 2016 and it is seperately recorded after the year 2017 onwards.

TEN YEARS AT A GLANCE

Statement of financial position	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Assets										
Cash and cash equivalents	**2,442,294**	2,916,329	3,072,845	3,117,485	9,640,916	2,429,791	4,171,939	1,190,390	1,044,725	5,057,791
Placements with banks	**9,083,958**	15,387,770	18,205,196	15,108,410	2,823,628	5,628,095	9,528,426	6,014,704	6,919,027	4,757,401
Financial assets fair value through profit or loss	**6,739,200**	2,815,221	1,905,738	727,787	4,600,458	3,527,310	146,103	4,473,806	244,911	-
Other financial asset classified under loans and receivable					-	-	-	1,479,950	1,503,539	1,926,055
Financial assets at amortised cost - loans and receivables to other customers	**95,137,107**	98,868,896	110,525,450	111,891,256	102,662,269	85,823,335	77,507,021	66,687,416	53,632,539	45,830,499
Financial assets at amortised cost - debt and other instruments	**26,623,135**	32,436,341	19,819,736	12,031,302	5,244,005	6,998,925	3,405,600	-	-	-
Financial assets measured at fair value through other comprehensive income	**208,146**	56,940	56,939	56,939	56,939	56,939	60,148	-	-	-
Financial investments - available-for-sale					-	-	-	63,536	566,935	79,679
Financial investments - held-to-maturity					-	-	-	599,551	492,268	1,192,440
Investments in subsidiaries	**6,163**	6,163	6,163	6,163	6,163	-	-	-	-	-
Aseet classified as held for sale		-	43,566		-	-	-	37,175	37,175	37,175
Property, plant and equipment	**1,115,087**	845,329	1,093,191	565,477	661,695	645,231	704,738	726,473	637,263	549,172
Right of use assets	**780,438**	680,305	609,201	952,104	689,646	651,271	-	-	-	-
Investment properties		-	-	19,167	20,223	21,279	22,335	23,391	24,447	25,503
Intangible assets	**747,454**	753,566	538,831	338,933	395,123	308,445	3,728	8,148	16,938	47,141
Deferred tax assets	**778,912**	533,810	600,628	299,448	231,673	232,482	69,415	-	-	-
Other assets	**1,494,056**	1,656,730	3,043,547	2,704,446	2,026,987	1,460,524	1,198,314	1,070,175	913,030	787,138
Total assets	**145,155,950**	156,957,400	159,521,032	147,818,916	129,059,724	107,783,624	96,817,767	82,374,713	66,032,799	60,289,994
Liabilities										
Due to other customers	**106,989,900**	108,118,122	107,533,002	93,902,939	93,271,727	72,431,923	67,474,822	59,904,734	45,691,758	43,023,393
Other borrowings	**19,075,132**	26,593,632	30,704,548	33,569,838	18,090,500	20,299,718	15,420,968	8,827,610	9,482,950	6,600,339
Debt securities issued	**-**	-	-	-	1,013,899	1,014,034	4,198,548	4,189,812	4,182,653	3,979,111
Subordinated term debts	**-**	4,460,248	5,055,590	3,752,578	4,052,630	4,210,566	1,008,028	1,004,355	-	-
Retirement benefit obligation	**1,041,382**	766,115	714,077	571,665	571,382	479,575	354,854	257,476	212,494	127,307
Current tax liabilities	**717,274**	375,862	182,245	293,250	274,215	187,070	143,988	32,153	23,110	260,733
Deferred tax liabilities	**-**	-	-	-	-	-	-	58,000	46,629	66,411
Other liabilities	**2,745,762**	2,377,566	1,672,355	1,598,949	1,869,195	1,491,759	767,833	769,413	873,924	935,350
Total liabilities	**130,569,450**	142,691,545	145,861,817	133,689,220	119,143,548	100,114,645	89,369,040	75,043,553	60,513,519	54,992,643
Equity										
Stated capital	**11,406,602**	11,287,765	11,287,765	11,287,765	7,727,941	5,921,538	5,921,538	5,758,689	4,062,962	3,794,095
Statutory reserve fund	**361,049**	340,572	317,231	314,173	270,009	228,282	215,611	197,764	172,373	154,596
Retained earnings	**2,388,243**	2,275,937	1,767,576	2,500,153	1,890,621	1,491,554	1,280,762	1,340,504	1,249,742	1,302,003
Other reserves	**430,606**	361,581	286,642	27,605	27,605	27,605	30,815	34,203	34,203	46,657
Total equity	**14,586,500**	14,265,855	13,659,215	14,129,697	9,916,176	7,668,979	7,448,727	7,331,160	5,519,280	5,297,351
Total equity and liabilities	**145,155,950**	156,957,400	159,521,032	147,818,916	129,059,724	107,783,624	96,817,767	82,374,713	66,032,799	60,289,994
Contingent liabilities and commitments	**869,325**	814,262	728,285	910,137	194,554	177,752	182,986	166,260	148,030	136,574
Other information										
Number of accounts (CIF numbers)	**1,629,383**	1,604,568	1,574,030	1,527,665	1,442,788	1,384,175	1,310,198	1,230,406	1,131,355	1,068,345
Number of customer centers	**94**	94	94	94	94	94	94	91	88	87
Number of employees	**1,298**	1295	1381	1433	1490	1,475	1,504	1,363	1,248	1,198

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 1

KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY

Item	As at 31 December 2024	As at 31 December 2023
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	**13,060,134**	12,978,479
Tier 1 capital	**13,060,134**	12,978,479
Total capital	**14,255,411**	14,381,730
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (Minimum requirement - 2024:7.00% 2023:7.00%)	**15.00%**	14.85%
Tier 1 Capital Ratio (Minimum requirement - 2024:8.50% 2023:8.50%)	**15.00%**	14.85%
Total capital ratio (Minimum requirement - 2024:12.50% 2023:12.50%)	**16.37%**	16.45%
Leverage ratio (%)		
Minimum requirement - 3%	**9.07%**	8.29%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	**Revoked**	39,467,410
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)		38.25
Off-shore banking unit (%)	**-**	-
Total stock of high-quality liquid assets (LKR' 000)	**27,708,715**	35,487,865
Liquidity coverage ratio (%) (Minimum requirement - 2024:100% 2023:100%)		
Rupee (%)	**279.07**	285.43
All currency (%)	**279.65**	287.06
Net stable funding ratio (%) (Minimum requirement - 100%)	**173.02**	192.78

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 2

BASEL III COMPUTATION OF CAPITAL RATIOS

Item	As at 31 December 2024	As at 31 December 2023
Common Equity Tier 1 (CET1) capital after adjustments	**13,060,134**	12,978,479
Common Equity Tier 1 (CET1) capital	**14,586,500**	14,265,856
Equity capital (stated capital) /assigned capital	**11,406,602**	11,287,765
Reserve fund	**361,049**	340,572
Published retained earnings/(accumulated retained losses)	**2,388,243**	2,275,937
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	**430,606**	361,581
Unpublished current year's profit/(losses) and gains reflected in OCI	**-**	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-
Total adjustments to CET1 capital	**1,526,366**	1,287,377
Goodwill (net)	**-**	-
Intangible assets (net)	**747,454**	753,566
Deferred tax assets (net)	**778,912**	533,810
Investments in the capital of banking and financial institutions	**-**	-
Additional Tier 1 (AT1) capital after adjustments	**-**	-
Additional Tier 1 (AT1) capital	**-**	-
Qualifying additional Tier 1 capital Instruments	**-**	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-
Total adjustments to AT1 capital	**-**	-
Investment in own shares	**-**	-
Others	**-**	-
Tier 2 capital after adjustments	**1,195,277**	1,403,251
Tier 2 capital	**1,195,277**	1,403,251
Qualifying Tier 2 capital instruments	**-**	412,315
Revaluation gains	**-**	-
Loan loss provisions	**1,195,277**	990,936
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-
Total adjustments to Tier 2	**-**	-
Investment in own shares	**-**	-
Investments in the capital of banking and financial institutions	**-**	-
CET 1 capital	**13,060,134**	12,978,479
Total Tier 1 capital	**13,060,134**	12,978,479
Total capital	**14,255,411**	14,381,730
Total risk weighted assets (RWA)	**87,085,817**	87,421,372
RWAs for credit risk (Template 7 and 8)	**76,498,459**	77,122,195
RWAs for market risk (Template 9)	**236,499**	572,290
RWAs for operational risk (Template 10)	**10,350,859**	9,783,257

Item	As at 31 December 2024	As at 31 December 2023
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	**15.00**	14.85
of which: capital conservation buffer (%)	**-**	-
of which: countercyclical buffer (%)	**-**	-
of which: capital surcharge on D-SIBs (%)	**-**	-
Total Tier 1 capital ratio (%)	**15.00**	14.85
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	**16.37**	16.45
of which: capital conservation buffer (%)	**-**	-
of which: countercyclical buffer (%)	**-**	-
of which: capital surcharge on D-SIBs (%)	**-**	-

TEMPLATE 3

COMPUTATION OF LEVERAGE RATIO

Item	As at 31 December 2024	As at 31 December 2023
Tier 1 capital	**13,060,134**	12,978,479
Total exposures	**144,068,908**	156,484,285
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	**143,629,584**	155,670,024
Derivative exposures	**-**	-
Securities financing transaction exposures	**-**	-
Other off-balance sheet exposures	**869,325**	814,262
Basel III leverage ratio (%) (Tier 1/total exposure)	**9.07**	8.29

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 4

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO

Item	Amount (LKR' 000)			
	As at 31 December 2024		As at 31 December 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	**27,944,531**	**27,708,714**	35,577,512	35,487,865
Total adjusted level 1 assets	**25,869,580**	**25,869,580**	34,979,864	34,979,864
Level 1 assets	**25,869,580**	**25,869,580**	34,979,864	34,979,864
Total adjusted level 2A assets	**2,074,951**	**1,763,708**	597,648	508,001
Level 2A assets	**2,074,951**	**1,763,708**	597,648	508,001
Total adjusted level 2B assets	**-**	**-**	-	-
Level 2B assets	**-**	**-**	-	-
Total cash outflows	**108,304,900**	**17,350,825**	109,687,627	17,084,700
Deposits	**69,196,990**	**6,919,699**	75,637,598	7,563,760
Unsecured wholesale funding	**37,926,692**	**10,081,044**	32,546,160	8,799,222
Secured funding transactions	**-**	**-**	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	**1,181,218**	**350,082**	1,503,869	721,718
Additional requirements	**-**	**-**	-	-
Total cash inflows	**14,059,525**	**7,442,426**	9,656,146	4,651,523
Maturing secured lending transactions backed by collateral	**700,124**	**-**	-	-
Committed facilities	**3,850,000**	**-**	2,850,000	-
Other inflows by counterparty which are maturing within 30 days	**7,306,003**	**5,239,028**	6,680,115	4,525,491
Operational deposits	**-**	**-**	-	-
Other cash inflows	**2,203,398**	**2,203,398**	126,031	126,031
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		**279.65**		285.43

TEMPLATE 5

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Description of the capital instrument	Stated capital
Issuer	SANASA Development Bank PLC
Unique identifier	LK0412N00003
Governing Law of the instrument	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations
Original date of issuance (agreement signed date for subordinated term debts)	May 2012
Par value of instrument (LKR)	100
Perpetual or dated	Perpetual
Original maturity date, if applicable	N/A
Amount recognised in regulatory capital (in LKR '000 as at 31st December 2024)	11,406,602
Accounting classification (equity/liability)	Equity
Issuer call subject to prior supervisory approval	
Optional call date, contingent call dates and redemption amount (LKR '000)	N/A
Subsequent call dates, if applicable	N/A
Coupons/Dividends	
Fixed or floating dividend/coupon	Floating dividend
Coupon rate and any related index (%)	N/A
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, mandatory or optional	N/A
If convertible, conversion rate	N/A

N/A - Not Applicable

TEMPLATE 6

SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

Overview	These should include
A proper "capital management process" is vital in ensuring the long-term stability of the business, the capital adequacy ratio is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses arising from various risks during the course of the business. Therefore, it acts as a layer of cushion in absorbing potential losses arising from the course of the business and safeguarding the depositors' funds. At present, capital adequacy position of the banks are computed based on banking Act Direction No. 01 of 2016 and subsequent amendments thereto issued by Central Bank of Sri Lanka. SANASA Development Bank has continued to maintain capital adequacy ratios at healthy levels by keeping a significant margin over and above the regulatory minimum requirements.	Provide qualitative information on capital planning to meet current and future capital requirements including: (a) Overview of capital planning and assessment process; (b) Material risk exposures in line with strategic plan; (c) Current and future capital needs, anticipated capital expenditure and desirable capital level; (d) Discussion on possible internal and external capital sources; (e) Assessment of the adequacy of bank's capital commensurate with all material risks and other capital needs in relation to its current and future activities; General contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

Overview	These should include
Capital management process	
In order to comply with the new Basel III guidelines, SANASA Development Bank's capital management process is under supervision of Board Strategic Planning Committee. The three year (2020-2022) capital management plan rolled out has been integrated with the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Bank's Strategic Plan. Efforts have taken to comply with the Basel III regulations saw the Bank increases its capital levels by issuing Basel III compliant Tier - II debt instruments. Steps were also taken to optimize the capital ratios by rebalancing the risk weighted assets (RWA).	
Moving forward	
Moving forward with the capital management plan, the Bank will execute specific medium term and long term strategies to raise both Tier I and Tier II capital in line with Basel III minimum regulatory requirements. In addition, timely actions have been identified and will be executed during the coming years to optimize the risk weighted assets for the purpose of improving the capital allocation of the Bank.	

TEMPLATE 7

CREDIT RISK UNDER STANDARDIZED APPROACH - CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

Asset class	Amount (LKR' 000) as at 31st December 2024					
	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On- balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
Claims on Central Government and CBSL	25,901,501	-	25,901,501	-	-	0%
Claims on foreign sovereigns and their Central Banks	-	-	-	-	-	-
Claims on public sector entities	-	-	-	-	-	-
Claims on official entities and multilateral development banks	-	-	-	-	-	-
Claims on banks exposures	10,972,666	-	10,972,666	-	2,194,533	20%
Claims on financial institutions	732,961	-	732,961	-	732,961	100%
Claims on corporates	9,354,371	-	9,354,371	-	8,914,539	95%
Retail claims	85,834,415		85,834,415	-	54,010,083	63%
Exposure Guranteed by the NCGIL	151,145		151,145	-	30,229	20%
Claims secured by residential property	2,850,695	-	2,850,695	-	1,111,283	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	5,825,499	-	5,825,499	-	5,765,815	99%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	3,943,484	869,325	3,943,484	349,435	3,739,016	87%
Total	145,566,737.87	869,325	145,566,738	349,435	76,498,459	53%

Note:

(i) NPAs - as per Banking Act Directions on classification of loans and advances, income recognition and provisioning.

(ii) RWA density – Total RWA/exposures post CCF and CRM.

TEMPLATE 8

CREDIT RISK UNDER STANDARDIZED APPROACH - EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Description	Amount (LKR' 000) as at 31st December 2024 (Post CCF & CRM)									
Asset classes \ Risk weight	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total credit exposures amount
Claims on Central Government and CBSL	25,901,501	-	-	-	-	-	-	-	-	25,901,501
Claims on foreign sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-
Claims on public sector entities	-	-	-	-	-	-	-	-	-	-
Claims on official entities and multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on banks exposures	-	10,972,666	-	-	-	-	-	-	-	10,972,666
Claims on financial institutions	-	-	-	-	-	-	732,961	-	-	732,961
Claims on corporates	-	-	-	878,596	-	-	8,475,241	-	-	9,353,837
Retail claims	6,844,736	41,182	-	-	383,630	69,179,625	1,886,950			78,336,123
Claims secured by residential property	-	-	2,676,020	-	-	-	174,676	-	-	2,850,695
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Exposure Guranteed by the NCGIL		151,145								151,145
Non-performing assets (NPAs)		-	-	310,389	-	-	5,324,091	191,020	-	5,825,499
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Cash items and other assets	553,903	-	-		-		3,739,016			4,292,919
Total	33,300,140	11,164,993	2,676,020	1,188,985	383,630	69,179,625	20,332,935	191,020	-	138,417,347

TEMPLATE 9

MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

Item	RWA amount (LKR' 000) As at 31 December 2024
(a) RWA for interest rate risk	-
General interest rate risk	-
(i) Net long or short position	-
(ii) Horizontal disallowance	-
(iii) Vertical disallowance	-
(iv) Options	-
Specific interest rate risk	-
(b) RWA for equity	-
(i) General equity risk	-
(ii) Specific equity risk	-
(c) RWA for foreign exchange and gold	29,562
Capital charge for market risk {(a) +(b) + (c) } * CAR	236,499

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 10

OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

Business lines	Capital charge factor	Gross income (LKR' 000) as at 31 December 2024			Amount (LKR' 000)
		1st Year	2nd Year	3rd Year	
The basic indicator approach	15%	8,877,897	9,217,863	7,781,388	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach"					1,293,857
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					10,350,859

TEMPLATE 11

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

Item	Amount (LKR '000 as at 31 December 2024)				
	a	b	c	d	e
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and cash equivalents	2,442,294	2,442,294	2,442,294	-	-
Placements with banks	9,083,958	9,083,958	9,083,958		-
Financial assets fair value through profit or loss	6,739,200	6,739,200	6,739,200	257,986	
Financial assets at amortised cost					
- Loans and receivables to other customers	95,137,107	95,137,107	96,332,384	-	1,195,277
- Debt and other instruments	26,623,135	26,623,135	26,623,135	-	-
Financial assets measured at fair value through other comprehensive income	208,146	208,146	208,146	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	1,115,087	1,115,087	1,115,087	-	-
Right of use assets	780,438	780,438	780,438	-	-
Investment properties	-	-	-	-	-
Intangible assets	747,454	747,454	-		747,454
Differed tax assets	778,912	778,912	-	-	778,912
Other assets	1,494,056	1, 494,056	1,494,056	-	-
Total assets	145,155,950	145,155,950	144,824,861	257,986	2,721,643

Item	Amount (LKR '000 as at 31 December 2024)				
	a	b	c	d	e
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities					
Due to banks					
Due to other customers	106,989,900	106,989,900	-	-	-
Other borrowings	19,075,132	19,075,132	-	-	-
Subordinated term debts	-	-	-	-	-
Retirement benefit obligations	1,041,382	1,041,382	-	-	-
Current tax liabilities	717,274	717,274	-	-	-
Other liabilities	2,745,762	2,745,762	-	-	-
Total liabilities	130,569,450	130,569,450	-	-	-
			-	-	-
Off–balance sheet liabilities					
Guarantees	284,090	284,090	284,090		
Undrawn loan commitments	-	585,234	585,234	-	-
	-			-	-
Shareholders' equity					
Equity capital (stated capital)/ assigned capital	11,406,602	11,406,602			
of which amount eligible for CET 1	11,406,602	11,406,602	-	-	-
of which amount eligible for AT 1	-	-	-	-	-
Retained earnings	2,388,243	2,388,243	-	-	-
Accumulated other comprehensive income	361,049	-	-	-	-
Other reserves	430,606	791,655	-	-	-
Total shareholders' equity	14,586,500	14, 586, 500	-	-	-

SOURCES AND UTILISATION OF INCOME

	Sources of income						
	LKR'000						
For the year ended 31 December	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Interest	**14,795,033**	22,257,612	18,427,843	13,601,108	14,485,392	13,839,972	11,985,315
Investments	**5,210,018**	7,646,992	4,673,206	1,190,961	956,610	1,239,352	1,161,472
Commission and other	**1,010,834**	851,956	906,382	662,200	705,450	438,273	493,349
Total	**21,015,886**	30,756,561	24,007,430	15,454,269	16,147,453	15,517,597	13,640,136

	Utilisation of income						
	LKR'000						
For the year ended 31 December	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Employees							
Salaries and other payments to staff	**3,964,778**	3,304,439	2,940,243	2,542,695	2,576,773	2,116,348	1,827,073
Suppliers							
Interest paid	**12,184,588**	21,402,708	16,261,995	8,018,419	9,314,576	9,382,529	8,423,758
Other expenses	**3,415,593**	4,569,334	4,323,933	3,020,420	2,272,146	2,768,699	2,276,236
	15,600,181	25,972,042	20,585,928	11,038,840	11,586,722	12,151,228	10,699,994
Net income before government taxes	**1,450,927**	1,480,080	481,259	1,872,734	1,983,957	1,250,021	1,113,069
Government							
Income tax, VAT on FS, NBT or SSCL and debt repayment levy	**1,041,392**	1,013,258	420,093	989,455	1,147,670	996,616	756,118
Shareholders							
Dividends	**-**	-	-	241,050	206,046	114,020	-
Retained profit	**409,534**	466,822	61,166	642,228	630,241	139,385	356,950
	409,534	466,822	61,166	883,278	836,287	253,405	356,950
Total	**21,015,886**	30,756,561	24,007,430	15,454,269	16,147,453	15,517,597	13,640,136

QUARTERLY PERFORMANCE OF THE BANK

	2024				2023			
	31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
Regulatory capital adequacy ratio								
Common equity Tier 1 capital ratio (%)	**15.00**	**15.14**	**15.03**	**14.93**	14.85	13.10	12.88	13.08
Tier 1 capital ratio (%)	**15.00**	**15.14**	**15.03**	**14.93**	14.85	13.10	12.88	13.08
Total capital ratio (%)	**16.37**	**16.57**	**16.53**	**16.43**	16.45	15.26	15.16	15.52
Leverage ratio (%)	**9.07**	**8.68**	**8.64**	**8.48**	8.29	7.77	7.78	7.69
Regulatory liquidity								
Total stock of high quality liquid assets (LKR Mn)	**27,709**	**32,454**	**28,779**	**32,490**	35,488	31,102	27,798	23,630
Liquidity coverage ratio (%)	**279.65**	**291.57**	**306.77**	**287.15**	287.06	258.73	222.93	309.25
Net stable funding ratio (%)	**173.02**	**185.25**	**183.98**	**204.68**	192.78	195.56	186.23	234.62
Asset quality								
Gross non-performing advances ratio (%)	**11.11**	**11.85**	**12.07**	**11.85**	11.06	10.27	8.88	8.05
Net non-performing advances ratio (%)								
Impaired Loans (Stage 3) Total loan Ratio (%)	**6.93**	**8.04**	**7.94**	**8.59**	8.82	8.13	7.07	7.12
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	**47.78**	**46.07**	**44.57**	**41.49**	39.70	37.71	36.28	33.86
Profitability								
Interest margin (%)	**5.18**	**5.66**	**5.55**	**5.44**	5.37	5.13	4.90	5.34
Return on assets (%)	**0.96**	**1.13**	**1.02**	**0.93**	0.49	0.26	0.06	0.23
Return on equity (%)	**2.84**	**3.73**	**3.37**	**3.18**	3.34	1.77	2.19	1.27
Share information								
Last Traded Price per Share (LKR)	**45.90**	**30.50**	**31.00**	**32.50**	31.50	36.00	29.20	25.10
Highest price per share for the period (LKR)	**46.80**	**33.00**	**36.20**	**33.00**	35.70	38.90	31.00	31.00
Lowest price per share for the period (LKR)	**29.70**	**28.70**	**30.90**	**31.00**	30.50	29.10	22.10	20.00
Debenture Information								
Debt to equity ratio (times)	**-**	**-**	**-**	**-**	-	-	-	
Interest cover (Times)	**-**	**-**	**-**	**-**	-	-	-	-
Quick assets ratio (Times)	**-**	**-**	**-**	**-**	-	-	-	-
Interest rate for comparable government security (%)	**-**	**-**	**-**	**-**	-	-	-	-
Type A	**-**	**-**	**-**	**-**	-	-	-	-
Type B	**-**	**-**	**-**	**-**	-	-	-	-
Type C	**-**	**-**	**-**	**-**	-	-	-	-
Type D	**-**	**-**	**-**	**-**	-	-	-	-

INVESTOR RELATIONS

The Bank's investor relations strategy is a key component of the Bank's public relations programme and comprises investor engagement through multiple mechanisms, including communications, as well as meetings and other targeted investor activities. The objective is to provide financial markets with accurate information for informed investment decision making and to build trust and brand equity. In addition, we also hope to establish strategic relationships with select, international investors, funding agencies and others by establishing direct lines of communication between the Bank and such potential partners. We have been extremely successful in this regard, as we have established mutually beneficial international partnerships that have benefited the Bank through knowledge exchange and access to international funding. SDB Bank's investor engagements include:

Communications: The Bank's regular investor relations activities primarily involve timely communication of the Bank's finances to existing and potential investors, as well as others of the financial community such as stock brokers and regulators, in line with disclosure requirements of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission (SEC) of Sri Lanka. Such communications comprise quarterly and annual financial statements, as well as any disclosures specified under the CSE listing rules. The Bank also releases an integrated annual report that provides deeper insights into the Bank's governance and risk management systems, sustainable business practices, management of its resources, financial performance for the year and plans for the future. As and when required, SDB Bank also issues press releases to the mass media and the Bank's social media channels, to keep financial markets informed regarding the Bank's activities during the year.

These communications are aimed at updating regulators and financial markets regarding the financial fundamentals and financial status of the Bank, as well as the Bank's socio-economic role as a development Bank. By enhancing transparency through regular communications, market players can make judgements on the Bank's market value vis-à-vis the potential and sustainability of the Bank. For greater impact, the Bank facilitates two-way communications by acknowledging and responding to any feedback and/or questions from investors and other market players, while also analysing such feedback to better understand market and investor sentiments, and expectations regarding the Bank.

The Annual General Meeting (AGM): The Bank's AGM is the main platform of physical/virtual enable communication between the Bank's senior management and its existing shareholders and provides shareholders with the opportunity to raise questions and make inquiries directly from the senior management.

Investor events: SDB Bank also conducts one-on-one interactions with key investors, as and when required.

The Bank places high value on ethical, accountable and transparent engagements with the investor community and complies with good governance principles in all dealings and communications with markets and investors. Our investor relations programme is designed to achieve the following:

- A competitive price for the Bank's shares;
- A healthy level of transactions of the Bank's shares on the stock exchange;
- Easier and cheaper access to capital in the future; and
- Reduced volatility in share prices by maintaining a loyal group of investors

SDB BANK SECURITIES TYPES

- Quoted Ordinary Shares

LISTING DETAILS FOR QUOTED ORDINARY SHARES

- Listed exchange: Colombo Stock Exchange (CSE) Main Board
- Sector: Banks Finance and Insurance
- Quoted date: 31 May 2012
- Code-ISIN: LK0412N00003
- Stock symbol: SDB.N0000

CREDIT RATINGS

The Bank has obtained credit ratings from Fitch Ratings Lanka Ltd. The ratings take into consideration the bank's performance, asset quality, capitalisation, liquidity and market position among others.

Rating entity	Rating
Fitch Ratings Lanka Ltd.	BB+ (lka)

USEFUL LINKS FOR INVESTORS

Information	Link (website)
SDB Bank	www.sdb.lk
Colombo Stock Exchange	www.cse.lk
Central Bank of Sri Lanka	www.cbsl.gov.lk
Fitch Ratings Lanka Ltd.	www.fitchratings.com

HOW WE CREATE VALUE TO OUR INVESTORS

SUPERVISION BY BOARD OF DIRECTORS AND COMMITTEES

System of Investor Relations

- To create value, grab attention and build relationships with existing and potential investors and other related stakeholders while making continuous and consistent communications.

→

- Preparing financial announcements
- Ensure powerful equality story
- Communication with rating agencies and regulatory authorities
- Coordination with internal parties regarding investor relations
- Handling media (websites, papers, articles, calls and etc.)

→

- Annual General Meeting
- Financial results
- Fundraising
- Analysis
- Forward-looking Statements
- Regulatory compliance

Objective **Tools**

DECISION-MAKING AND EXECUTION BY CHIEF EXECUTIVE OFFICER

SHARES AND SHAREHOLDERS' ANALYSIS

Share Ownership Composition

	31 December 2024				31 December 2023			
Share range	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 – 1,000	**36,328**	**93.46**	**4,850,937**	**2.95**	36,427	93.97	4,851,314	3.02
1,001 – 10,000	**1,891**	**4.86**	**5,803,990**	**3.54**	1,765	4.55	5,594,235	3.48
10,001 – 100,000	**555**	**1.43**	**17,080,778**	**10.41**	492	1.27	15,733,918	9.79
100,001 – 1,000,000	**79**	**0.20**	**17,504,585**	**10.66**	64	0.17	15,299,757	9.52
1,000,001 – and above	**18**	**0.05**	**118,926,204**	**72.44**	16	0.04	119,219,608	74.19
Total	**38,871**	**100.00**	**164,166,494**	**100.00**	38,764	100.00	160,698,832	100.00

INVESTOR RELATIONS

ANALYSIS OF SHAREHOLDERS

Resident/Non-Resident

	31 December 2024				31 December 2023			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	**38,851**	**99.95**	**120,708,276**	**73.53**	38,739	99.94	123,053,836	76.57
Non-Resident	**20**	**0.05**	**43,458,218**	**26.47**	25	0.06	37,644,996	23.43
Total	**38,871**	**100.00**	**164,166,494**	**100.00**	38,764	100.00	160,698,832	100.00

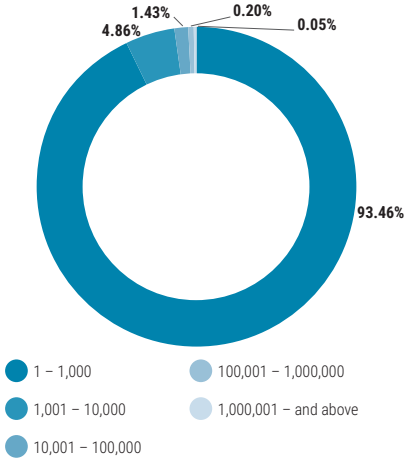
Individual/Institutional

	31 December 2024				31 December 2023			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Individual	**35,242**	**90.66**	**37,079,035**	**22.59**	35,134	90.64	29,569,154	18.40
Institutional	**3,629**	**9.34**	**127,087,459**	**77.41**	3,630	9.36	131,129,678	81.60
Total	**38,871**	**100.00**	**164,166,494**	**100.00**	38,764	100	160,698,832	100

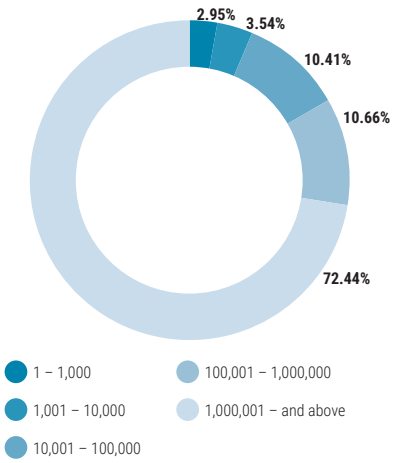
Institutional Sub Analysis

	31 December 2024				31 December 2023			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Foreign	**3**	**0.008**	**37,350,366**	**22.75**	5	0.012	36,617,211	22.78
Local and other Institutions	**62**	**0.160**	**67,579,467**	**41.17**	60	0.155	72,815,390	45.31
SANASA Federation ACC 1	**1**	**0.003**	**797,822**	**0.49**	1	0.003	780,970	0.49
ACC 2			**31,511**	**0.02**			30,846	0.02
SANASA Societies	**3,399**	**8.744**	**10,249,218**	**6.24**	3,400	8.771	10,040,102	6.25
SANASA Union	**35**	**0.090**	**3,527,611**	**2.15**	35	0.090	3,453,115	2.15
MPCCS	**24**	**0.062**	**1,269,539**	**0.77**	24	0.062	1,242,737	0.77
Trust Companies	**105**	**0.270**	**6,281,925**	**3.83**	105	0.271	6,149,307	3.83
Total	**3,629**	**9.337**	**127,087,459**	**77.42**	3,630	9.364	131,129,678	81.60

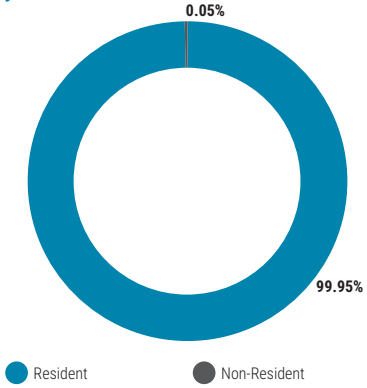
Share Ownership Composition by Number of Shareholders



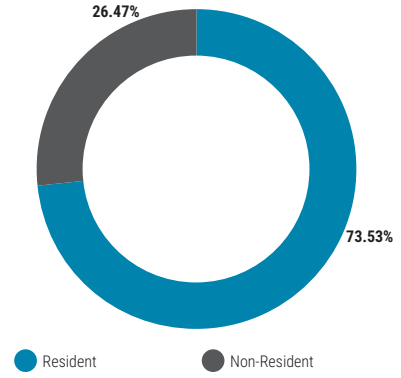
Share Ownership Composition by Number of Shares



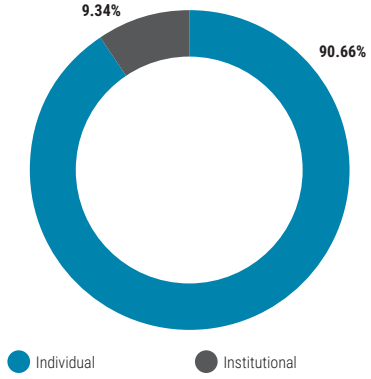
Resident/Non-resident shareholding by Number of Shareholders



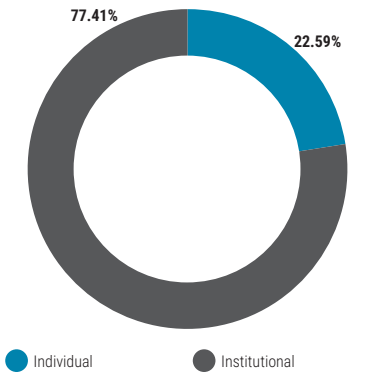
Resident/Non-resident Shareholding by Number of Shares



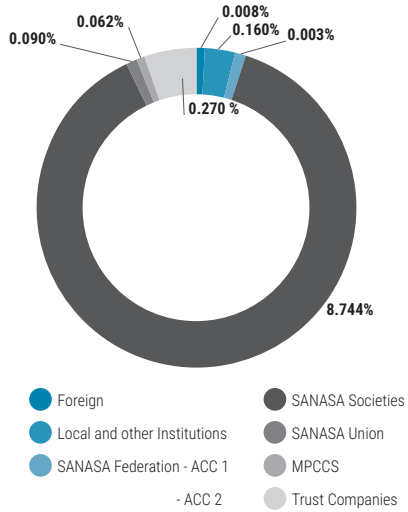
Individual/Institutional Shareholding by Number of Shareholders



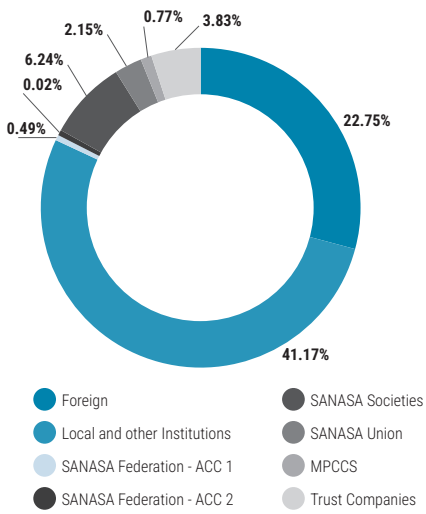
Individual/Institutional Shareholding by Number of Shares



Institutional Sub Analysis Shareholding by Number of Shareholders



Institutional Sub Analysis Shareholding by Number of Shares



INVESTOR RELATIONS

TOP TWENTY SHAREHOLDERS (AMALGAMATED SHAREHOLDINGS)

		31 December 2024		31 December 2023	
No.	**Name of the Shareholder**	**No of Shares**	**%**	**No. of Shares**	**%**
1	LOLC INVESTMENT HOLDINGS ONE (PRIVATE) LIMITED	**24,624,948**	**15.0000**	24,104,800	15.0000
2	SENTHILVERL HOLDINGS (PVT) LTD	**21,019,383**	**12.8037**	19,306,601	12.0142
3	NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.	**17,989,491**	**10.9581**	17,609,503	10.9581
4	BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES SA/NV	**16,416,564**	**9.9999**	16,069,800	9.9999
5	AYENKA HOLDINGS (PRIVATE) LIMITED	**7,034,112**	**4.2848**	14,460,956	8.9988
6	MR. C.F. FUHRER	**4,929,116**	**3.0025**	-	-
7	SANASA LIFE INSURANCE COMPANY PLC	**4,610,425**	**2.8084**	4,715,996	2.9347
8	ALLIANCE FINANCE COMPANY PLC	**3,592,187**	**2.1881**	3,516,310	2.1881
9	PEOPLES LEASING & FINANCE PLC/L.P.HAPANGAMA	**3,279,555**	**1.9977**	3,102,528	1.9306
10	SBI VEN HOLDINGS PTE LTD*	**2,944,311**	**1.7935**	2,885,618	1.7957
11	DR. T. SENTHILVERL	**2,634,908**	**1.6050**	4,798,223	2.9859
12	PEOPLES LEASING & FINANCE PLC	**2,320,270**	**1.4134**	2,271,260	1.4134
13	BANK OF CEYLON A/C CEYBANK UNIT TRUST	**1,573,477**	**0.9585**	1,539,241	0.9578
14	HATTON NATIONAL BANK PLC/SARRAVANAN NEELAKANDAN	**1,471,083**	**0.8961**	1,440,010	0.8961
15	KEGALLE SANASA SHAREHOLDERS TRUST COMPANY LIMITED	**1,287,440**	**0.7842**	1,260,246	0.7842
16	SANASA GENERAL INSURANCE COMPANY LTD	**1,148,681**	**0.6997**	1,124,418	0.6997
17	POLGAHAWELA SANASA SOCIETIES UNION LTD	**1,035,980**	**0.6311**	1,014,098	0.6311
18	NIKAWARATIYA THRIFT AND CREDIT CO-OPERATIVE SOCIETY UNION LIMITED	**1,014,273**	**0.6178**	992,849	0.6178
19	BINGIRIYA MULTI PURPOSE COOPERATIVE SOCIETY LTD	**991,850**	**0.6042**	970,900	0.6042
20	SANASA FEDERATION LIMITED	**829,333**	**0.5052**	811,816	0.5052
	Total	**120,747,387**	**73.5519**	121,995,173	75.9155

*"SBI EMERGING ASIA FINANCIAL SECTOR FUND PTE. LTD" now known as "SBI VEN HOLDINGS PTE LTD"

Note:

Above table contains the amalgamated total shareholding of each shareholder.

	31 December 2024		31 December 2023	
	No. of Shares	**%**	**No. of Shares**	**%**
Total number of shares registered	**155,634,876**	**94.80**	152,345,220	94.80
Total number of Shares unregistered	**8,531,618**	**5.20**	8,353,612	5.20
Total number of shares issued	**164,166,494**	**100.00**	160,698,832	100.00
Shares held by Directors and CEO	**119,676**	**0.08**	117,150	0.07
Shares held by institutions	**127,087,459**	**77.41**	131,129,678	81.60
Balance held by public	**36,959,359**	**22.51**	29,452,004	18.33
Total number of shares issued	**164,166,494**	**100.00**	160,698,832	100.00
Shares held by public	**128,795,571**	**78.45**	118,499,616	73.74
Shares held by Directors, CEO and related parties	**35,370,923**	**21.55**	42,199,216	26.26
Total number of shares issued	**164,166,494**	**100.00**	160,698,832	100.00

MARKET CAPITALISATION AND MINIMUM PUBLIC HOLDING

	31 December 2024
Market capitalisation (LKR)	**7,535,242,075**
Public holding percentage	**78.45%**
Float adjusted market capitalisation	**5,911,716,709**
Number of shareholders representing public holding	**38,865**
Required minimum public holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of the CSE	**10%**

The minimum public holding percentage of the Bank as at 31st December 2024 complied with option 4 of rule 7.13.1 (a) of the Listing Rules of the CSE.

DIRECTORS' AND CEO'S SHAREHOLDING

	31 December 2024		31 December 2023	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Mr Prasanna Premaratna (Director)	**1,532**	**0.0009**	1,500	0.0009
Mr B R A Bandara (Director)	**11,237**	**0.0068**	11,000	0.0068
Mr Romani De Silva (Director)	**106,907**	**0.0651**	104,650	0.0651
Total	**119,676**	**0.073**	117,150	0.073

SHARE TRADING DETAILS

Market share trading

	2024	2023	2022	2021	2020
Number of transactions	**3,524,067**	3,618,960	6,057,233	8,131,508	3,070,021
Number of shares traded (Mn)	**23,250**	16,988	29,047	59,772	21,349
Annual turnover (LKR Mn)	**537,635**	410,629	686,602	1,173,157	396,882
Average daily turnover (LKR Mn)	**2,240.10**	1,696.82	2,972.00	4,888.15	3,217.17

SDB Bank share trading

	2024	2023	2022	2021	2020
Number of transactions	**10,144**	7,186	7,400	18,546	18,746
Number of shares traded	**41,391,081**	11,522,669	12,814,093	32,484,591	32,129,795
Value of shares traded (LKR Mn)	**1,566**	384.07	369.96	1,700.43	1,147.86
Average daily turnover (LKR Mn)	**6.66**	1.60	1.61	7.08	5.35

INVESTOR RELATIONS

MARKET CAPITALISATION DETAILS

CSE and banking industry market capitalisation

	2024	2023	2022	2021	2020
CSE market capitalisation (LKR Bn)	**5,695.56**	4,248.93	3,847.15	5,489.16	2,960.65
S & P SL20 (31/12)	**4,862.10**	3,068.38	2,635.63	4,233.25	2,638.10
All share price index (31/12)	**15,944.61**	10,654.16	8,489.66	12,226.01	6,774.22

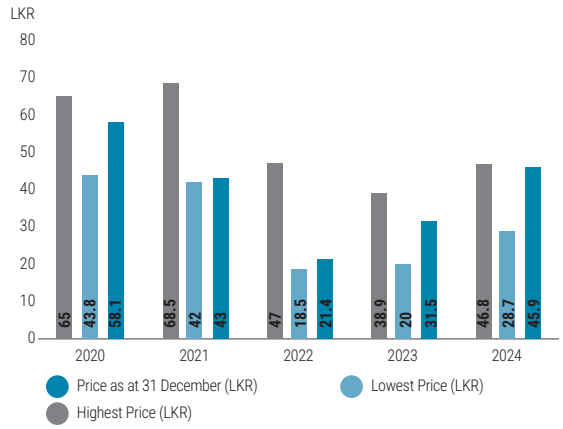
SDB Bank capitalisation

	2024	2023	2022	2021	2020
CSE market capitalisation (LKR Bn)	**5,695.56**	4,248.93	3,847.15	5,489.16	2,960.65
SDB Bank market capitalisation (LKR Bn)	**7.5**	5.06	3.43	6.91	5.32
Increase/decrease in market capitalisation of SDB Bank (%)	**49**	48	(50)	29	48
SDB Bank market capitalisation as a % of CSE market capitalisation (%)	**0.13**	0.12	0.09	0.13	0.18
Market capitalisation rank of SDB Bank	**113**	127	155	115	108

SDB BANK SHARE PRICE MOVEMENT

	2024	2023	2022	2021	2020
Highest Price (LKR)	**46.80**	38.90	47.00	68.50	65.00
Lowest Price (LKR)	**28.70**	20.00	18.50	42.00	43.80
Last Traded Price as at 31 December (LKR)	**45.90**	31.50	21.40	43.00	58.10

SDB Bank share price movement trend



DIVIDENDS

A dividend is a distribution of reward, from a portion of the Bank's earnings, and is paid to the ordinary shareholders annually. The amount declared and paid each year varies in relation to the earnings of the Bank. It strikes a balance between a fair return to the shareholders for their investment and the business requirements to maintain the sustainability of the Bank.

Dividends are decided and managed by the Bank's Board of Directors, and they are approved by the shareholders through the exercise of their voting rights.

Year	Profit for the year (LKR Mn)	Total Cash dividend paid (LKR Mn)	Total Dividend per share (LKR)	Dividend payout ratio (%)	Dividend yield (%)
2020	836.29	206.05	2.25	20.36	3.87
2021	909.35	241.05	1.5	19.66	3.49
2022	292.18	-	-	-	-
2023	606.64	-	-	-	-
2024	341.61	-	-	-	-

VALUE CREATION TO SHAREHOLDERS

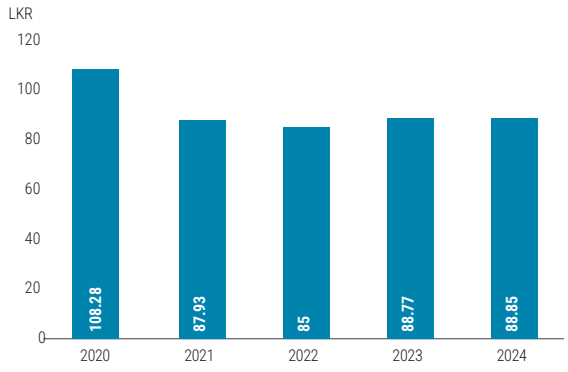
CSE market

	2024	2023	2022	2021	2020
Market price-earnings ratio (PER) (Times)	**8.89**	11.1	5.0	13.63	11.25
Market price to book value (PBV) (Times)	**0.52**	0.93	0.9	1.67	1.14

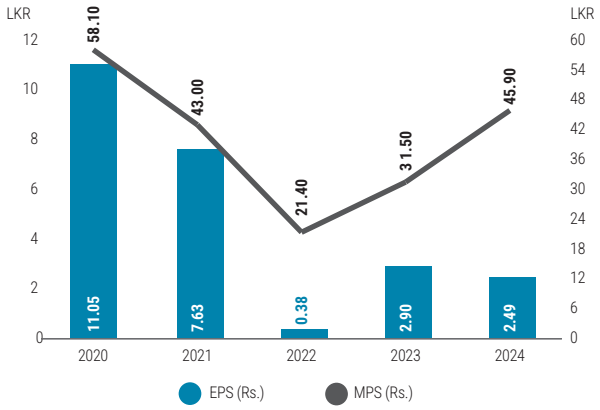
SDB Bank

	2024	2023	2022	2021	2020
Net asset value per share (LKR)	**88.85**	88.77	85	87.93	108.28
Basic earnings per share (LKR)	**2.49**	2.90	0.38	7.63	11.05
Dividend per share (LKR)	**-**	-	-	1.5	2.25
Market price per share as at 31 December (LKR)	**45.90**	31.50	21.40	43	58.10
Price-earnings ratio (PER) (Times)	**18.40**	10.86	56.31	5.63	5.26
Price to book value (PBV) (Times)	**0.52**	0.35	0.25	0.49	0.54
Dividend yield (DY) (%)	**-**	-	-	3.49	3.87
Dividend payout (%)	**-**	-	-	19.66	20.36
Number of shares (No. Mn)	**164.16**	160.69	160.69	160.69	91.57
Number of shareholders	**38,865**	38,764	38,980	38,986	38,853
Total equity (LKR Mn)	**14,586.50**	14,265.85	13,659.21	14,129.70	9,916.17
Stated capital (LKR Mn)	**11,406.60**	11,287.76	11,287.76	11,287.76	7,727.94
Debt to equity (Times)	**8.64**	9.76	10.49	9.28	11.74
Interest cover (Times)	**1.82**	1.35	1.09	1.84	1.61
Return on equity (%)	**2.84**	3.34	0.44	7.35	9.51

Net assets per Share



Earnings and market price per share



ABBREVIATIONS

A

AC	Air Conditioner
ACA	Chartered Accountant
ADB	Asian Development Bank
AFS	Available for Sale
AGM	Assistant General Manager/Annual General Meeting (as appropriate)
ALCO	Assets and Liability Management Committee
AML	Anti-Money Laundering
AT I	Additional Tier I
ATM	Automated Teller Machine
AWPLR	Average Weighted Prime Lending Rate

B

BAC	Board Audit Committee
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlements
BIO	Belgian Investment Company for Developing Countries NV/SA
Bn.	Billions
BNO	Bank Notes Operation
BOD	Board of Directors
BRPTRC	Board Related Party Transaction Review Committee
BRC	Business Registration Certificate
BSS	Baseline Standard
BHRRC	Board Human Resources and Remuneration Committee
BS and NC	Board Selection and Nomination Committee
BCC	Board Credit Committee
BSP and PI	Board Strategic Plan and Implementation Committee

C

CAR	Capital Adequacy Ratio
CASL	Chartered Accountants of Sri Lanka (CA Sri Lanka)
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CEO	Chief Executive Officer
CET 1	Common Equity Tier I
CFO	Chief Financial Officer
CO_2e	Carbon Dioxide Equivalent, is a standard unit for measuring carbon footprints
CRIB	Credit Information Bureau of Sri Lanka
CRMU	Credit Risk Management Unit
CRRF	Credit Risk Review Function
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
CA	Chartered Accountants
CAGR	Compound Annual Growth Rate

D

DFI	Development Financial Institutions
DGM	Deputy General Manager
DMS	Document Management System/Delinquency Monitoring System
DPS	Dividend per Share
DRP	Disaster Recovery Plan
DGGF	Dutch Good Growth Fund (Stichting foundsbeheer DGGF lokaal MKB)
DRL	Debt Repayment Levy
DFC	US International Development Finance Corporation
D-SIB	Domestic systematically important Banks

E

EAR	Earnings at Risk
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERM	Enterprise Risk Management
ESC	Economic Service Charges
ESOP	Employee Share Option Plan
ESG	Environmental, Social, and Governance
ETF	Employees' Trust Fund
EUR	Euro
EVA	Economic Value Addition
EWS	Early Warning Signals

F

FSVAT	Financial Services Value Added Tax
FMO	Financierings – Maatschappij Voor Ontwikkelingslanden N.V.

G

GDP	Gross Domestic Product
GHG	Green House Gas
GL	General Ledger
GRI	Global Reporting Initiative

H

HO	Head Office
HQLA	High Quality Liquid Assets
HR	Human Resources
HRD	Human Resources Development
HTM	Held to Maturity

I

IBSL	Institute of Bankers of Sri Lanka
ICAAP	Internal Capital Adequacy Assessment Process
ICASL	Institute of Chartered Accountants of Sri Lanka
ICC	International Chamber of Commerce
ICOFR	Internal Control Over Financial Reporting
ICT	Information and Communications Technology
IFA	Investment Fund Account
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IND	Independent Director IRMC Integrated Risk Management Committee
IRMU	Integrated Risk Management Unit ISMS Information Security Management System
ISO	International Organisation for Standardization
IT	Information Technology

K

kg	Kilograms
km	Kilometre
KMP	Key Management Personnel
KPI	Key Performance Indicator
KRI	Key Risk Indicators
kWh	Kilowatt-hour
KYC	Know Your Customer

L

LCB	Local Commercial Bank
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LTV	Ratio Loan to Value Ratio
LIBOR	London Inter Bank offered Rate

M

m3	Cubic meter
MIS	Management Information Systems
MoM	Month on Month
Mn.	Millions
MSME	Micro, Small and Medium Scale Entrepreneur
MW	Megawatt

N

N/A	Not Applicable
NBT	Nation Building Tax
NED	Non-Executive Director
NIC	National Identity Card
NID	Non-Independent Director
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Assets
NPL	Non-Performing Loans

O

OBS	Off-Balance Sheet
OCI	Other Comprehensive Income
ORMU	Operational Risk Management Unit
OTC	Over-the-Counter

P

p.a.	Per Annum
P/E	Price Earnings Ratio
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
PoS	Point of Sale

Q

Q&A	Question and Answer

R

RCSA	Risk and Control Self Assessments
RMU	Risk Management Unit
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transaction
RPTRC	Related Party Transactions Review Committee
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
RPA	Robotic Process Automation

S

SAFA	South Asian Federation of Accountants
SBU	Strategic Business Unit
SDF	Standing Deposit Facility
SEC	Securities and Exchange Commission of Sri Lanka
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standards
SLDB	Sri Lanka Development Bonds
SLF	Standing Lending Facility
SLFRS	Sri Lanka Financial Reporting Standards
SLIBOR	Sri Lanka Inter Bank Offered Rate
SLIPS	Sri Lanka Interbank Payments System

ABBREVIATIONS

SME	Small and Medium Enterprises
SMS	Short Message Service
SREP	Supervisory Review Process
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SBCP	Specialised Board Subcommittee Capital Planning
SDFR	Standing Deposit Facility Rate
SLFR	Standing Lending Facility Rate
SRR	Statutory reserve ratio
SDGs	Sustainable Development Goals
SLBA	Sri Lanka Banks' Association
SEO	Search Engine Optimization

T

Tn.	Trillion
ToR	Terms of Reference
TRWCR	Total Risk Weighted Capital Ratio
TT	Telegraphic Transfer

V

VAR	Value at Risk
VAT	Value Added Tax

W

WHT	Withholding Tax

Y

YoY	Year on Year

GLOSSARY OF TERMS

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACTUARIAL ASSUMPTIONS

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

ACCRUAL BASIS

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AMORTISED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

ASSET AND LIABILITY COMMITTEE (ALCO)

A Risk Management Committee in a bank that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance sheet allocations.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest-bearing deposits of commercial banks and the corresponding interest rates.

AVERAGE WEIGHTED PRIME LENDING RATE (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks lending rates offered to their prime customers during the week.

B

BASEL II

The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in the form of the "International Convergence of Capital Measurement and Capital Standards".

BASEL III

The BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. BASIS POINT (BP) One hundredth of a percentage point, i.e. 100bp equals 1%, used in quoting movements in interest rates, security yields, etc.

C

CAPITAL ADEQUACY RATIO

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash flows are inflows and outflows of cash and cash equivalents.

CASH GENERATING UNIT (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

COLLECTIVELY ASSESSED LOAN IMPAIRMENT PROVISIONS

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the consumer banking business are assessed on a portfolio basis.

COMMITMENT TO EXTEND CREDIT

Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing or through off- balance sheet products such as guarantees.

GLOSSARY OF TERMS

COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date.

CONTINGENCIES

A condition or situation, the ultimate outcome of which (gain or loss) will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTRACTUAL MATURITY

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

CONTROL

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

COST TO INCOME RATIO

Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income

CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment debt securities

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAX

Sum set aside in the financial statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERIVATIVES

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

DIVIDEND YIELD

Dividend earned per share as a percentage of its market value.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

ECONOMIC VALUE ADDED (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

EFFECTIVE TAX RATE (ETR)

Provision for taxation excluding deferred tax divided by the profit before taxation.

EQUITY INSTRUMENT

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

EQUITY METHOD

The equity method is a method of accounting whereby the investment is

initially recognised at cost and adjusted thereafter for the post- acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue

EXPECTED LOSS (EL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

EXPECTED CREDIT LOSSES (ECLs)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes

F

FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

FINANCE LEASE

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as "at fair value through profit or loss".

FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL INSTRUMENT

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL RISK

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to the party to the contract.

FIRM COMMITMENT

A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

FOREIGN EXCHANGE INCOME

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

G

GLOBAL REPORTING INITIATIVE (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

GOING CONCERN

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

GROSS DIVIDENDS

The portion of profit inclusive of tax withheld distributed to shareholders.

GROUP

A Group is a parent and all its subsidiaries.

GUARANTEES

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer cannot meet his/her financial obligations to third parties. Certain other guarantees represent nonfinancial undertakings such as bid and performance bonds.

GLOSSARY OF TERMS

H

HEDGING

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, Prices and Commodities, etc.

HELD-TO-MATURITY INVESTMENTS

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

HIGH QUALITY LIQUID ASSETS (HQLA)

HQLA are assets that can be easily and immediately converted into cash at little or no loss of value, that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

I

IMPAIRED LOANS

Loans where the Bank does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

IMPAIRMENT ALLOWANCES

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio) respectively.

IMPAIRMENT PROVISIONS

Impairment provisions are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

INDIVIDUALLY SIGNIFICANT LOANS

Exposures which are above a certain threshold decided by the Bank's Management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

INDIVIDUALLY SIGNIFICANT LOAN IMPAIRMENT PROVISIONS

Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group.

Typically assets within the corporate banking business of the Group are assessed individually.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/services or for rental to others or for administrative purposes.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

INTEREST MARGIN

Net interest income as a percentage of average interest earning assets.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

INTEREST SPREAD

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

INVESTMENT PROPERTIES

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

K

KEY MANAGEMENT PERSONNEL

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

L

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills.

LEVERAGE RATIO

The leverage ratio measures a bank's core capital (Capital measure) to its total assets (Exposure measure). The ratio uses capital to judge how leveraged a bank is in relation to its consolidated assets.

LIQUIDITY COVERAGE RATIO (LCR)

Banks are required to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet their liquidity needs for a 30 calendar day time horizon under

a significantly severe liquidity stress scenario. LCR is computed by dividing the stock of HQLA by the total net cash outflows over the next 30 calendar days.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

LOSS GIVEN DEFAULT (LGD)

LGD is the percentage of an exposure that a lender expects to loose in the event of obligor default.

M

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of each share at the year end.

MARKET RISK

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

N

NET ASSET VALUE PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue.

NET-INTEREST INCOME

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter bank borrowings.

NET STABLE FUNDING RATIO

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

NON-CONTROLLING INTEREST

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

O

OPERATIONAL RISK

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

POWER

The Power is the existing rights that give the current ability to direct the relevant activities.

PRICE EARNINGS RATIO (P/E RATIO)

The current market price of the share is divided by the earnings per share of the Bank.

PROBABILITY OF DEFAULT (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

PRUDENCE

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

RELEVANT ACTIVITIES

Relevant activities are activities of the investee that significantly affect the investee's returns.

REPURCHASE AGREEMENT

This is a contract to sell and subsequently repurchase Government Securities at a given price on a specified future date.

RETURN ON AVERAGE ASSETS (ROAA)

Profit after tax expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

GLOSSARY OF TERMS

RETURN ON AVERAGE EQUITY (ROAE)

Profit after tax less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE

Reserves set aside for future distribution and investment.

REVERSE REPURCHASE AGREEMENT

Transaction involving the purchase of Government Securities by a bank or dealer and resale back to the seller at a given price on a specific future date.

RIGHTS ISSUE

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

RISK-WEIGHTED ASSETS

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per rupee among all types of assets. The risk inherent in off-balance sheet instruments is also recognised, first by adjusting notional values to balance sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

S

SEGMENT REPORTING

Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealings, property and insurance.

SEGMENTAL ANALYSIS

Analysis of financial information by segments of an enterprise specifically- the different industries and the different geographical areas in which it operates.

SHAREHOLDERS' FUNDS

Shareholders' funds consist of stated capital, statutory reserves, capital and revenue reserves.

SINGLE BORROWER LIMIT

30% of Tier II Capital.

SPECIFIC IMPAIRMENT PROVISIONS

Impairment is measured individually for loans that are individually significant to the Bank.

STATUTORY RESERVE FUND

Reserve created as per the provisions of the Banking Act No. 30 of 1988.

SUBSTANCE OVER FORM

The consideration that the accounting treatment and the presentation in financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T

TIER I CAPITAL

Consists of the sum total of paid up ordinary shares, non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

TIER II CAPITAL

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

TRANSACTION COSTS

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

TOTAL CAPITAL

Total capital is the sum of Tier I capital and Tier II capital.

U

UNIT TRUST

An undertaking formed to invest in securities under the terms of a trust deed.

USEFUL LIFE

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

VALUE ADDED

Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

YIELD TO MATURITY

Discount rate which the present value of future cash flows would equal the security's current price.

28TH ANNUAL GENERAL MEETING NOTICE OF MEETING

Notice is hereby given that the 28th Annual General Meeting of SANASA Development Bank PLC ("SDB Bank" or "the Bank") will be held as an Online Virtual Meeting on May 30, 2025 at 10.00 a.m. at "Board Room", SANASA Development Bank PLC, No.12, Edmonton Road, Kirulapone, Colombo 06 and business brought before the Meeting will be as follows;

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Bank for the year ended December 31, 2024 together with Auditors Report thereon.
2. To re-elect the following two Directors;
   - To re-elect as a Director, Mr. Sarath Nandasiri who retires at the 28th AGM by rotation in terms of Article 6 (4) (I) of the Articles of Association who represents SANASA Federation Limited.
   - To re-elect as a Director, Mr. Romani de Silva who retires at the 28th AGM by rotation in terms of Article 6 (4) (I) of the Articles of Association who represents Alliance Finance Company PLC.
3. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the Financial Year 2025 and to authorize the Board to determine their remuneration.
4. To authorize the Directors to determine donations for the year 2025.

By Order of the Board

SANASA DEVELOPMENT BANK PLC



Ms. Amila Belpamulla
Company Secretary

2nd May 2025
Colombo, Sri Lanka

NOTES

NOTES

CORPORATE INFORMATION

NAME OF COMPANY

SANASA Development Bank PLC

LEGAL FORM

A Public Quoted Company with Limited Liability incorporated under the Companies Act No.17 of 1982 on 6 August 1997 and re-registered under Companies Act No.07 of 2007 and registered as a Licensed Specialized Bank by Central Bank of Sri Lanka under the Banking Act No 30 of 1988 (as amended by the Banking Amendment Act of 1995) and approved Credit Agency under the Mortgage (Amendment) Act No 53 of 1949 and Trust Receipt Ordinance No 12 of 1947

DATE OF INCORPORATION

06 Aug 1997

COMPANY REGISTRATION NUMBER

PB 62 PQ

CENTRAL BANK REGISTRATION NUMBER

Central Bank License No 6 (Under Banking Act No 30 of 1988 on 21 August 1997)

ACCOUNTING YEAR END

31 December

VAT REGISTRATION NUMBER

134007125-7000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Address : No 12, Edmonton Road, Kirulapone, Colombo 06.
Tele : + 94 112 832 500
Fax : + 94 112 514 256
E mail : comsec@sdb.lk
Web Page : www.sdb.lk

COLOMBO STOCK EXCHANGE LISTING

The Ordinary Voting Shares of the Company were quoted on the Main Board of the Colombo Stock Exchange(CSE) on 31 May 2012

EXECUTIVE DIRECTOR / CHIEF EXECUTIVE OFFICER

Mr Kapila Ariyaratne

CHIEF COMPLIANCE OFFICER

Mr Bhanu Wijayaratne

COMPANY SECRETARY

Ms Amila Belpamulla

AUDITORS

M/S Ernst & Young Chartered Accountants,
No. 109, Galle Road,
P.O.Box 101,Colombo 03, Sri Lanka

BANKERS

People's Bank
Bank of Ceylon
NDB Bank PLC
Nation Trust Bank PLC
Hatton National Bank PLC
Sampath Bank PLC

BOARD OF DIRECTORS

Ms Dinithi Ratnayake (Chairperson)
Mr Kapila Ariyaratne (Executive Director/CEO)
Mr Chaaminda Kumarasiri (Director)
Mr Prasanna Premaratna (Director)
Mr B R A Bandara (Director)
Mr Thusantha Wijemanna (Director)
Mr Sarath Nandasiri (Director)
Mr Conrad Dias (Director)
Mr Naveendra Sooriyarachchi (Director)
Mr Romani De Silva (Director)
Mr Chandana Dissanayake (Director)

BOARD SUB COMMITTEE DIRECTORS

Board Audit Committee

Mr Chaaminda Kumarasiri (Chairman – BAC)
Mr Prasanna Premaratna (Director)
Mr B R A Bandara (Director)

Board Human Resources and Remuneration Committee

Mr Thusantha Wijemanna (Chairman –BHRRC)
Mr Chaaminda Kumarasiri (Director)
Mr Prasanna Premaratna (Director)
Mr Naveendra Sooriyarachchi (Director)
Mr Sarath Nandasiri (Director)

Board Credit Committee

Mr Naveendra Sooriyarachchi (Chairman - BCC)
Mr Thusantha Wijemanna (Director)
Mr Romani De Silva (Director)
Mr Prasanna Premaratna (Director)
Mr Chandana Dissanayake (Director)

Board Selection Nomination and Governance Committee

Mr Thusantha Wijemanna (Chairman – BSN&GC)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)
Mr Chandana Dissanayake (Director)
Mr Conrad Dias (Director)

Board Integrated Risk Management Committee

Mr Prasanna Premaratna (Chairman – BIRMC)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)
Mr Conrad Dias (Director)
Mr Chandana Dissanayake (Director)

Board Related Party Transactions Review Committee

Mr Chaaminda Kumarasiri (Chairman - BRPTRC)
Mr Prasanna Premaratna (Director)
Mr Thusantha Wijemanna (Director)

Board Strategic Planning Committee

Mr Chandana Dissanayake (Chairman – BSPC)
Ms Dinithi Ratnayake (Chairperson)
Mr Conrad Dias (Director)
Mr B R A Bandara (Director)

Board Co-operative, Rural Enterprise and Livelihood Development Committee

Mr B R A Bandara (Chairman - BCRELDC)
Mr Prasanna Premaratna (Director)
Mr Sarath Nandasiri (Director)
Mr Romani De Silva (Director)

Board Sub-Committee on Sustainability

Mr Romani De Silva (Chairman – BSCS)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)
Mr Chandana Dissanayake (Director)

Board IT Steering Committee

Mr Conrad Dias (Chairman – BITSC)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)

MEMBERSHIP IN ASSOCIATIONS

Leasing Association of Sri Lanka
Association of Professional Bankers' of Sri Lanka
The Ceylon Chamber of Commerce
Employers' Federation of Ceylon
The Association of Banking Sector Risk Professionals in Sri Lanka
Association of Compliance Officers of Banks in Sri Lanka
Sri Lanka Banks' Association (Guarantee) Limited
The Financial Ombudsman Sri Lanka (Guarantee) Limited

CREDIT RATING

Fitch Ratings Lanka Ltd. BB+(lka)

Designed & Produced by
mediaWIZE®
Annual Reports

Digital View

The Annual Report is available on our official website,
www.sdb.lk/en/investor-relations/annual-reports