



CONVERGING

COVER RATIONALE

The concept of Yin and Yang, rooted in ancient Chinese philosophy, represents dualities and balance, where seemingly opposite forces are interconnected and interdependent. The cover of the Annual Report depicts CDB PLC's dual strategy of tech-disruption and sustainability which converges to create sustainable value.

CONVERGING

Our journey towards new frontiers has been guided by the convergence of tech disruption and sustainability agenda-dual strategies which have enabled us to deliver resilient progress. This dynamic equilibrium has enabled us to harness the power of contrasting forces to create a harmonious and sustainable organisation.

The integration and convergence of opposing but complementary elements has enabled us to create a holistic approach to build an adaptable, resilient, customer-focused financial ecosystem enabling us to leverage opportunities in an ever-evolving dynamic business environment.

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CONVERGING

A dynamic equilibrium of Yin and Yang



The concept of Yin and Yang is derived from the ancient Asian philosophies of Zen and Daoism. A circle bisected by a wavy, reverse S-line is used to illustrate two opposing but complementary forces or domains, called yin and yang.

This symbol is known as the 'taijitu'. The two halves of the circle show a color contrast, generally white and black. Each half gives the swirly appearance of a "head" joined to a "tail" that curves inward. Each head half of the taijitu also contains a small circular "seed" of the opposing color. This circle and seed pattern portrays the balancing and interacting nature of yin-yang paired opposites.

A dynamic equilibrium between contrasting forces creates a harmonious and effective organisation. This convergence can lead to a more resilient, innovative, and customer-focused financial ecosystem.

CDB has over its corporate journey balanced these elements to be adaptable, resilient, and successful in a complex and ever-changing environment to create sustainable **impact**, reach out with **responsibility** and create sustainable **growth**.



Sustainable Impact

People

YIN - Rural Lending
YANG - Urban Funding

Dynamic Responsibility

Planet

YIN - Green Financing
YANG - Biodiversity and Conservation

Sustainable Growth

Profit

YIN - Sustainable returns to shareholders
YANG - Equitable economic value addition

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GRI 2-27

PREAMBLE

The Board of Directors of Citizens Development Business Finance PLC is pleased to present to the shareholders its Annual Report themed “Converging” comprising the Audited Financial Statements and Integrated Report for the financial year ended 31 March 2024. The Report conforms to the requirements of the Companies Act No. 07 of 2007 (as amended), the Listing Rules of the Colombo Stock Exchange (CSE) (as amended), other applicable laws and regulations and recommended good governance disclosures. A softcopy of this Annual Report will be hosted/published on the website of the Company, www.cdb.lk and also on the website of the Colombo Stock Exchange (CSE), www.cse.lk.

The Financial Statements are certified by the Chief Financial Officer and recommended by the Audit Committee and approved by the Board of Directors, and signed by the Chairman and the Managing Director, in conformance with the Companies Act No. 07 of 2007. The Board is of the view that the Financial Statements on pages 181 to 270 adhere to Sri Lanka Accounting Standards (LKASs and SLFRSs) under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, and related amendments, as well as the Listing Rules of the Colombo Stock Exchange (CSE) which include requirements for Related Party Transactions in Section 9.3.2 (c) and (d) and recommended best practices. The Statement of Directors’ Responsibility for Financial Reporting on page 168 is an integral part of this Report.

Names of the persons holding office as Directors of the Company at the reporting date and the names of persons who ceased to hold office as Directors of the Company during the year, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given on pages 135 to 136 of this Annual Report. As required under Section 223 (1) of the Companies Act, the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

INTEGRATED REPORTING

This Annual Report marks the eleventh year of our continually enhancing integrated reporting journey. CDB has made every effort to adhere to the principles of the <IR> Framework, and present clear, concise and relevant information, while providing simplified presentations for ease of use of the diverse stakeholders who refer the Report. The Report presents the financial and non-financial performance for the reviewed year, including risk management, corporate governance practices, and forward-looking information on our short, medium, and long-term strategic outlook. This year’s report focuses on how the CDB has converged technological advancements with sustainability principles, to create a more resilient and environmentally conscious society.

COMPLIANCE

GRI 2-2, 2-3, 2-4

All required payments to the Government, other regulatory bodies, and employees have been made on time, according to the Directors’ understanding and belief. The Board of Directors has analysed the Company’s business plans and concluded

that sufficient resources are in place to sustain operations in the foreseeable future. Therefore, the Financial Statements of the Company are formulated on the assumption of the Company’s continued operation. The Board has considered matters material to the Company and its stakeholders in preparing this Report and acknowledges that reasonable care has been exercised in the preparation and presentation of this Annual Report, while preserving its integrity.

The detailed disclosure regarding the Company’s compliance with the requirements stated in Section 168 of the Companies Act No. 07 of 2007, along with its amendments and other relevant statutes, can be found on pages 132 to 155 of the Annual Report. The Board of Directors carries out several of its duties and responsibilities through its Board subcommittees to ensure compliance with applicable laws, rules and regulations and the activities carried out during the year can be found on pages 132 to 155.

The Board affirms that the Annual Report has been prepared in a timely manner as mandated by Sections 166 (1) and 167 (1) of the Companies Act. The Financial Statements of the Company, covering the period ended on 31 March 2024, including comparative figures for 2023, have been duly approved and authorised for release by the Board of Directors, in accordance with the resolution passed on 26 June 2024. The necessary copies of the Annual Report will be submitted to the CSE within the legal deadlines, and electronic versions will be made available on the Company’s website at www.cdb.lk

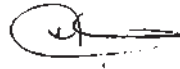
DISCLOSURE ON THE AFFAIRS OF THE COMPANY'S RELATED PARTY TRANSACTIONS

No related party transactions have been identified that exceed either 10% of the equity or 5% of the total assets, whichever is lower. The Company has ensured compliance with the relevant provisions of the Listing Rules of the CSE pertaining to Related Party Transactions. However, the Directors have disclosed transactions that could be categorised as related party transactions, as per the Financial Statements' presentation requirements. These transactions are detailed in Note 43 on pages 239 to 240 of this Annual Report. Additionally, a summary of these transactions conducted during the fiscal year was presented to the Board on 25 June 2024.

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirement of Section 168 (1) (k) of the Companies Act No. 07 of 2007. Signed in accordance with the resolution adopted by the Directors.



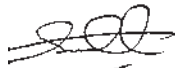
Alastair Corera
Chairman/
Non-Executive Independent Director




Damith Tennakoon
Deputy CEO/
Executive Director



Dave De Silva
Executive Director



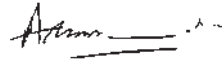
Samitha Hemachandra
Non-Executive Director



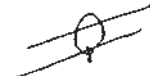
Jayomi Lokuliyana
Non-Executive Independent Director



Mahesh Nanayakkara
Managing Director/
Chief Executive Officer



Roshan Abeygoonewardena
Executive Director



Jagath Abhayaratne
Non-Executive Director



Sujeewa Kumarapperuma
Non-Executive Independent Director



Senior Prof Sampath Amaratunge
Non-Executive Independent Director



Sasindra Munasinghe
Executive Director



Rajitha Perera
Non-Executive Independent Director



Senior Prof Prasadini Gamage
Non-Executive Independent Director

26 June 2024
Colombo

ABOUT THE REPORT



OUR INTEGRATED REPORTING <IR> JOURNEY

Since the adoption of <IR> in FY2013/14, our 11th Integrated Annual Report has evolved over the years and now;

- Has more **impactful and quality disclosures with greater connectivity** demonstrating our integrated thinking.
- Focuses on **material and value enhancing** disclosures, that also meet regulatory requirements, for **informed decision making by our stakeholders**.
- **Is more concise** covering our **strategy, risk management, governance, business activities, performance and outlook as well as sustainability endeavours within the operating context to create value over time for identified stakeholders**.

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

ANNUAL REPORT 2023 / 24

OUR REPORTING SCOPE AND BOUNDARY

GRI 2-2, 2-3, 2-4

This integrated annual report covers the principal activities and operations of Citizens Development Business Finance PLC (CDB), identified as “the Company”. The period covered in this report is from 01 April 2023 to 31 March 2024, aligning with our customary annual reporting cycle. It evaluates the significant financial and non-financial aspects within the framework of the Company unless specified otherwise. There were no significant changes in the organisation type, structure, ownership, supply chain or topic boundaries, nor there were significant changes in reporting or restatements that were made of previously reported financial, social or environmental information.

REPORTING FRAMEWORK

GRI 2-14

Financial reporting	Integrated reporting	Sustainability reporting	Corporate governance
<ul style="list-style-type: none"> • Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by CA Sri Lanka 	<ul style="list-style-type: none"> • International Integrated Reporting Framework 	<ul style="list-style-type: none"> • Global Reporting Initiative (GRI) -2021 	<ul style="list-style-type: none"> • Code of Best Practices on Corporate Governance 2023 issued by CA Sri Lanka
<ul style="list-style-type: none"> • Companies Act No.7 of 2007 - Listing Rules of Colombo Stock Exchange 	<ul style="list-style-type: none"> • A Prepare’s Guide to Integrated Reporting and Guidelines for presentation of Annual Reports 2023 issued by CA Sri Lanka 	<ul style="list-style-type: none"> • Sustainable Development Goals (SDGs) of United Nations 	<ul style="list-style-type: none"> • Listing Rules of the Colombo Stock Exchange
<ul style="list-style-type: none"> • Finance Business Act No. 42 of 2011 		<ul style="list-style-type: none"> • Guide on communicating sustainability issued by the Colombo Stock Exchange 	<ul style="list-style-type: none"> • Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka

MATERIALITY

We assess what information should be reported in our integrated annual report based on the principle of materiality. This report discloses our risks, opportunities, macro-trends and other considerations that impact materiality on our six capitals and our ability to create, preserve and minimise erosion of value for our stakeholders. We conduct a materiality assessment (refer pages 49 to 50) on key topics deemed pertinent to both internal and external stakeholders and this assessment helps shape our long-term strategy and execution of our business model to create value-added outcomes for all stakeholders.

ASSURANCE

GRI 2-5

The Financial Statements presented in this Report have been audited by Messrs Ernst & Young, who have provided their professional opinion on the accuracy and fairness of the Annual Financial Statements (refer pages 178 to 180).

To the best of the knowledge of the Directors, the Auditors do not maintain any other relationship with the Company, nor do they have any vested interest in contracts with the Company.

PRECAUTIONARY PRINCIPLE

The Company has applied the precautionary principle in addressing its social and environmental sustainability. As a responsible corporate entity, we have implemented necessary measures to mitigate any potential risks posed to the society and the environment as a result of our activities.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements about CDB's future strategy, performance, operations and prospects. These statements and expectations carry risks and uncertainties given that they are dependent on circumstances that will take place in the future. As such, these factors may cause actual results or developments to deviate materially from CDB's forward-looking statements made at the time of release of our FY2023/24 results. CDB makes no representations or warranty, express or implied, that these forward-looking statements will be achieved. All forward-looking statements are presented without recourse or liability to the Board or other preparers of the Annual Report, given the considerable uncertainty associated with them.

We welcome your suggestions and comments on further improving the readability and relevance of our report

GRI 2-3

Laavanya Paheerathan
Company Secretary
company.secretary@cdb.lk

Vajeesha Edirisinghe
Manager – Sustainability
vajeesha.edirisinghe@cdb.lk

Citizens Development Business Finance PLC.

No. 123, Orabipasha Mawatha, Colombo 10.

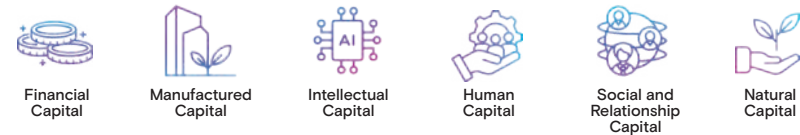
Soft copy 



To download a soft copy of this integrated report, refer to <http://www.cdb.lk> or scan the QR

ICONS USED IN THIS REPORT

Six capitals used to create value



Key stakeholders



Principle risks



Key strategic pillars



CDB's prioritised SDGs



Refer pages 40 to 44 for further details on CDB's sustainability commitment

INSPIRING IMPACT

Guided by our singular purpose: Empowering Aspirations, our 'Urban Funding – Rural Lending' positions us as a beacon of empowerment and aspirations. Transcending beyond traditional financing we focus on uplifting individuals and communities to realise their fullest potential. This convergence enables us to go beyond our role as a financial institution to be a catalyst of empowerment and growth.



ABOUT THE COMPANY

Established in 1995 we have positioned ourselves as a prominent player in the financial services sector, ranking among the top four Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

OUR PURPOSE

Driven by

OUR VISION

Shaped by

OUR VALUES

Empowering Aspirations

Goals, hopes, dreams, ambitions; whatever you aspire to achieve, we exist to elevate your life.

To be the financial powerhouse that will foster entrepreneurial innovation and workmanship towards building our Nation's economy to make sustained gains in living standards of Sri Lankans.

PERSEVERANCE

The passion and perseverance of our team has brought CDB to the forefront of the industry and continues to be our driving force.

EMPATHY

We care for the well-being of our stakeholders, while empowering their aspirations, with an aim of creating a more equitable society. We have never lost sight of our humble beginnings and continue to act with humility in everything we do.

RELIABLE

While being a respected, responsible, socially and environmentally conscious, public deposit-taking corporate citizen working in an open and transparent manner in all our dealings, we strive to be the most reliable partner for our stakeholders.

INNOVATION

We are constantly innovating to stay relevant and valuable to our customers. We highly value and encourage thinking beyond traditional boundaries, embracing change, and exploring creative ways of empowering the aspirations of all our stakeholders.

OUR DIFFERENTIATORS

We stand out as a beacon of innovation in the financial services industry, gaining recognition for our pioneering approach and steadfast dedication to sustainability. We have embraced technological advancements, leveraging them to enhance our services, streamline processes, and create innovative solutions that cater to the evolving needs of our customers.

Over **1,900** employees who serve our mission and are instrumental in delivering consistent and impressive financial performance over the past decade.

Through our journey of **28 years**, we have faithfully served our nation and stakeholders, building strong bonds based on our core values.

OUR REFINED STRATEGY 2021-2030

Focused on 'Tech disruption' and Sustainability Agenda' to drive long term growth and fuel our core purpose

ACTING AS AN ENABLER

Since our modest beginnings in 1995, we have steadily expanded our influence and established ourselves as a formidable financial institution, deeply committed to the principles of sustainability, innovation, and ethical business practices.

Among all non-banking financial institutions, we are the first.

THE 1st

- To transfer funds through social networks.
- To introduce a credit card with a self-care app.
- To enable customers to open fixed deposits online.
- To launch a lifestyle e-commerce platform.
- To have a Core Bank Platform.
- To obtain the ISO 14064-1 carbon verification certificate.
- To operate Visa Debit Cards.
- To initiate "Green" Asset Backed Securitization.

2001

Strategic refocus with a new management team

2004

Achieved a turnaround in the bottom line with a profit after tax of Rs. 10 Mn.

2007

Initiated two flagship community projects:

- CDB Sisu Diri Scholarship scheme for school children
- CDB Pariganaka Piyasa by setting up a fully-fledged IT lab in a deserving school

2009/10

Became a public deposit-taking institution

Board approval for the strategic plan for 2010–2020 targeting a balance sheet size of Rs. 100 Bn.

2010/11

Listed on the Colombo Stock Exchange

Company profit reached Rs. 0.5 Bn., total asset base reached Rs. 10 Bn.

2012/13

CDB was the first Non-Bank Financial Institution (NBFI) to initiate a core banking platform

The first NBFI to sign up for the Sri Lanka Interbank Payment System (SLIPS)

Launched CDB Visa debit card

which was the first Visa debit card issued by a NBFI

Launched the CDB savings product

Installed the first ATM at the Head Office

First international recognition for the Annual Report by League of American Communication Professionals (LACP), USA

2013/14

CDB secured its first foreign line of credit, worth USD 6 Mn. from the Multilateral Agency of Belgian Investment Company for Developing Countries (BIO)

Loan book surpassed Rs. 25 Bn.

Launched CDB Hybrid lease

Operational footprint surpassed 50 outlets

2014/15

Relocating to our own Head Office building

Acquisition of 86.26% of Laughs Capital Ltd under CBSL consolidation plan

2015/16

Company profit after tax reached Rs. 1 Bn.

Total asset base reached Rs. 50 Bn. and total equity amounted to Rs. 5 Bn.

Became the first ISO 14064-1 Carbon verified financial institution in South Asia by Sri Lanka Carbon Fund (Pvt) Limited

Garnered the Best Corporate Citizen Sustainability Award (turnover less than Rs. 15 Bn. category) and ranked among the Top 10 Best Corporate Citizens by the Ceylon Chamber of Commerce

CDB Annual Report 2014/15: “The Name of the Game” was recognised as the best Non-Traditional Annual Report globally and the best in Sri Lanka at the ARC Awards 2015

2016/17

Initiated “Act early for Autism” CDB flagship CSR project partnering with the Sri Lanka Association for Child Development (SLACD) and mooted the Autism Trust Fund

Winner of the Best Corporate Citizen Sustainability Award 2016 for best project on “GHG Emission Analysis” First Runner-up in the Best Corporate Citizen

Sustainability Award 2016 (turnover less than Rs. 15 Bn. Category)

2017/18

Assets reached Rs. 75 Bn. and profit after tax Rs. 1.4 Bn.

Winner of the Best Corporate Citizen Sustainability Award 2017 for the “Green Ninja Quiz Master 2017” programme

Gold Award for People Development at the SLITAD People Development Awards 2017

1995**CDB incorporation**

- Total asset base surpassed Rs. 125 Bn
- Launch of eShift ecosystem in collaboration with VEGA Innovations
- Opening of “Pragathi” Southern Provincial Autism and Neurodevelopmental Intervention Centre at Teaching Hospital, Karapitiya
 - CDB secured \$ 30 Mn loan from DFC
 - Opening of regional office in Kurunegala
 - Launch of CDB Self App
 - Launch of Wings ecosystem

OUR VALUE CREATION JOURNEY

2023
2024

IT lab donation community project was re-launched as the CDB Smart classroom project

2018/19

First in Sri Lanka to enable fund transfers through social media channels (CDB iTransfer)

First in Sri Lanka to launch credit card self-care app (CDB iControl App)

Online fixed deposit placement through CDB iDeposit

Profit before tax surpassed Rs. 2 Bn. Raised USD 60 Mn. in foreign funding for SMEs

2019/20

Recognised among Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizens Sustainability Award 2019, by Ceylon Chamber of Commerce

Recognised as one of Sri Lanka's best-performing companies, ranked among the "Business Today Top 30" corporates in Sri Lanka

NBFI sector Gold Award winner for the 4th consecutive year, at the National Business Excellence Awards 2019 by the National Chamber of Commerce Sri Lanka

2020/21

Ranked among the top 25 in the Business Today Top 30 Businesses in Sri Lanka

Among Top 10 Corporate Citizens for the 3rd consecutive year by Ceylon Chamber of Commerce at the Best Corporate Citizens Sustainability Awards 2020

Winner of Excellence in Automation at UiPath Automation Excellence Awards 2020

Company profit after tax surpassed Rs. 2.5 Bn., total asset base reached Rs. 94 Bn.

Initiation of CDB Advance Sustainable Financing vertical

Customer base surpassed 290,000

2021/22

Total assets base surpassed Rs. 100 Bn. during the year under review

Business profit surpassed Rs. 3.5 Bn.

Overall 1st Runner up of Best Corporate Citizens Sustainability Awards 2021 awarded by Ceylon Chamber of Commerce

CDB Advance Roof Solar product was expanded to all the branches in the branch network

Customer base surpassed 300,000

2022/23

Among Top 10 Best Corporate Citizens for the 5th consecutive year by Ceylon Chamber of Commerce at the Best Corporate Citizen Sustainability Awards 2022

Winner of National Business Excellence Award in NBFI sector for the 6th consecutive year in 2022

National Winner for "Most Innovative Global Business Service/BPM" at National Ingenuity Awards 2022, hosted by Sri Lanka Association for Software and Services Companies (SLASSCOM)

Winner of Finance Services & Insurance Category at ACCA Sri Lanka Sustainability Reporting Awards

Winner of "Most Innovative Company of the Year" at Dare to Dream Awards 2023 Sri Lanka Edition

Excellent performance at National Sales Awards by SLIM with 16 awards including two gold awards

Total asset base reached Rs. 105 Bn.

FINANCIAL HIGHLIGHTS

Key Performance Indicator	2023/24	2022/23	%
Financial Performance (Rs Mn)			
Gross Revenue	23,894	21,561	11%
Net Interest Income	9,093	7,556	20%
Net Operating Income	10,026	8,173	23%
Profit Before Tax	3,706	2,494	49%
Profit After Tax	2,516	1,627	55%
Financial Position as at the year end (Rs Mn)			
Loans and receivables to customers	85,964	76,477	12%
Total Assets	128,778	105,166	22%
Total Equity	20,208	18,190	11%
Customer Deposits	73,259	62,875	17%
Financial Ratios (%)			
Profitability perspective			
Operating Profit Margin	19.25%	14.38%	
Net Interest Margin	7.77%	7.18%	
Cost to Income Ratio	50.40%	56.47%	
Return on Average Assets (ROA) - After Tax	2.15%	1.55%	
Investors' Perspective			
Earnings per share (Rs)	35.95	23.29	
Earnings yield (%)	17.12%	10.23%	
Return on Equity (ROE) % - After Tax	13.10%	9.08%	
Dividend per share	7.00*	5.00	
Dividend yield (%)	3.33	2.20%	
Dividend Cover (Times)	5.14	4.66	
Dividend Payout (%)	19.47%	21.47%	
Net Asset Value per share (Rs)	285.22	260.40	
Market Value per share - Closing - Voting	210.00	227.75	
Market Value per share - Closing - Non-Voting	85.80	79.10	
Market Capitalization (Rs Mn)	13,594	14,372	
Price to Earnings (Times)	5.84	9.78	

Financial Ratios (%)	2023/24	2022/23
Statutory Ratios (%)		
Capital Adequacy		
Tier I (Minimum Requirement - 8%)	15.51%	16.23%
Tier I & II (Minimum Requirement - 14%)	15.89%	17.35%
Statutory Liquidity Ratio	21.80%	14.05%
Non-Performing Advances Ratio (90 DPD)		
Gross NPL (Net of IIS)	12.06%	15.71%
Net Non-Performing Loans (Net of IIS and provisions)	6.88%	10.13%

* Proposed



Rs. 24 Bn
Revenue



Rs. 2.5 Bn
Net Profit after Tax



Rs. 35.95
Earning per Share



Rs. 128.8 Bn
Total Assets



Rs. 86 Bn
Loan Book



Rs. 285.22
Net Asset Value per Share

Revenue
(Rs. Mn)

2024 23,894

11%

2023 21,561

Net interest income
(Rs. Mn)

2024 9,093

20%

2023 7,556

Other operating income
(Rs. Mn)

2024 1,434

21%

2023 1,186

Operating expenses
(Rs. Mn)

2024 5,427

7%

2023 5,074

Profit before tax
(Rs. Mn)

2024 3,706

49%

2023 2,494

Profit after tax
(Rs. Mn)

2024 2,516

55%

2023 1,627

Basic earnings per share
(Rs.)

2024 35.95

54%

2023 23.29

Loans and advances to
customers (Rs. Mn)

2024 85,964

12%

2023 76,477

Total assets
(Rs. Mn)

2024 128,777

22%

2023 105,166

Deposits from customers
(Rs. Mn)

2024 73,259

17%

2023 62,875

Equity
(Rs. Mn)

2024 20,208

11%

2023 18,190

Net assets value per share
(Rs.)

2024 285.22

10%

2023 260.4

VALUE ADDED STATEMENT

GRI 201-1

Value Created
Rs. 23.9 Bn

Value Distributed
Rs. 21.7 Bn

Value Retained
Rs. 2.2 Bn

Value Created



Interest income

by customers and investments

Rs. 22.2 Bn**93.0%**

Other operating income

from business operations

Rs. 1.4 Bn**6.0%**

Fee and commission income

by customers and business partners

Rs. 240 Mn**1.0%**

Value Distributed



To Depositors and Lenders

as interest payments

Rs. 13.1 Bn**60.4%**

Operating Costs

to run business operations

Rs. 4.2 Bn**19.1%**

To Government

as taxes on financial services and income tax

Rs. 2.1 Bn**9.6%**

To employees

as employee benefits

Rs. 1.9 Bn**8.9%**

To shareholders

as dividend

Rs. 349 Mn**1.6%**

To society

as corporate social responsibility

Rs. 67 Mn**0.3%**

Value Retained



Economic value retained

as reserves

Rs. 2.2 Bn

Value Created	2023/24	2022/23	2021/22	2020/21	2019/20
Interest income	22,219,786	20,133,427	15,194,413	14,877,242	15,636,833
Fee Commission Income	240,497	242,015	311,128	406,234	499,996
Other Operating Income	1,433,683	1,185,752	2,066,613	1,339,315	1,226,156
Total Direct Economic Value Generated	23,893,966	21,561,194	17,572,154	16,622,791	17,362,985
Value Distributed					
Operating costs	4,160,470	4,040,715	3,809,628	3,826,397	3,952,613
To the Employees as salaries wages and other benefits	1,940,116	1,806,530	1,772,596	1,402,328	1,651,422
To the Government as Income tax and taxes on financial services	2,083,750	1,472,655	2,195,608	1,532,000	893,982
To providers of capital as dividend	349,280	261,960	523,447	523,447	-
To society as corporate social responsibility	67,309	37,396	25,384	22,613	29,587
To depositors and lenders as interest payments	13,126,771	12,577,015	6,156,858	7,282,499	8,998,331
Total Economic Value Distributed	21,727,696	20,196,271	14,483,521	14,589,283	15,525,935
Value Retained	2,166,270	1,364,923	3,088,633	2,033,508	1,837,050

“CDB is committed to transforming stakeholder experiences with our cutting-edge and diverse range of financial services, delivering unparalleled satisfaction at every touchpoint.”

CONVERGING TOWARDS POSITIVE STRIDES

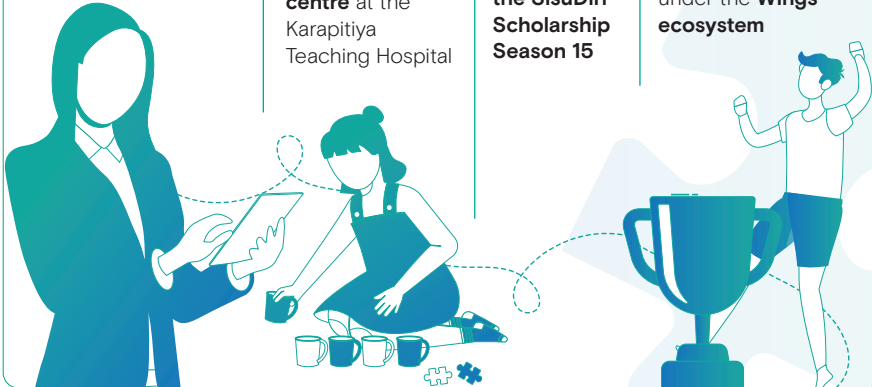
Uplifting Communities

32% of CDB's lending supported women

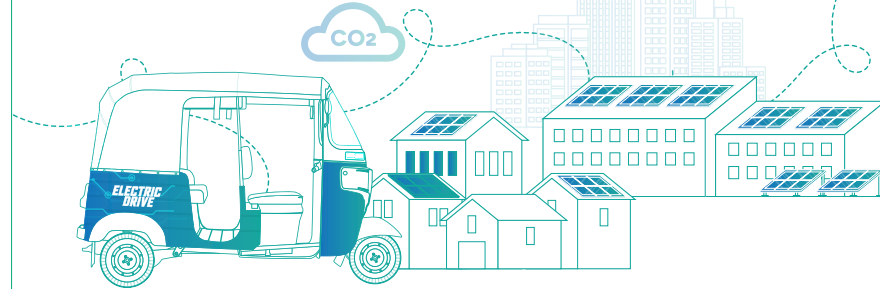
Opening of 3rd "Pragathi" Autism Intervention centre at the Karapitiya Teaching Hospital

150 scholarships awarded at the SisuDiri Scholarship Season 15

2 capacity building sessions for women entrepreneurs under the Wings ecosystem



Protecting the Planet



Opening of the eShift concept centre

11 vehicles converted to electric vehicles under the eShift initiative

Achieved the Carbon verification for the ninth consecutive year

7.93% reduction in our carbon footprint

150 approved CDB Advance Rooftop solar facilities

Nurturing People

Investment in T&D Rs. 16.3 Mn

1,034 new recruits out of which 38.4% comprised of women

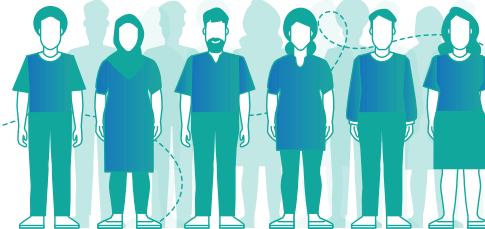
447 recruitments from outside the Western Province

325 promotions 35.7% female

Total training hours 131,523



Enriching Customer Experiences



18,730 new customers

102 digital touch points

Launch of CDB Self App

MESSAGE FROM THE CHAIRMAN

GRI 2-22

Dear Stakeholders,

I am pleased to present the Annual Report and Financial Statements for the year ended 31 March 2024. Moving on from the financial crisis of 2022, CDB returned to its growth path with a satisfactory financial performance and is well poised to build on this momentum.

PATH TO RECOVERY

Sri Lanka faced the peak of its crisis in the previous financial year. The first half of the current financial year could be described as one of healing and recovery, albeit with some after effects in the form of volatile financial metrics. This included declining, but still high levels of inflation and interest rates, volatile exchange rates and a consumer that was still regrouping and cautious. The coordinated and well-timed decisions executed by the policy makers were successful in creating economic stability. Resultantly, the key macroeconomic indicators such as inflation, market interest rates, gross official reserves and the exchange rate saw very rapid improvements in the second half of 2023 which helped stabilize the economy. The economy showed a positive GDP growth of 1.6% in the third quarter 2023 after six consecutive quarters of negative growth.

The successful completion of the second review of the IMF's Extended Fund Facility (EFF) was a notable milestone and validation of the significant progress. Sri Lanka has also made progress, with the guidance and assistance of the IMF and the multilateral agencies in its efforts to restructure its external debt. An agreement with the international sovereign bond holders remains one of the last hurdles to cross

and would clear the path for the country to proceed with its debt restructuring.

I am happy to say, CDB navigated these conditions well. Our ability to respond to the dynamic changes nimbly was a strength and enabled us to gain market share. In addition, renewed focus was placed this year on charting a path back to the growth trajectory envisaged in our 2021-2030 strategic plan. We strengthened and streamlined functions that would crucially support the business to accelerate once the inevitable pickup in demand emerges. This naturally included automating more of the workflow with an eye on speed, accuracy, and client convenience. A significant milestone in this regard was the launch of CDB Self, our digital banking and mobile wallet App. The user experience and improved convenience delivered via Self is, we believe, several magnitudes higher compared to our online banking platform i-Net which it replaced. We have high expectations that Self would be notable enabler of our plans for growth and market penetration.

OUR PERFORMANCE

CDB experienced an encouraging year of solid operational performance. Total advances grew 12% to Rs. 86 Bn while net interest income grew by 20% to Rs. 9 Bn from Rs. 7.6 Bn reported in the previous year. The decline in interest rates during the latter half of 2023/24 helped restore the spreads which was severely impacted last year. Average spreads improved from 4% in 2022/23 to 7% in the current financial year. The quality of our assets also improved, on account of our continuous recovery efforts and dialogue with the borrowers as well as improved economic conditions. NPLs (90

DPD) as at year end declined to 12% of total advances. The Company was proactive in responding to the improving demand for credit with value added services and competitive rates to capture market share. Our virtual network and our digitally enabled marketing team who moved ahead swiftly by offering a speedy and convenient service for our customers at their doorstep played a significant role in this endeavour and elevated our position to be among the top four players in the sector. A detailed description of our operational and financial performance is covered by the Managing Director in his review.

I am pleased to announce that the Board has recommended a dividend of Rs. 7.00 per share for the financial year 2023/24.

FORGING NEW RELATIONSHIPS

A notable achievement this year was the USD 30mn funding line CDB obtained from the U.S. International Development Finance Corporation (DFC). This purpose-driven credit line is aimed at supporting women entrepreneurs, green financing and MSMEs. Establishing a relationship with DFC by meeting stringent assessment criteria, is an opportunity for CDB which goes beyond the support in funding, providing external validation and reassurance to all our stakeholders.

We have been working with the International Finance Corporation (IFC) since 2022 to improve our risk management systems. Considerable work has been done in areas covering risk adjusted pricing, credit scoring and operational risk management. These improvements are timely and fit in well with our ongoing efforts towards infusing more technology into the lending process and

expanding the use of automated credit decisions. This year, we have expanded the mandate with IFC assisting us to build a framework and structure to expand green financing.

DRIVING OUR STRATEGY

The Company has been steadfast introducing technology to derive efficiencies and enable economies of scale through our virtual presence without relying on a brick and-mortar business expansion. During the year we continued to expand and improve efficiencies through the use of Robotic Process Automation (RPA). Our crowdsourcing efforts, via the platform Patpat.lk continues to improve our ability to generate leads, better understand the market and prioritise our marketing and client service resources.

Our quest towards sustainable financing is strongly anchored on net zero and social consciousness pillars. During the year, the Company made significant headway in the Net Zero pillar by accelerating sustainable mobility solutions and household renewable energy solutions. I am happy to note that CDB, in collaboration with VEGA Innovations, inaugurated an EV 3W conversion (Electric Three-wheeler vehicle) concept centre, located at Green Path, Colombo. Sri Lanka has more than 1.3 Mn three-wheel vehicles. This initiative was launched with the ambitious medium-term objective of converting many of these to cleaner, quieter electrical vehicles, with zero emissions. During the year, we also moved ahead in the area of green financing with financing of roof top solar. Here, we reached an encouraging milestone of granting nearly 150 facilities.

“A notable achievement this year was the USD 30mn funding line CDB obtained from the U.S. International Development Finance Corporation (DFC). This purpose-driven credit line is aimed at supporting women entrepreneurs, green financing and MSMEs.”



Sustainability and Tech Disruption are two key strategic pillars for CDB and you would be happy to know that CDB has been putting in the required work in support of these stated goals. The rise in global temperatures and its severe implications have been very much dominating headlines lately. It's both a reminder that the need for sustainability practices has never been more acute and an indicator that the business case for sustainable solutions is likely to enjoy strong tail winds, vindicating our efforts over the years. Please read our 'Sustainability Commitment' report on pages 40 to 44 for a more detailed description of the exemplary projects carried out in this space.

GOOD GOVERNANCE

Our governance framework is anchored on competent leadership, effective internal controls, a strong risk culture and accountability to stakeholders. Our Board, with a balanced representation of executive and nonexecutive members plays a key role in setting our governance standards to meet our stakeholders' expectations. Our leadership model ensures an appropriate balance of power, accountability and independence in decision-making across our various functional units.

To ensure diversity and independence we strive for a balanced representation on our Board and leadership team. During the year, Mr Karthik Elangovan, Executive Director of the Company resigned from the Board as he was relocating overseas with his family. Together with my fellow members on the Board, I take this opportunity to thank him for his committed and valued contributions to the growth of CDB over the years. I also take this opportunity to welcome on board Ms Jayomi Lokuliyana as a Non-Executive Director of the Company. Jayomi possesses wide and varied expertise in the fintech

“Our quest towards sustainable financing is strongly anchored on net zero and social consciousness. During the year, the Company made significant headway in the Net Zero pillar by accelerating sustainable mobility solutions.”

space, which will be particularly pertinent given our ongoing initiatives and areas of focus.

FUTURE FOCUS

Sri Lanka has moved forward following the impact of the financial crisis and the accompanying hardships endured by all segments of society. It is heartening to witness the green shoots of recovery indicating the onset of normalcy and business growth. At this point, maintaining the reform momentum and the IMF programme is imperative to protect the gains and maintain the trajectory.

We enter the year 2024/25 with a sense of positive momentum and we are confident the Company is well-positioned to capitalize. Our dual focus on tech disruption and sustainability positions us uniquely to drive meaningful change. As we strive to shape the future of finance, our focus

remains on innovative solutions which are designed to meet the evolving needs and conveniences of our customers while addressing the challenges of sustainability and financial inclusivity.

EXPRESSING APPRECIATION

I join the Board in congratulating the Managing Director/CEO Mahesh Nanayakkara and the leadership team for their tireless efforts in successfully driving the Company to be a formidable force in the NBFi sector. The bedrock of the Company's success has been a highly capable and committed team and I thank each one of them for their valuable contributions during the year. I wish to also thank my fellow Directors for their collective insights and wise counsel in traversing through a challenging business landscape. The insights and recommendations from our auditors have been valuable, and I wish to thank the team for their hard work and dedication. I would like to express gratitude to KPMG, our outgoing auditor, for their invaluable services. I would also like to take this opportunity to extend my gratitude and appreciation to the officials of the CBSL, our valuable customers, business partners and all other stakeholders who have been an integral part of CDB's success story.

We invite our clients, business partners and stakeholder to join us in this journey as we redefine the boundaries of what is possible in the financial landscape in ensuring collective progress which is sustainable and inclusive for generations.



Alastair Corera
Chairman

26 June 2024
Colombo

CDB's strategy is anchored on the two converging sources of sustainability and tech-disruption which creates a balanced and holistic approach to progress. We strive to leverage technology through our digital-first business model complemented by our relentless drive to pursue solutions for sustainability challenges faced by introducing green mobility and renewable energy solutions.



Sustainability (Yin) and technological disruption (Yang) are not mutually exclusive but rather interconnected and mutually reinforcing. By embracing both, we strive to achieve a harmonious balance that leverages the strengths of each force.

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

GRI 2-22

Dear Stakeholder,

I am pleased to report that CDB has made a strong comeback in 2023/24 from the business disruptions of the previous year, as demonstrated by our financials. I am confident the current growth momentum will launch CDB onto an accelerate growth trajectory in the new financial year, boosted also by the country's economic revival and a projected GDP growth of 3% for 2024, with Q1 2024 reporting a GDP growth of 5.3%.

THE NUMBERS AT A GLANCE

Rebounding from the setbacks of the previous financial year, our bottom-line has surged by 55% for a profit of LKR 2.5 Bn, and the balance sheet has swelled by 22%, to LKR 128.8 Bn, re-enforcing CDB as the 4th largest Non-Bank Financial Institution (NBFI) in Sri Lanka. In another notable milestone in the history of our Company, our capital funds overshoot the LKR 20 Bn mark this year, which brings back recollections of when CDB inherited a negative net asset position in 2001-02. The situation was reversed in 2005, with net assets recording LKR 175,000, and we have never looked back. At this point in our journey, I will take a moment to extend all kudos to the team that made this possible.

In the current financial year, we have returned to our planned growth trajectory by expanding our revenue by 11% to reach LKR 23.9 Bn, while the net interest income grew by 20% to surpass LKR 9.0 Bn. The Profit Before Taxes reached LKR 4.6 Bn and the Profit After Tax grew by 55% against last year, recording LKR 2.5 Bn. Customer

deposits reached LKR 73.2 Bn, which is a growth of 17%, and we maintained the Deposit to Debt ratio at 71% : 29%. Our liquidity recorded a ratio of 21.8%, well above the statutory requirements.

The loan and lease disbursement pattern during the year reflected the uptick in the economy. The loan book grew by 12%, to LKR 86 Bn, with new loan disbursements increasing by 100%, to LKR 39 Bn. This is a monthly average of 3.3 Bn compared to last year's LKR 1.6 Bn, indicating the pace of lending growth. The gold loan portfolio accounted for to 18% of the loan book at LKR 16.5Bn, by the year end.

Our focus on portfolio quality has reduced the 'under 90 DPD' (Days Past Due) ratio to 12%, from 15.7%, while the net NPA also declined to 6.9%, from 10.1% in 2022/23. Our target is to slash the 90 DPD NPA ratio to a single digit in the new financial year. Capital ratios were above statutory minimum levels with Tier I at 15.5%, and Tier II at 15.9%, by year end. The capital ratios will improve further, after the planned Tier II capital qualifying funds are raised. Regular cash and income generating assets were maintained above 90%.

The Cost to Income ratio improved to 50.4%, from 56.4%, both due to improvements in the net interest income, and stringent management of cost efficiency. The Earnings Per Share came to LKR 35.95, while the Net Asset Value Per Share was LKR 285.22. During the year, we obtained a first time credit rating of BBB

by Fitch Rating Lanka as a standalone Company.

With policy rates declining by 700 basis points since April 2023 to March 2024, and the Prime Lending Rate (PLR) also falling by 1,131 basis points, credit demand is now on an upward trajectory. Therefore, we anticipate sustained growth in our lending book in the new financial year. As we expand our balance sheet and loan book, we are also taking precautions against asset and liability maturity mismatch risks, and interest rate risks. Market volatilities of underlying loan asset prices is another key focus area.

REGULATORY ENVIRONMENT


We have taken many measures to comply with regulatory changes targeted at enhancing the resilience of the sector, amidst a dynamic risk environment. The focus of the regulator includes credit risk management, IT risk resilience, consumer protection regulations and good governance. We consider these regulatory requirements not simply as regulations, but as critically important for public deposit taking institutions by setting industry standards, and fostering a culture of risk management, compliance and assurance. Therefore, as a responsible corporate citizen, we are fully committed to the highest level of compliance.

TECHNOLOGY DRIVING SUSTAINABILITY

Our business model, which is built on the key enabling pillars of sustainability and

technology, is the vehicle to become a quarter trillion balance sheet corporate within this decade, whilst remaining socially impactful and achieving NetZero status.

Our tech-strategy has enabled manifold capacity expansion, sans a single new physical outlet for the last 7 years. The technology pillar complements the sustainability pillar, by enhancing resource efficiency and extending our reach into the rural hinterlands and the bottom of the pyramid, making us a net lender to the rural economy and facilitating financial inclusion. By harnessing new technologies, the speed and accuracy of our credit decisions within an automated credit approval framework, has improved dramatically, enabling our frontline to work from anywhere, and at any time.

In the current financial year, we improved our technology solutions with our ground breaking, digital banking platform . The Self platform is embedded with a wallet, and has enabled our entry into the QR-code-based, touchless payment universe. It also brings added capabilities of online, real time, self-serving, top-up options for gold loan disbursements, bringing enormous convenience to our gold loan clients. Our continuous tech innovations are harnessing capabilities of an increasingly connected API economy, Artificial Intelligence, Machine Learning and other emerging technologies, propelling a paradigm shift in how we operate across all business verticals.

“Our continuous tech innovations are harnessing capabilities of an increasingly connected API economy, Artificial Intelligence, Machine Learning and other emerging technologies, propelling a paradigm shift in how we operate across all business verticals.”



We have always maintained that we are an entirely people driven organization. We believe in 'extraordinary results through ordinary people,' and that 'strategy bets on people.'

PARTNERSHIPS FOR SUSTAINABLE GROWTH


During the year, we continued to expand our foreign funding portfolio to diversify our funding sources and expand our capacity. A major achievement was obtaining a USD 30 mn, purpose-driven, long-term loan from the US Development Finance Corporation (DFC). These funds will be channelled towards women entrepreneurs, green financing and MSMEs.

CDB was also one of three NBFIs participating in an Asian Development Bank (ADB) funded credit guarantee scheme, along with banks. We intend to strengthen our lending capacity to the agriculture and fisheries sectors, under this scheme.

We are also collaborating with international institutions to improve our sustainability parameters. Our partnership with the International Finance Corporation (IFC) covers multiple aspects of sustainable business growth. We are currently working with the IFC on a carbon baseline analysis, scaling green finance products, and to develop a business model for carbon credit aggregation, to achieve our 2030 NetZero target. Another area that we are working with the IFC, is on risk management, covering operational risks, fund transfer pricing, credit score cards and capital stress testing. We are also engaged with the IFC on a women entrepreneur capacity building program, and have also partnered with USAID as a catalyst on gender smart opportunity assessment. At present, women comprise 32% of our loan book and our objective is to synergize all these resources and expertise to empower women. We intend to do this through an exclusive product for women, called *Wings*, which was launched during the current financial year.

Our crowdsourcing platform, patpat.lk provides a novel client experience whilst generating business leads to sales staff, and enables exploration of new business opportunities. It is now helping women entrepreneurs, and micro and small businesses as an online market place, by partnering with CDB SMB Friday to enhance visibility of these businesses.

GROWING BY GREENING

A major environmental achievement during the year, is our collaboration with VEGA Innovations, to launch an eShift  concept centre, at our property in Green Path. A landmark in sustainable mobility in our country, the eShift Electric Vehicle has zero emissions, zero sound pollution and zero oil spillages. I am delighted to report that by the time this review is in your hands, the first 50 three wheelers would have been converted. It is estimated that every converted three-wheeler could help to avoid 3.24 tCO₂ per year, contributing to the decarbonization of the transport sector. The impact of the first 50 EV three-wheelers is estimated to be 161.8 tCO₂ avoided per year (Please refer page 103). Over 1.3 million three wheelers are estimated to be on Sri Lankan roads and we intend expand our efforts with like-minded partners from around the world. Not only does eShift facilitate a 100% environmentally friendly mobility solution, it uplifts the humble three-wheeler into a different product and social class. This traditionally masculine vehicle becomes easier to operate, opening the door for women to enter the three-wheeler transportation sector, which is at present a predominantly male business domain.

Initially, our target for eShift conversions was the hire-and-pay market segment.

However, we are inspired by the environmentally conscious corporate brands that have become eShift clients, apart from individuals and medium and small businesses that are making this a discovery driven journey. Some of our corporate eShift clients include Anantara Peace Haven Tangalle Resort, which is part of PH Resorts (Pvt) Limited, Cinnamon Beach Bentota, a member of Ceylon Holiday Resort (Pvt) Limited, and United Tobacco Processing (Pvt) Limited. With the tourism industry booming, eShift is perfectly aligned with the preferences of well-informed and environmentally conscious consumers for a positive travel experience.

Our renewable energy solution, CDB Advance Roof-Solar, reached 148 installations and a capacity of 888 KWs during the year. We are targeting an additional 600 installations (3,000 KWs), during the next financial year. Our ongoing environmental conservation & biodiversity initiatives such as reforestation, mangrove restoration and beach cleanings, were also continued during the year.

CONTRIBUTION TO OUR SOCIETY

Under our Act Early for Autism Initiative, in collaboration with the Sri Lanka Association for Child Development (SLACD), we opened a world class Autism Intervention Centre, attached to the Karapitiya Teaching Hospital, covering the entire southern region. The Pragathi Southern Provincial Autism and Neurodevelopmental Intervention Centre, which is an LKR 45 mn investment, is the third Intervention Centre we have opened since launching this initiative in 2015, targeting Autism awareness, acceptance, early detection and intervention.

We also continued many other, well established community initiatives, including the CDB Sisudiri Scholarships and the CDB Smart Computer Lab.

BY THE PEOPLE, FOR THE PEOPLE

We have always maintained that we are an entirely people driven organization. We believe in 'extraordinary results through ordinary people,' and that 'strategy bets on people.' We inculcate these concepts into our team members, with whom we engage year-round through various activities. We also provide quality training and career development opportunities on the premise that 'we build people, people build business.'

Our staff engagement activities include the new financial year plan unveiling ceremony, as well as annual awards, midyear achievement focus review sessions and recognitions, sports days, talent shows and year-end staff get-togethers. Other types of engagements include initiatives such as the Green Club, Green Ambassadors, Green Ninja Quiz and Active Ninja (health and well-being), Zero Food Waste, home gardening, paper and electronic recycling, Bike to Work, and Green Family Days.

WAY FORWARD

The acronym VUCA (Volatility, Uncertainty, Complexity, Ambiguity) is what best describes the current world environment, where uncertainty is a way of life. Building agility, a culture of courage and fast adaptation, and continuing to move ahead, is the only way forward.

Within a short period, our country has bounced back with all economic indicators pointing positive. With the restructuring

of external private credit, and a positive revision of Sri Lanka's sovereign rating, coupled with continued reforms and the International Monetary Fund (IMF) program, our country has the potential for rapid growth. The upbeat tourism outlook, with hitherto untapped opportunities, adds to this growth prospect.

Against this backdrop, we intend to accelerate from our current position and fast track the targets and aspirations we have set for CDB.

APPRECIATIONS

I extend my appreciations to the CDB team, who have worked tirelessly to achieve the success we enjoy today. The quality of leadership we receive from the Chairman and Board of Directors has been crucial for our continued success, and has steadily guided the Company to a stronger standing.

Our customers and valued business partners have been our strength, and as we move into a new phase of growth, our objective is to enhance value creation for them in multiple ways. I am confident our journey together will bring us even greater returns in the new financial year.

Sincerely



Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

26 June 2024
Colombo

CDB's strategic aspirations towards a Quarter Trillion asset base is aligned with short-term actions that support long-term goals. As a responsible financial institution we adopt sustainable practices that yield immediate benefits while building a strong foundation for future stability.



As much as we focus on short term profitability (Yin) we are deeply conscious of the long term sustainability (Yang) of our strategies, which yield enduring growth to build customer loyalty and nurture robust relationships with our stakeholders across the long-term horizon.

CDB'S TEN-YEAR STRATEGY

Our business strategy was operationalised in 2021, the first year of CDB's ten-year plan, with key business outcomes centred around the strategic priorities of being a trailblazer of 'Technological Disruption' and driving 'Sustainability Agenda' forward.

Our aim in relation to tech disruption is to evolve from being a financial services provider towards becoming our customers' lifestyle partner on the back of advanced data analytics and resilient systems and platforms, enabled by a future ready and agile culture to meet our stakeholders' continuously evolving needs. With a David vs Goliath mindset, we position ourselves as a disruptor in the industry, competing with larger incumbents. Our Technological Disruption strategy includes two verticals: 'Deliberate' and 'Emergent'. The Deliberate vertical focuses on redefining conventional business lines through tech disruptions, while the Emergent vertical involves crowd sourcing based on our patpat ecosystem. The synergy between sustainability and technology enables us to expand capacity without increasing our physical distribution network, reducing our carbon footprint. Throughout the year, we introduced solutions that go beyond just enabling businesses but also help customers to easily stay connected with their families, supporting financial inclusivity.

In our journey towards becoming a frontrunner in ESG practices, our overall Sustainability strategy is based on material matters identified by our internal and external stakeholders. The sustainability pillar consists of two verticals 'Net-Zero' and 'Socially Conscious'. These focus on supporting our clients in transitioning towards a low-carbon economy, providing access to value-based solutions, tapping into opportunities in the ESG space, enabling our communities and equipping our people with the necessary tools to steer this forward. In response to growing concerns on climate change, we have taken bolder steps through our focus on sustainability to drive collective change. We seek to be there for all our stakeholders, from our customers to our communities, to help them progress on their journey towards transitioning to a low-carbon and sustainable economy. We prioritise financial inclusion and community impact through various initiations and projects to discharge our social responsibility.

The synergy between technology and sustainability has enabled us to expand capacity over the years without increasing our physical distribution network, reducing our carbon footprint. We also reach remote and vulnerable markets, becoming a net lender to the rural economy and promoting financial inclusion. People centricity is the core of our business strategy where we believe in extraordinary results through ordinary people. As a responsible corporate citizen we maintain high standards compliance to all applicable rules and regulation in our affairs.



2011-2020
TOTAL ASSETS:

RS. 10 BN.
TO OVER
RS. 100 BN.

2021
FINANCIAL
SERVICES

 **SUSTAINABILITY
AGENDA**



Green assets and
decarbonisation led
business growth

Socially impacting
sustainability-driven
brand positioning

**NET
ZERO**

**SOCIALLY
CONSCIOUS**

**Become a resource
efficient organisation
and contribute
towards decarbonisation
focusing on a
Greener economy.**

Financial inclusion
Reach out to most
vulnerable, remote and
base of the pyramid
market segments.

- Accelerate sustainable mobility solutions
- Accelerate affordable green housing and household renewable energy solutions
- Enabling shared economy
 - Conservation and Biodiversity

Women Empowerment

Community Impact

- Child Health and Well-Being
- Child Education and Literacy
- Volunteerism
- Empower entrepreneurs and youth

Engage mindful team members

- Extraordinary results through ordinary people
- Empower them to be Green ambassadors

**2025
FINANCIAL
SERVICES +
TECHNOLOGY**

Continuing to be a socially impacting organisation driving towards net zero status

**2030
TECH MINDSET
WITH FINANCIAL
SERVICES LICENSE**



- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 15 LIFE ON LAND
- 17 PARTNERSHIPS FOR THE GOALS

Being a conduit to reach remote and base of the pyramid market segments

Being less dependent on brick and mortar distribution channels, contributing towards a more resource efficient organisation

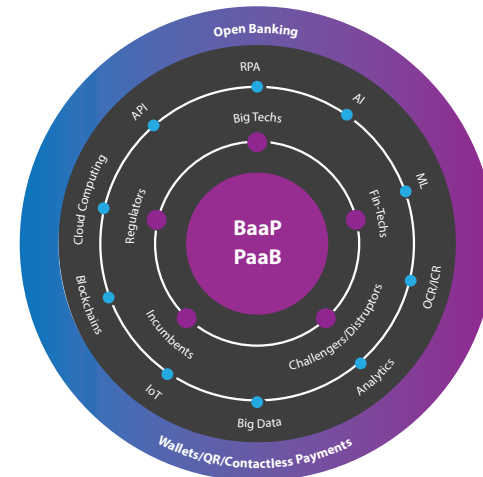
BUSINESS STRATEGY

Enabler to compete with incumbents as disruptor

David vs Goliath Mindset enabler

DELIBERATE

EMERGENT



Corporate governance, compliance and assurance binding the Organisation as a listed public deposit-taking corporate citizen

OUR
APPROACH
AND KEY
ENABLERS TO
**VALUE
CREATION**



ECONOMIC AND SECTOR OVERVIEW



GLOBAL ECONOMY

The global economy has been remarkably resilient despite the unprecedented tightening of global monetary conditions in an effort to combat inflation and restore price stability, and amid the brewing geopolitical tensions in the Middle East and the ongoing wars in Ukraine and Israel. It is forecasted that the global economy will continue to avoid a recession, with faster growth in Europe (led by Germany) which will counteract a softer US expansion in 2024, with moderate stimulus which will stabilize China's economy.

According to the International Monetary Fund (IMF), the baseline forecast for the world economy is to continue growing at 3.2 percent during 2024 and 2025, similar to the pace demonstrated in 2023.

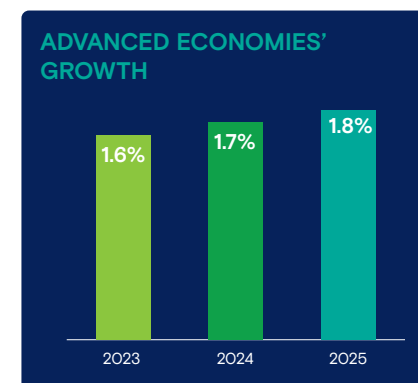
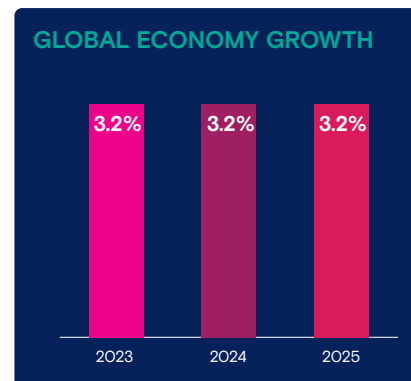
The minor acceleration in advanced economies—where growth is expected to increase from 1.6 percent in 2023 to 1.7 percent in 2024—will be offset by a modest slowdown in emerging market and developing economies from 4.3 percent in 2023 to 4.2 percent in 2024.

Geopolitical turbulence arising from the Ukraine - Russian war, and the Gaza-Israel conflict, can pose risks to global supply chains, potentially leading to spikes in food, energy and transportation costs while also exacerbating commodity price volatility of crude oil and gas, which would further impede global recovery.

Global inflation is steadily declining and is forecast to decline further from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is also projected to decline gradually, following prudent restrictive monetary policy measures taken by the Central Bank further helped by the easing of supply-side issues leading to lower international commodity prices.

With disinflation and steady growth, the likelihood of a hard landing has receded, while risks to global growth remain relatively balanced. Faster disinflation could result in further easing of financial conditions. However, supply chain disruptions and more persistent underlying inflation could prolong tight monetary conditions. Deepening property sector issues in China, and the possibility of disruptive tax hikes and spending cuts, could further impede economic growth.

Targeted structural reforms will be necessary to boost productivity growth, to ensure debt sustainability, and to accelerate the transition to higher income levels. More efficient multilateral coordination is required for debt resolution, and to mitigate climate change, to alleviate the adverse impacts of these challenges on the global economy.



SRI LANKAN ECONOMY

Sri Lanka has been navigating through an unprecedented economic crisis that has inflicted significant hardships on its population.

In response, assistance was sought from the IMF, and the first tranche of the Extended Fund Facility of US\$3 billion was received in March 2023, alongside a comprehensive economic reform program, which has helped avert more severe outcomes. The IMF financing will enable the gradual implementation of reforms, stimulate additional funding from other multilateral and bilateral partners, and will reassure creditors regarding the restoration of debt repayment capacity and of the benefits of the reforms, potentially paving the way for debt relief. Following the release of the second tranche of the IMF Extended Fund Facility, additional support was received from the World Bank and the Asian Development Bank, which has significantly enhanced the safety net of the country's financial sector.

Signs of improvement were observed towards the third quarter of the year as the effects of the economic reform programmes implemented by the Sri Lankan authorities started to show preliminary results. A gradual increase in credit was witnessed in latter part of 2023 with easing of policy rates by the Central Bank of Sri Lanka (CBSL).

ECONOMIC GROWTH

The implemented economic reform program began to show signs of success, with a positive economic growth of 1.6 and 4.5 percent witnessed in the third and fourth quarters of 2023 respectively, following six consecutive quarters of decline. Annual GDP growth recorded a contraction of -2.3% in 2023, which reflects the economy's decline experienced during the first half of 2023.

Gross international reserves increased to USD 2.5 billion, and fiscal revenues showed an improvement during the fourth quarter of 2023. The economy is projected to expand in 2024, which holds promising potential for Sri Lanka.

INFLATION

Inflation has moderated significantly, indicating signs of a broadening recovery, with a sharp decline by the end of 2023. However, a slight increase was recorded during the first quarter of 2024.

Headline inflation, indicated by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100), increased to 1.5% in April 2024 from 0.9% in March 2024. Core inflation (Y-o-Y), which captures the underlying inflation trends in the economy, rose to 3.4% in April 2024 from 3.1% in March 2024.

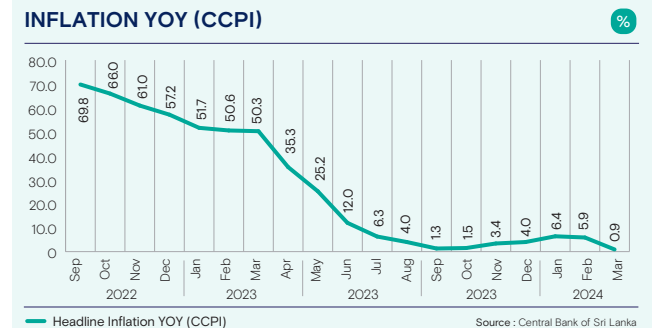
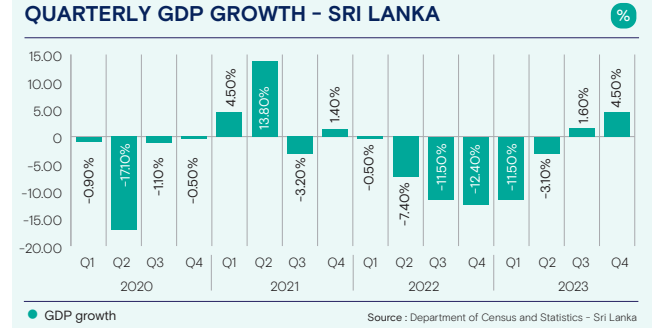
INTEREST RATES

The Central Bank, in an effort to adopt a more relaxed monetary policy, reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 50 basis points (bps) to 8.50 per cent and 9.50 percent, respectively, and as a result of the policy rate cuts and better clarity on domestic debt restructuring, the 91-day T-bill rates fell below 20 percent in July 2023.

SECTOR PERFORMANCE

Sri Lanka's economic structure is predominantly driven by the services sector, which accounts for 59.9% of the economy, which is followed by the industrial sector at 25.6% and the agricultural sector at 8.3%. The agricultural sector saw growth of 2.6%, while the industrial and services sectors contracted by 9.2% and 0.2%, respectively.

Quarterly GDP growth- Sri Lanka



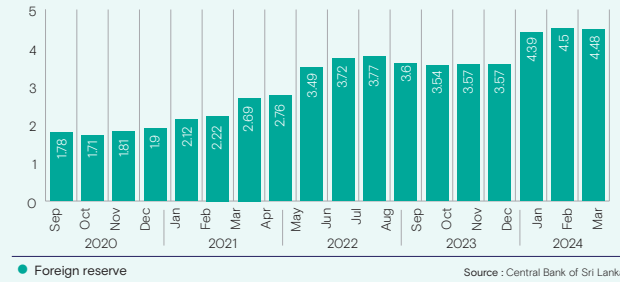
EXTERNAL SECTOR

Sri Lanka witnessed a significant improvement in its external sector, with a balance of payment surplus of USD 2,826 million, which is the highest recorded since 2017. The import restrictions and reduced demand for intermediate and investment goods has narrowed Sri Lanka's merchandise trade deficit by USD1 billion.

Foreign reserve buffers significantly increased to USD 4.48 billion as the strain on foreign exchange liquidity subsided owing to the continued debt suspension. This was supported by an increase in remittance inflows (by 57% to USD 5.97 billion), and tourism revenues (which exceeded USD 2 billion).

SRI LANKA FOREIGN EXCHANGE RESERVES

USD Million



EXCHANGE RATE

Exchange rate stabilized below Rs. 330 per USD and reached Rs. 300 at the end of March 2024.



FUTURE OUTLOOK

After experiencing two consecutive years of contraction, Sri Lanka's economy is poised for a rebound. However this hinges on successful debt restructuring, continuous implementation of growth-oriented structural reforms and political stability. While inflation is forecast to remain in single digits, the robust recovery in tourism will contribute towards medium term economic revival.

The fiscal policy reforms of increased taxes and widening of the tax base implemented by the Inland Revenue Department, have been fruitful - resulting in an uptick in government's tax revenue collection, with the impacts beginning to manifest in the government's financial landscape. This has led to the anticipation that the budget deficit will continue to diminish in 2024 and beyond.

However, ongoing reforms must be sustained for these positive economic developments to improve the living conditions of the people of Sri Lanka, allowing them to truly benefit from the recovery, especially considering the severe negative impact the crisis had on their living standards.



Sri Lanka Economic Growth 2024

3%

Sri Lanka Inflation Forecast 2024

7.8%



Tourism Revenue Projection 2024

5Bn USD

NBFI SECTOR PERFORMANCE AND OUTLOOK

Due to macro-financial circumstances, Sri Lankan financial sector faced significant challenges. However, prudent policy measures implemented by the Central Bank, i.e crisis preparedness and management frameworks helped the financial sector to successfully navigate through turbulent times.

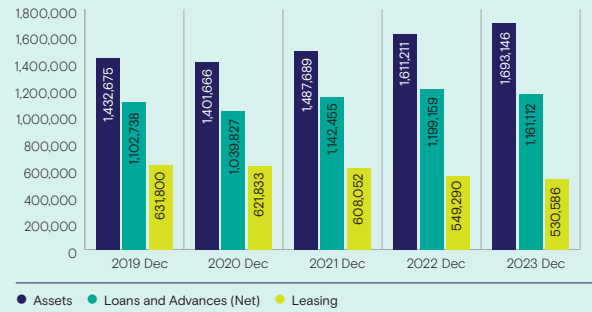
Setbacks were experienced by the NBFI sector in terms of new business, asset quality, and profitability during 2023. A modest growth was witnessed with 12% growth of industry's net assets in Q4 of 2023, and a 5% growth in the total assets - owing to an uptick in short-term investments in government securities and other investments.

The lending portfolio of the sector recorded a 3% negative growth, due to government-imposed import restrictions, the contraction of finance leases, and other secured loans.

However, the investment portfolio expanded by 57% due to investments in short-term government securities.

The sector's Gross Non-Performing Assets (NPAs) were 17.79%, with a 32.5% coverage ratio for impaired assets. Customer deposits made up 55% of the sector's liabilities, growing by 8% during the year. Consequently, total borrowings dropped significantly by 18%.

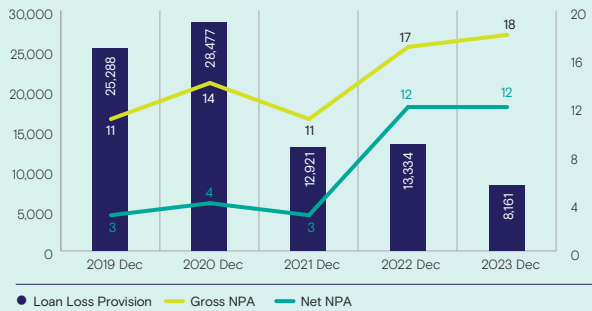
NBFI SECTOR ASSET GROWTH Rs. Mn



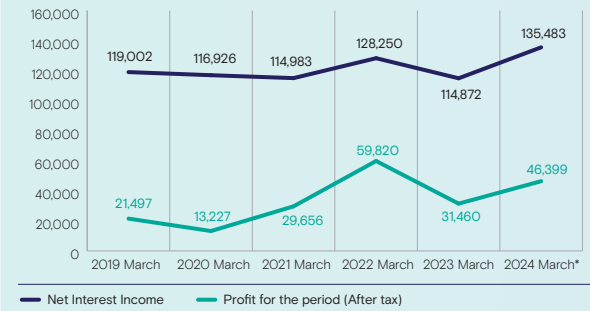
NBFI SECTOR LIABILITY GROWTH Rs. Mn



NBFI SECTOR ASSET QUALITY Rs. Mn %



NBFI SECTOR PROFITABILITY Rs. Mn



On the upside the sector showed early signs of a rebound with an increase in earnings and profitability, as a result of the revised interest rates and improving economic conditions.

KEY REGULATORY HIGHLIGHTS

- Under the Banking (Special Provisions) Act 17 of 2023, the Central Bank implemented measures to strengthen the financial services sector’s legal governing framework - and efforts were made to enhance the financial and institutional capacities of the Sri Lanka Deposit Insurance Scheme (SLDIS) to boost public trust in the financial system.

- Phase II of the Masterplan for the Consolidation of Non-Bank Financial Institutions in 2024 is set to enhance stability and create a stronger and more resilient non-bank sector.
- To strengthen non-banking sector stability, the Central Bank amended the existing regulatory frameworks, revising the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000, and will provide support to authorities to implement the proposed

Microfinance and Credit Regulatory Authority Act - in an effort to enhance market conduct, consumer protection, and regulatory oversight.

- Efforts to bolster the resilience of the Licensed Finance Companies (LFCs) continued so that they are able to withstand economic uncertainties, while ensuring they maintain adequate capital levels to meet customer credit requirements.

NBFI Credit Growth 2023
(-3%)

NBFI Sector Profit Growth 2023
88%

NBFI Sector Gross NPL 2023
17.79%

MACRO TRENDS IMPACTING OUR BUSINESS

ECONOMIC OUTLOOK

KEY DRIVERS

The Sri Lankan economy has shown signs of stabilisation with improved fiscal and external balances, supported by a recovery in remittances and tourism. This has been coupled with monetary policy actions to curb inflation and reduce foreign exchange volatility. Restrictions on vehicle imports continued through the year, creating significant volatility and intense competition.

ASSOCIATED OPPORTUNITIES AND RISKS

- The improved economic conditions with halved interest rates, increase in foreign exchange availability and inflation under 5% in 2023, signaled a positive shift in the Company's strategies.
- Weakened business sentiment impacting revenue growth; higher operating cost from inflationary pressures; and potential deterioration in asset quality arising from tightening cashflows.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Work in parallel with the government and regulatory bodies to encourage customer loan repayments to ensure strong liquidity and robust capital positions.
- Focus on recovery efforts to foster entrepreneurship, support FinTech/start-ups and young innovators.
- Focus on responsible lending, with an emphasis on responsible repayment, and extending continuous support to loyal customers.

RELATED CAPITALS

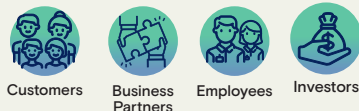


Financial Capital

RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



Customers Business Partners Employees Investors

SHIFTING CUSTOMER PREFERENCES

KEY DRIVERS

Customers expect efficient, seamless, responsive and personalised products and services with an increasing emphasis on sustainability considerations.

ASSOCIATED OPPORTUNITIES AND RISKS

- The ability to adapt, understand and address customer preferences effectively and efficiently will strengthen brand loyalty, providing a competitive advantage.
- Potential loss in market share and missed opportunities arising as a result of failing to align with what customers want.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Continued our efforts to cater to customer needs, enhance end-to-end customer experience, providing them with tech-driven solutions, such as the SELF app, Video KYC, and automation of the due diligence process.
- Building our digital ecosystem offering convenience, speed and connectivity to continue our growth trajectory.
- Re-activated the CDB Advance Roof Solar product and launched the eShift initiative to align our product offerings with consumer values.

RELATED CAPITALS



Social and Relationship Capital

RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



Customers

DIGITAL TRANSFORMATION

KEY DRIVERS

Technology adoption such as Block Chain, Artificial Intelligence (AI), and Machine Learning, are transforming the financial industry, making it more efficient, secure and customer-centric. However, as technology becomes more pervasive exposure to cyber security threats increases.

ASSOCIATED OPPORTUNITIES AND RISKS

- Efficiency and cost reduction—Robotic Process Automation (RPA) and adoption of AI decreases cost-to-serve and enhances customer services while mobile app and digital platforms offer convenience, elevating customer experience.
- Increasingly relying on digital technologies makes us more vulnerable to cyber-attacks.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Incorporate AI and RPA technology capabilities to enhance customer experience and provide solutions.
- Continued emphasis on enforcing, expanding and enhancing cyber defense capabilities.
- Encourage customers to shift to our digital platform adopting the use of our digital App, for easy and secure transaction.
- Develop, attract and maintain a workforce with specialised IT, data analytics and risk management skills.

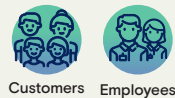
RELATED CAPITALS



RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



TALENT DEVELOPMENT

KEY DRIVERS

The recent mass migration of skilled workers has further exacerbated talent shortages in the industry, highlighting the need for proactive workforce planning and talent management strategies to mitigate potential challenges.

ASSOCIATED OPPORTUNITIES AND RISKS

- Becoming an employer of choice by fostering greater diversity which in turn brings new perspectives and experiences while employing cross-functional training programs for greater versatility, skill development and enhanced employee retention.
- Challenge of attracting and retaining talent with the right qualifications and expertise.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Significant investment was made in 'retention interventions' through talent development and growth initiatives to minimise turnover and loss of talent.
- Re-define and cultivate next-generation roles in line with future business growth aspirations, and evolving marketplace demands and needs.

RELATED CAPITALS



RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



SUSTAINABILITY

KEY DRIVERS

The adoption of sustainability practices has become a core consideration for financial institutions with a greater responsibility towards environment and economic sustainability, broadly influencing their strategies operations and relationship with stakeholders.

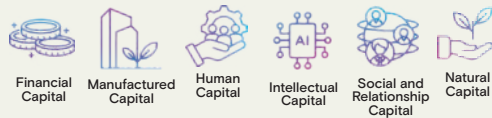
ASSOCIATED OPPORTUNITIES AND RISKS

- There is a growing demand for sustainable finance options, which creates new business and financing opportunities. i.e developing green financial products, green loans, and sustainable investment funds.
- Associated risk to business and reputation upon failure to address ESG requirements, climate risk disclosure and sustainability reporting in a timely manner.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Driving leadership in sustainability by adopting ESG principles into all our core business practices including credit and risk assessment processes to contribute to a more sustainable future.

RELATED CAPITALS



RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



REGULATORY CHANGES

KEY DRIVERS

The regulatory landscape is changing with the proposed new Banking Act, with key developments leading to enhanced governance which will creating stronger and more independent governance boards in financial institutions across the nation.

ASSOCIATED OPPORTUNITIES AND RISKS

- The regulatory changes will have a catalytic effect on operational efficiency, streamlining processes, and enabling us to explore new revenue generation opportunities.
- Compliance with regulatory requirements means maintaining higher capital buffers to assure capital adequacy.

KEY ACTIONS UNDERTAKEN IN 2023/24

- Enhanced compliance to regulatory requirements focusing on CBSL, SEC and CSE regulations.
- Raise awareness on Anti-Money Laundering, financial crime and other regulatory compliance issues.

RELATED CAPITALS



RELATED MATERIAL MATTERS



RELATED STAKEHOLDERS



AN INTEGRATED APPROACH TO VALUE CREATION

At CDB, our purpose is to foster value creation through a dynamic, responsive, and forward-thinking business model and strategy.

This shift from traditional business practices to an integrated approach in thinking and decision-making is crucial for our long-term success. While we strive to continually create value for our stakeholders, we are committed to ensure and equitable distribution of value among them.

WHAT WE CONSIDER WHEN CREATING VALUE

ASSESS AND EVALUATE OUR OPERATING CONTEXT

The Sri Lankan economic and geopolitical landscape is ever evolving, with significant impacts on our operating environment. CDB diligently monitors macroeconomic trends, social dynamics, sustainability developments, and geopolitical events that shape our business landscape. By understanding these external factors, we can make informed decisions that align with our strategic objectives and stakeholder expectations. This comprehensive evaluation enables us to anticipate changes, adapt our strategies, and mitigate potential risks effectively.



STRENGTHEN STAKEHOLDER RELATIONSHIPS THROUGH FREQUENT ENGAGEMENTS

At CDB, we believe that strong stakeholder relationships are foundational to our success. Our engagements with stakeholders are frequent, transparent, and purposeful, aimed at understanding their values and priorities.

Refer page 45 to 48 for how we engage with our stakeholders.



IDENTIFY AND MANAGE RISKS AND OPPORTUNITIES

In today's complex financial ecosystem, identifying and managing risks and opportunities is paramount. CDB's risk management framework encompasses a broad spectrum of factors including economic, geopolitical, technological, sustainability, and operational trends. We address and mitigate the principal risks inherent in our operations, ensuring robust risk management protocols are in place. Simultaneously, we identify potential opportunities that arise within our operating environment, enabling us to take strategic actions that capitalize on these opportunities for the benefit of our business segments and stakeholders.

Refer page 108 to 116 for the principal risks and mitigation strategies of CDB.



IDENTIFYING OUR MATERIAL MATTERS

In 2023, CDB conducted a comprehensive materiality assessment involving extensive feedback from diverse stakeholder groups. This process helped us identify and prioritise material matters that are crucial to our stakeholders and our business. These material matters inform our strategic decisions, ensuring we create value over the short, medium, and long term.

Refer page 49 to 50 for our list of material topics.

STRENGTHENING AND REINFORCING SUSTAINABILITY COMMITMENTS

Sustainability is a core pillar of our corporate strategy. Global and local sustainability developments drive our commitment to operate responsibly and support our stakeholders on their sustainability journey. CDB aims to lead the sustainability agenda in Sri Lanka and South Asia, aligning our initiatives with the United Nations Sustainable Development Goals (UN SDGs). Our efforts are demonstrated through various sustainability projects and reporting practices.

Refer page 40 to 44 for more information on our sustainability commitment.



FORMULATE BUSINESS STRATEGY

Our business strategy formulation is a holistic process that integrates our operating context, identified risks and opportunities, and stakeholder priorities. This approach ensures that our actions are aligned with our mission of empowering people and enriching lives.

Refer page 25 to 27 for our business strategy.

ALLOCATING RESOURCES AND INTEGRATING INTO OUR BUSINESS MODEL

Effective resource allocation is critical to our value creation process. CDB leverages six capitals—financial, manufactured, intellectual, human, social and relationship, and natural—integrating them into our business model to generate outputs that benefit our stakeholders. This involves making strategic trade-offs to balance short-term and long-term value creation, ensuring sustainable growth and resilience.



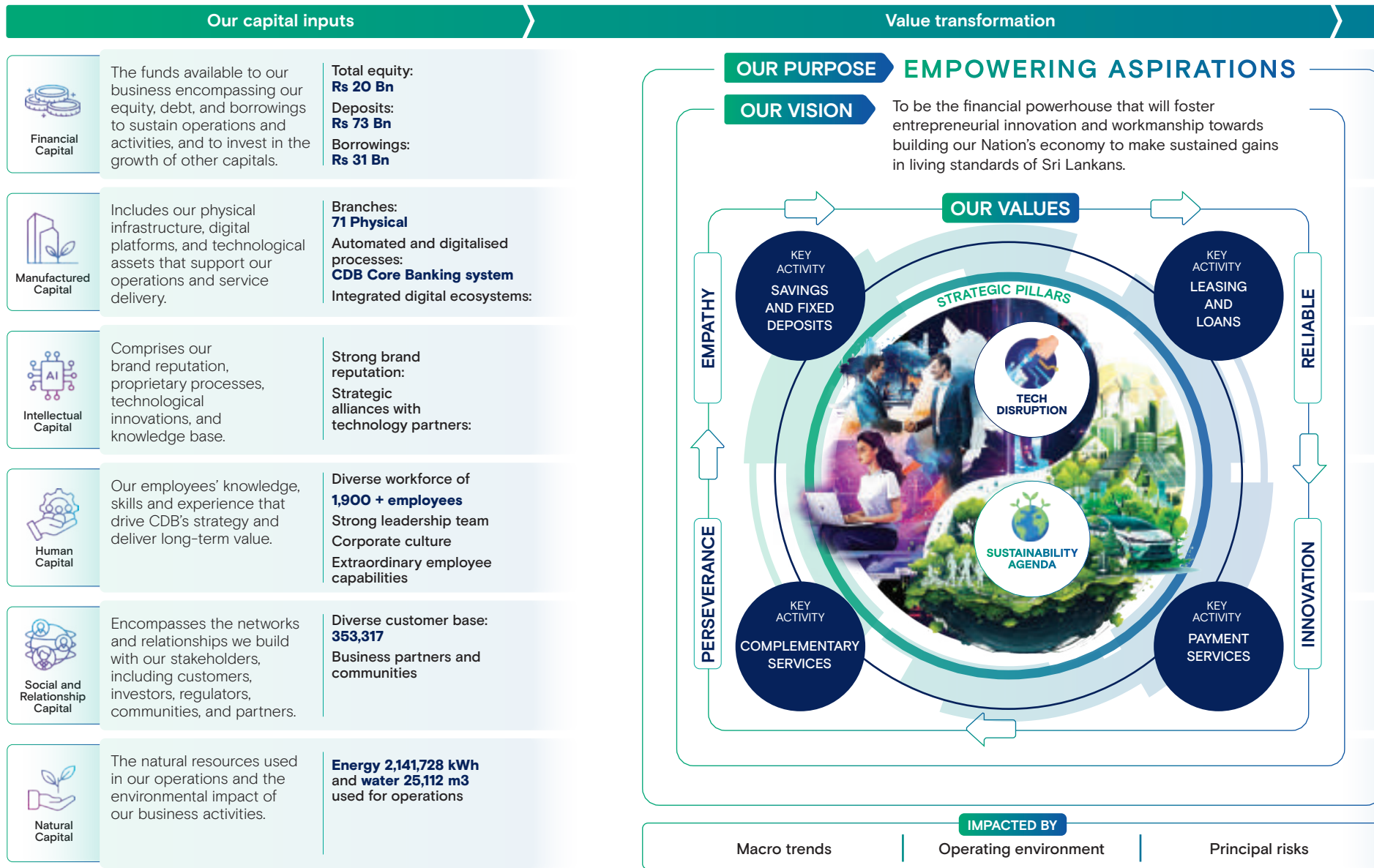
By adopting an integrated approach to value creation, CDB is committed to delivering sustainable value to our stakeholders, driving positive impact, and achieving long-term growth. This comprehensive strategy enables us to navigate the complexities of our operating environment, manage risks effectively, and seize opportunities for continued success.


































OUR VALUE CREATING BUSINESS MODEL

GRI 2-6

OUR APPROACH AND KEY ENABLERS TO VALUE CREATION

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC
ANNUAL REPORT 2023/24



Value added outcomes	Actions to enhance value	Impacted shareholders and related SDGs
 <p>Profit after tax - Rs. 2.5 Bn Earnings per share - Rs. 35.95 Return on equity - 13.1% Return on assets - 2.15% Net asset value per share - Rs. 285.22</p>	<ul style="list-style-type: none"> ✓ Deliver consistent and sustainable financial returns ✓ Provide clear and timely information on our financial performance and strategic initiatives ✓ Maintain a diversified portfolio ✓ Strengthen our balance sheet. 	   
 <p>Increase in digital customer penetration Market share of mobile and internet banking transaction volume</p>	<ul style="list-style-type: none"> ✓ Adopt omnichannel approach to ensure consistent delivery of services online and offline. ✓ Accelerate efforts to digitalise and modernise our technologies via strategic resource allocation. 	   
 <p>Launch of digital solutions including the CDB SELF app Rolled out sustainability products such as eShift</p>	<ul style="list-style-type: none"> ✓ We measure employee satisfaction and engagement through regular surveys. Our aim is to create a positive and motivating work environment. ✓ We track the effectiveness of our training and development programs, ensuring that employees have the skills and opportunities to grow their careers. ✓ We promote diversity and inclusion within our workforce, monitoring key metrics to ensure a fair and equitable workplace. 	    
 <p>Rs. 1.9 Bn payments to employees Rs. 16.3 Mn investment in training and development Turnover rate - 44.85% Training Hours - 131,523</p>	<ul style="list-style-type: none"> ✓ Assess the impact of our community initiatives, focusing on education, healthcare, and economic empowerment. ✓ Collaborate with local organizations and stakeholders to address community needs and support development projects. ✓ Ensure full compliance with all regulatory requirements, maintaining a high standard of corporate governance and ethical conduct. 	          
 <p>MSMEs benefitted from financing assistance Rs. 67 Mn spent on CSR activities Taxes paid - Rs. 2,942 Mn</p>	<ul style="list-style-type: none"> ✓ We measure our environmental impact and progress towards sustainability targets. ✓ Focus on initiatives such as renewable energy, electric vehicles and other activities that contribute to environmental sustainability. 	   

Strategic trade-offs

CDB recognizes the necessity of making strategic trade-offs to balance short-term and long-term value creation. These decisions are made with a view to ensuring sustainable growth and resilience.

In a challenging economic environment, we may prioritise building a resilient balance sheet over short-term profitability. This involves maintaining strong liquidity and capital buffers to support future growth.

As we enhance our digital capabilities, we ensure that the human touch is not lost. Integrating digital and physical touchpoints helps us maintain personalised customer service.

While pursuing innovation, we carefully assess and manage associated risks. This ensures that our advancements are sustainable and aligned with our risk appetite.

Equipping our team with the right tools and capabilities while fostering collaboration will yield improved productivity and financial returns over the longer term.

We strive to create meaningful change in the communities we serve by advancing financial inclusion, education and skills development.

We balance growth ambitions with sustainability commitments. This means selectively pursuing opportunities that align with our environmental, social, and governance (ESG) criteria.

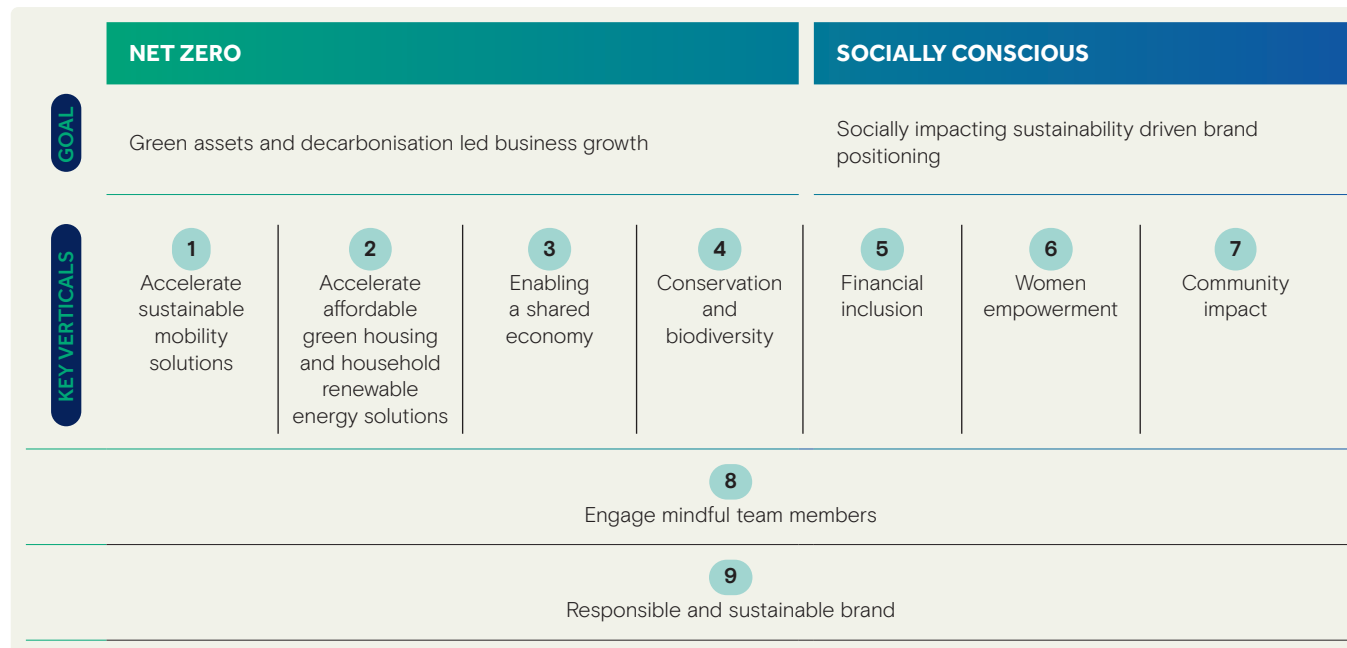
SUSTAINABILITY COMMITMENT

GRI 2-22, 201-2

Our sustainability approach remains guided by our sustainability framework which is anchored on two core pillars. Serving as an overarching framework that sets out the Company’s sustainability mission, goals, targets, governance and approach in all our activities, the robust framework enables us to embed sustainability into all our activities, products and services as we strive to serve our communities without harming people or the environment.

SUSTAINABILITY FRAMEWORK

With the ambitious goal of becoming the leader in sustainable finance by advancing the Green Economy by 2030, the CDB Advance Sustainable Financing vertical was initiated in FY 2020/21.



ALIGNMENT TO LOCAL AND GLOBAL PRINCIPLES

- The National Environmental Act
- CBSL Green Finance Taxonomy
- United Nations Sustainable Development Goals: Based on the Company’s business model and context, sustainability goals and targets have been aligned with 7 of the 17 UN SDGs



SUSTAINABILITY GOVERNANCE

The effectiveness of the sustainability framework is ensured through a hierarchical governance structure, where the Board remains the highest decision-making authority. Sustainability is a key pillar in our corporate strategy and the Board oversees strategy alignment, while the corporate management drives implementation. A dedicated Sustainability Committee has been established to guide the sustainability priorities and our Sustainability Policy and Code of Conduct supports responsible practices. We monitor performance with industry-aligned KPIs, which reflect our commitment to continuous improvement. We adhere to local policies and standards, while aligning with international frameworks such as the UN Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI) standards which provide a roadmap for our sustainability efforts and ensure transparency and accountability in our reporting.

Stakeholder engagement is at the heart of our sustainability governance approach. We actively seek input from employees, customers, investors, communities, and other stakeholders to understand their expectations and incorporate their feedback into our decision-making processes to ensure long term value creation.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESMS)

In our commitment to advancing environmental and social progress, we always manage environmental and social risks when promoting new businesses. Environmental, Social and Governance (ESG) considerations have been embedded to our credit and risk assessment process for our lending activities through the ESMS.

The CDB team maintains a close collaboration with customers, offering comprehensive support in securing funding for their transition to a low carbon operation. The credit evaluation officers are trained to assess the compliance of all credit facilities with the exclusion list, project categorisation, and risk management criteria. This also includes increasing customer awareness and engaging with them to minimise the adverse environmental impact of their business operations.

- Percentage of credit facilities complied with exclusion list - 100%
- Percentage of credit facilities complied with project categorisation and risk assessment of ESMS - 100%
- All financing facilities were categorised as low risk

In terms of our supplier ecosystem, CDB has established a Sustainable Purchasing Policy to minimise its environmental impact and deliver community benefits through the responsible selection of products and services. The suppliers are encouraged to adopt sustainable practices that minimise environmental impact and deliver community benefits. This policy is envisaged to foster innovation in its supply markets to enhance the effectiveness of sustainable behaviour in the procurement process.

CDB helps stimulate market demand which will increase availability of eco-friendly and sustainable products and services and influence our supply chain to adapt more sustainable practices. CDB prioritises suppliers who have embedded sustainable and ethical practices within their organisation and who drive such practices within their own supply chain. CDB also supports the creation of jobs, provides equal opportunities and promotes inclusion of businesses owned and conducted by

under-represented groups, minorities, small-and-medium-sized enterprises (SMEs), in our procurement process.

INTERNALISING SUSTAINABILITY

THE FOUR PILLARS OF INTERNALISING SUSTAINABILITY



Pillar 1

Educate all employees

on 'Triple Bottom Line' and CDB Advance Strategy



Pillar 2

Eliminate all forms of waste

Zero use of single use plastic
Zero waste



Pillar 3

Sustainable Energy and Transport

Driven by 100% renewable energy (Green Branch concept)

Company fleet to be 100% EV or Hybrid



Pillar 4

Employees walk the talk

Employee conversion to sustainable energy and transport

Aligning with the 'Engage Mindful Team Members' pillar of our sustainability agenda, we have established team member engagement programmes that foster awareness and education about sustainability. Our aim is to:

- Educate team members, on sustainable practices, the Triple Bottom Line (TBL), and the benefits of a green economy
- Promote waste reduction and responsible resource consumption and waste management systems

- Encourage energy efficiency and sustainable transportation options
- Make team members walk the talk, and foster a culture of sustainability by encouraging them to adopt eco-friendly practices

DRIVING OUR COMMITMENT TO SUSTAINABILITY

NET ZERO

Capitals impacted



1 Accelerate sustainable mobility solutions



Clean transportation

- Together with global and local partners, CDB initiated the Haritha Coalition, designed to promote EVs and solar energy solutions to Sri Lanka. The project eShift carried out in collaboration with its technology partner, VEGA Innovations is another progressive step taken by this Coalition in which ChargeNet, a subsidiary of CodeGen International is a partner.
- During the year, CDB launched the 'eShift Concept Centre', as a step to accelerate the Company's sustainable mobility solutions. While creating awareness on transformation from fossil fuel-based vehicles to EVs, the Centre will be a catalyst in prompting a sustainable shift in Sri Lanka's transportation sector, which has traditionally been reliant on fossil fuels. To facilitate this transition, the Centre will also offer cutting-edge charging facilities for EVs, enhancing the accessibility and convenience of electric vehicle charging and contributing to the growth of the EV ecosystem in Sri Lanka. With over 1 million three wheelers operating in Sri Lanka - all using fossil fuel - CDB and VEGA Innovations began converting three wheelers into EVs.
- With the aim of boosting sustainable mobility solutions in the tourism industry we partnered with several resorts to advance the country's green economy by promoting a comprehensive ecosystem for EV.

FY 2023/24:
Nine
 electric three-wheelers were handed over to selected resorts

2 Accelerate household renewable energy solutions



Renewable energy

As part of our commitment to sustainable financing and investment options in the green financing sector, we introduced the CDB Advance Roof Solar product in FY 2020/21. During 2023/24, we onboarded five solar suppliers who are registered with Sri Lanka Sustainable Energy Authority (SLSEA).

FY 2023/24:
150
 CDB Advance Roof Solar facilities were approved

3 Enabling a shared economy



Managing our own operations

Since 2015, CDB has actively measured its carbon footprint and has partnered with the Sri Lanka Climate Fund, to undertake this task. As part of its ongoing commitment, the Company intends to transparently disclose its carbon footprint information. CDB firmly upholds its goal of attaining net-zero status by 2030, demonstrating its dedication to mitigating environmental impact and promoting sustainable practices.

Approximately
875 kW
 capacity was released to the grid

4 Conservation and biodiversity

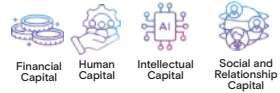


Protecting biodiversity is a fundamental aspect of our sustainability commitment and we remain dedicated to taking proactive measures to conserve and restore natural habitats. Given below are some of the key projects we are involved in, aimed at contributing to the resilience of ecosystems.

- Life project: Restore a 12ha block of degraded land in the Halgahawala - Opatha region, which is adjacent to the Kanneliya rainforest
- Life to our mangroves: A mangrove restoration project aimed at enhancing the resilience of the mangrove ecosystem
- Ittapana mangrove conservation project: Conserve mangrove wetland and establish a mangrove research centre for mangrove ecosystem studies
- Life to our beaches: Ensure preservation and conservation of Sri Lanka's coastal environment and sustain the underprivileged communities residing in the vicinity.

SOCIALLY CONSCIOUS

Capitals impacted



5 Financial inclusion



- Provided tailored financial literacy programmes to individuals and SMEs to improve their financial decision making.
- Offered affordable and accessible finance solutions and improved access for lower-income customers, vulnerable groups, SMEs and microenterprises.

FY 2023/24:
Our ongoing financial literacy initiatives benefited more than **140** WSMEs

6 Empowering women

● Wings eco system

Wings Eco System was initiated with the aim of providing financial freedom for all women in Sri Lanka. The key focus of this eco system is to break the barrier of limiting themselves in all aspects of their lives. We aim to empower women to be financially literate and provide financial inclusion, making all women in Sri Lanka to have a financial free lifestyle.

7 Community impact



Child health and well-being

- Opened the newest Autism Intervention Centre attached to Karapitiya Teaching Hospital. Our efforts extended to enhancing awareness on Autism Spectrum Disorder (ASD) through outreach programs conducted in collaboration with SLACD (Sri Lanka Association for Child Development).

Child education and literacy

- Organised Season 15 of the Sisudiri Scholarship program, awarding 150 scholarships to high achievers of Grade 5 scholarship and GCE Ordinary Level of the year 2021.
- Initiated the project of donating 3 Smart Computer Laps to schools in eastern province

Volunteerism

- CDB's Welfare Club is actively engaged in organising and incentivising employee volunteer engagement activities within the Company.

Empowering entrepreneurs and youth

● SMB Friday

A platform created through social media channels and our corporate website to help small businesses and entrepreneurs to increase their visibility. We have featured more than 100 entrepreneurs.

8 Engage mindful team members



● CDB Advance Green Challenge

Successfully concluded the flagship program, emphasising the engagement of CDB team members and the inculcation of green practices. Over 400 CDB team members from branches across the island enthusiastically participated in various competitions including a Green Quiz, Green Debate and Green Short Film screening.

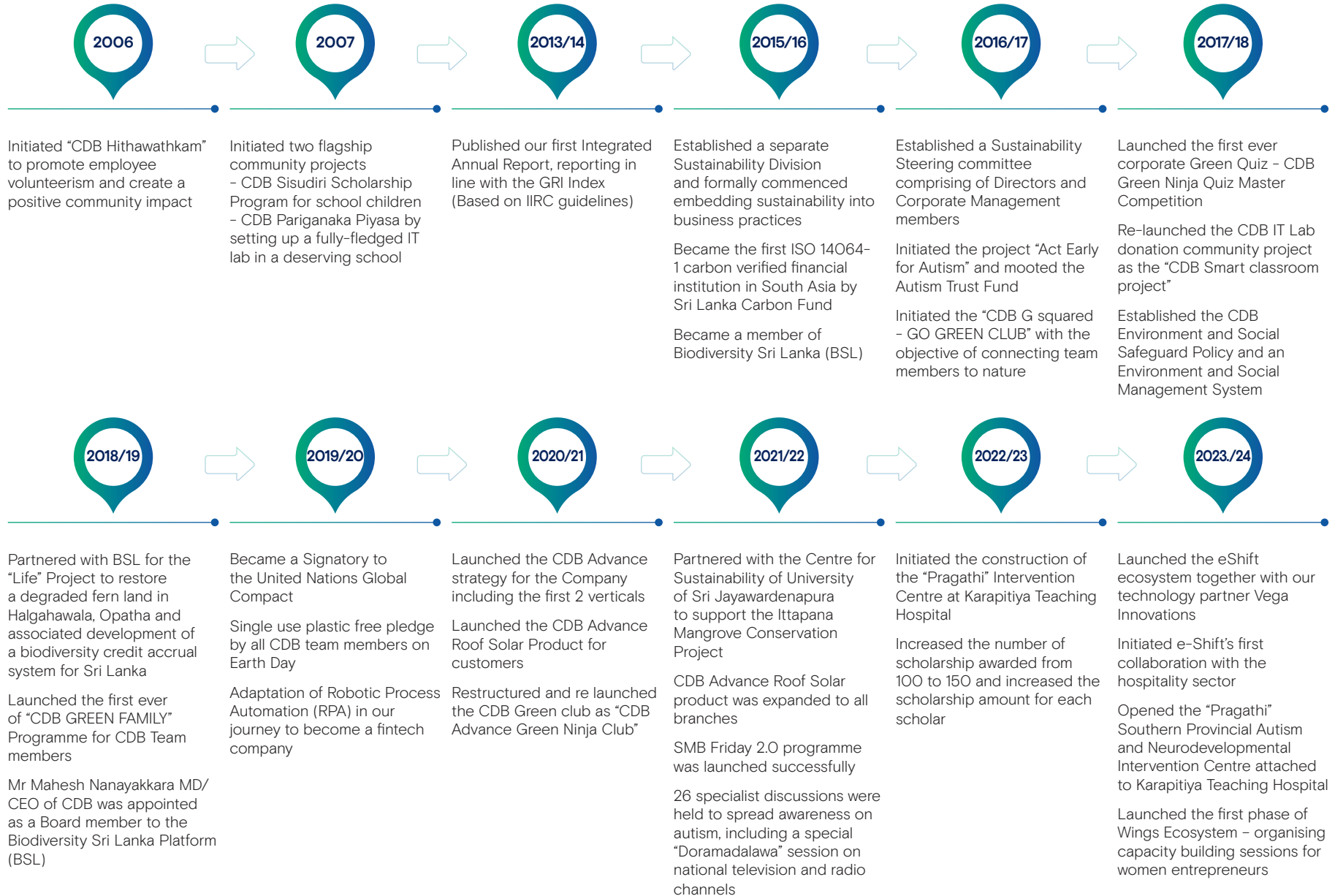
● CDB Hithawathkam

Through CDB Hithawathkam, we have allocated LKR 25,000/- to each branch and department, encouraging them to initiate strategic CSR projects depending on the needs of the communities in their locality.

9 Responsible and sustainable brand

Our overall strategy and framework position us as a responsible corporate citizen, committed to "Empowering Aspirations" across diverse social and geographic boundaries, while staying true to our purpose and shared values. Our value creation model demonstrates how we generate value for our key stakeholders through our business activities and the resources we utilize to achieve our strategic objectives. As a regulated institution, we uphold high compliance standards and foster a culture of responsible corporate citizenship.

OUR SUSTAINABILITY JOURNEY



HOW WE ENGAGE AND CREATE VALUE FOR OUR STAKEHOLDERS

GRI 2-29, 3-3

Our aspiration is to benefit society through long-term, shared, and sustainable value creation. Our actions are largely informed by our purpose-driven strategy of advancing lives through sustainable financial services, by deepening our relationships with all our stakeholders. As a starting point, we look to maintain honest and fair interactions with our customers and partners. We strive to be a good corporate citizen, a responsive and responsible employer, and a custodian for future generations.

Our primary focus is to maintain good relationships with stakeholders that have the greatest influence on our value creation process. Our key stakeholders include investors, customers, employees, environment, community, business partners and regulators. By actively engaging with our stakeholders, we are able to understand their needs and expectations, improve decision-making by incorporating diverse perspectives, and build trust and credibility through transparent communication. This engagement not only fosters strong, collaborative relationships but also enhances the success and sustainability of our business, aligning them with both organisational goals and stakeholder interests.

Investors



Why we engage:

- ✓ To ensure clear, timely and effective communication to maintain credibility and trust and facilitate investment decisions regarding CDB.
- ✓ To obtain their views and expectations for better alignment in meeting these expectations and sustaining access to capital.

Engagement channels:

Ongoing

- Corporate website
- Announcements to the CSE
- Press releases

Annual

- Annual Reports and forums
- Annual General Meeting

Quarterly

- Interim financial statements

Objectives for stakeholder:

- Return on Investment
- Financial strength and resilience
- Risk management
- Sustainability management performance
- Sustainable profitability
- Increased share value
- The integrity of the Board and Management
- Goodwill of the Company
- Safeguard asset quality
- Reinvest earnings

Our response:

- Emphasise strong liquidity and capital management to preserve financial viability and readiness to withstand macroeconomic uncertainty.
- Provide timely and comprehensive disclosures on asset quality and ESG risk management.
- Realign risk appetite and lending strategies with industry outlook for balance sheet preservation.
- Provide updates on strategic investments to develop digital and technological capabilities.

Related capitals:



Related material matters:



Related UN SDGs:



Customers



Why we engage:

- ✓ To understand their needs and expectations and identify and remedy gaps in our services. This helps us to serve them better and retain their loyalty.
- ✓ Through engagement we enhance our customers' awareness of trends and issues that have a direct impact on them which enables them to make more informed decisions.

Engagement channels:

Ongoing

- Island-wide customer touchpoints
- Face-to-face interactions at CDB branches
- Customer Relationship Management (CRM) unit
- Media advertisements and website
- Online and social media interactions
- Call centre - 24x7
- Product launches
- Regular correspondence with account and facility holders

Annual

- Customer surveys

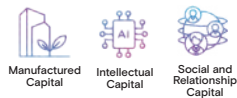
Objectives for stakeholder:

- Customer experience
- Convenience and speed of service
- Accessibility
- Reliability
- Real-time information
- Assurance of privacy
- Product innovation
- Technology-driven financial solutions
- Ethical lending practices
- Speedy complaint resolution

Our response:

- We offer the latest in technology-driven financial solutions.
- All our employees maintain secrecy and ensure high customer confidentiality.
- Avert unsolicited communication and intrusive surveillance.
- We insist on carrying on the company's brand values and code of conduct.
- Finally, we aim to provide positive customer experiences.
- Support local businesses, microenterprises and underserved communities through digital solutions.

Related capitals:



Related material matters:



Related UN SDGs:



Employees



Why we engage:

- ✓ To build an engaged, productive team and cultivate a thriving, ethical culture that is crucial for organisational success.
- ✓ To maintain a positive work environment that attracts top talent, retain best talents, and enhances overall employee well-being and job satisfaction, leading to sustained business growth.

Engagement channels:

Ongoing

- Virtual training programs
- WhatsApp/Viber groups
- Virtual staff meetings
- HR space integrated system
- Regular updates on company performance
- Comprehensive integrated HR system
- Annual social events
- Open door policy and a safe work environment
- Grievance handling procedures
- Weekly managers' meeting/branch meetings, monthly regional review meeting

Annual

- Performance evaluation and reward mechanism

Objectives for stakeholder:

- Career progression
- Remuneration and benefits
- Skills development
- Work-life balance
- Human Rights in the workplace
- Occupational health and safety
- Favourable working environment

Our response:

- Providing opportunities for career progression and growth
- Recognising and rewarding excellence
- Digitalising HR management for enhanced performance
- Providing ongoing training through the CDB e-learning platform
- Implementing a zero-tolerance policy towards all forms of workplace violation of rights, including sexual harassment.
- Diversity and inclusivity for enhanced productivity
- Providing a diverse range of customised learning opportunities

Related capitals:



Related material matters:



Related UN SDGs:



Environment



Why we engage:

- ✓ We are dedicated to ensuring the continued well-being of the environment while helping to sustain and improve the way that we interact with it.
- ✓ By analysing our impact on the environment, we take steps to reduce our carbon footprint while promoting a greener future and helping to reach the collective goals set by the UN in their SDG manifesto.

Engagement channels:

Ongoing

- Engagement activities
- Green Ambassadors
- Conservation projects

Objectives for stakeholder:

- Conservation practices
- Environmental protection
- Resource efficiency
- Energy conservation
- Environmental protection
- Reducing carbon footprint
- Contribution to SDGs

Our response:

- Developing green financial products (loans for renewable energy, energy efficiency, sustainable businesses).
- Conducting thorough ESG evaluations of financed projects.
- Collaborating with industry stakeholders to promote sustainable financing.
- Developing and enforcing responsible lending policies.
- Strengthening risk assessment capabilities for environmental and social risks.
- Enhancing transparency and reporting on environmental and social impact.
- Implementing an Environment and Social Management System (ESMS) for credit and risk assessment.
- Climate transition plan to Net zero in collaboration with IFC

Related capitals:



Related material matters:



Related UN SDGs:



Community



Why we engage:

- ✓ To uphold our responsibility toward society as an organisation, whether through access to financing and service offerings or through social initiatives. We are constantly observing our community to identify any requirements that we will be able to fulfill with the resources available to us.
- ✓ We aim to promote gender equality and economic empowerment, overcome socio-economic barriers, contribute to economic growth, while also breaking the cycle of poverty, fostering economic development, promoting social equality, and creating an inclusive society.

Engagement channels:

Ongoing

- Publications including the Company's sustainability reporting and other press releases
- Interaction with community through CSR projects
- Lending for rural economic development and capacity building programmes
- Engagement through social media

Objectives for stakeholder:

- Safety, health and welfare
- Education and literacy
- Societal health and well-being
- Living standard
- Social investment
- Community development
- Education and literacy
- Ethical sourcing
- Employment generation

Our response:

- Leverage digital capabilities for rural entrepreneurship, provide virtual financial services, offer net lending to enrich lives in rural areas.
- Provide resources, mentorship, and opportunities through "CDB SMB Friday" and "patpat" digital marketplace.
- Offer financial services for business ventures, collaborate with patpat.lk for "CDB SMB Friday" and a marketplace for women entrepreneurs, develop new products (CDB Wings) specifically for women's empowerment.
- Implement a recruitment policy focusing on youth from disadvantaged backgrounds, offer internship and management trainee programs.
- Collaborate with support organisations and advocate for policies, conduct awareness campaigns, establish therapeutic play areas and intervention centres.
- "CDB Sisu Diri" scholarship program, "CDB Smart Computer Lab" project to provide IT facilities to underprivileged schools.

Related capitals:



Related material matters:



Related UN SDGs:



Business Partners



Why we engage:

- ✓ To build strong relationships with Business partners for a smooth Business operations, reduce risks, and foster innovation.
- ✓ Partner with technology providers to deliver uninterrupted services, implement robust security, and embrace digital transformation.
- ✓ Build relationships with local and international funding partners to expand the business and meet stakeholder obligations.

Engagement channels:

Ongoing

- Joint promotional campaigns
- Individual meetings
- Extended dealer network and marketing channels
- Supplier screening

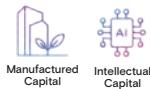
Annual

- Business partner gatherings

Objectives for stakeholder:

- Ethical conduct
 - Profitability
 - Professionalism and on-time service
 - Competitive advantage
 - Accountability
 - Sustainability and functionality of the supply chain
 - Partner wealth maximisation
- Our response:**
- Implement measures for open communication, due diligence, and local supplier preference.
 - Uphold commitment to prompt payments and fulfilling obligations.
 - Maintain strong relationships with technology providers for uninterrupted service and digital transformation.
 - Build trust with local and international funding partners through transparency and ethical practices.
 - Collaborate on renewable energy, conservation efforts, and green financing initiatives.
 - Maintain memberships in industry organisations for knowledge sharing and collaboration.

Related capitals:



Related material matters:



Related UN SDGs:



Regulators



Why we engage:

- ✓ To remain informed on changes and developments impacting the sector and economy, run operations smoothly and be in compliance of legal and regulatory requirements.
- ✓ Collaborate and contribute in policy formulation and national development initiatives that benefit the larger economy

Engagement channels:

Ongoing

- Statutory reporting
- Compliance meetings
- Liaison with the regulatory bodies on matters concerning the sector
- Engagement through industry associations

Objectives for stakeholder:

- Good governance practices
- Ethically-driven business model
- A fair and transparent framework and work practices
- Legal compliance
- Promote voluntary compliance codes

Our response:

- Develop, communicate, and promote good governance and ethical behavior at all levels within the organization
- Ensure to provide timely and accurate information
- Provide prompt and immediate responses to queries made by the authorities
- Ensure full compliance with rules and regulations
- Adhere to laws and regulations, manage cyber risks, ensure monetary and financial stability, professional business conduct and fair treatment of financial consumers
- Ensure that our employees are fully aware of the requirements of regulators to ensure full compliance

Related capitals:



Related material matters:



Related UN SDGs:



IDENTIFYING MATERIAL MATTERS

GRI 3-1, 3-2

As a financial services provider, we play a vital role in the economic activity of individuals, businesses, and the nation, helping to create, grow and protect wealth through partnerships in economic development. Various factors impact our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our formulated business strategy. This report provides the context for what we have deemed our material matters – those which can significantly affect our ability to create or preserve value or lead to value erosion over the short, medium and long term. Following the last materiality assessment conducted in FY2022/23, and in FY2023/24 we reviewed the material issues identified to ensure their continued relevance to our business and its impacts, as well as alignment with stakeholder interests and concerns. Our materiality determination process is discussed and illustrated as follows:

1. IDENTIFICATION OF MATERIAL TOPICS

Key topics were identified through a comprehensive review of:

- **Our external environment** Refer pages 29 to 32
- **Stakeholders' needs and expectations** Refer pages 45 to 48
- **General and industry-specific assessments** Refer pages 29 to 32

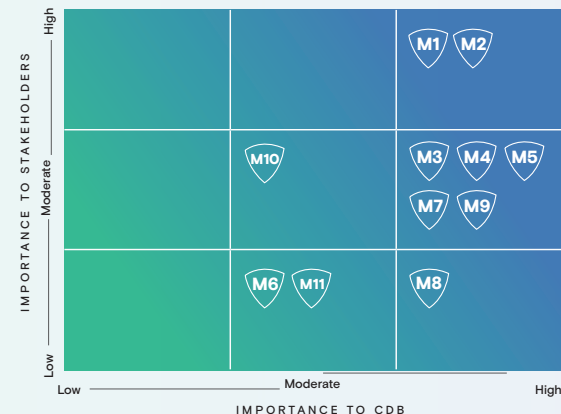
2. ASSESSMENT OF MATERIAL TOPICS



















































Importance of matters were assessed taking into consideration:

- Our strategy review process, including a detailed business environment assessment, alongside risk and opportunities
- Financial and stakeholder impact
- The likelihood of a risk or opportunity and our risk appetite framework
- Responses to changing consumer needs and dynamics and potential impacts on the organisation's reputation and competitive edge
- Resource needs and relative availability
- Potential opportunities and prospects

3. PRIORITISING MATERIAL TOPICS

This enables us to respond quickly to risks and opportunities specific to CDB and our strategic intent, magnifying our ability to create value.



Material topics	Stakeholders impacted	GRI relevance	Link to capitals	Link to risk	Our response
 M1 Financial resilience, stability, and profitability	Investors, Customers, Environment Regulator, Community, Employees Business Partners	201, 203, 207	 Financial Capital  Manufactured Capital	 R1  R2  R3  R4  R5  R6	page 181 to 270
 M2 Good governance and compliance	Investors, Customers Environment, Regulator, Community Employees, Business Partners	2-27	 Human Capital  Social and Relationship Capital  Natural Capital	 R4  R6  R8  R9	page 132 to 155
 M3 Digital product innovations and process automations	Customers, Employees Business Partners	-	 Manufactured Capital  Intellectual Capital  Social and Relationship Capital  Human Capital	 R3  R7	page 61 to 65
 M4 Responsible and sustainable financing solutions	Investors, Customers, Community	416, 417, 419	 Social and Relationship Capital	 R9	page 82 to 90
 M5 Cyber security, data integrity, and privacy	Customers, Regulators	418	 Intellectual Capital	 R7	page 61 to 65
 M6 Career progression and skill development	Employees	404	 Human Capital	 R9	page 51 to 60
 M7 Occupational health and safety and favourable work environment	Employees, Regulators	403	 Human Capital	 R3	page 51 to 60
 M8 Reducing carbon footprint	Environment	305	 Natural Capital	 R9	page 99 to 106
 M9 Contribution to SDGs	Environment, Community	-	 Human Capital  Social and Relationship Capital  Natural Capital	 R9	page 40 to 44
 M10 Community development and social investments	Community, Environment	413	 Social and Relationship Capital	 R9	page 95 to 98
 M11 Ethical sourcing	Community, Business Partners Environment	404	 Social and Relationship Capital	 R9	page 91 to 94

HUMAN RESOURCE STRENGTH

GRI 3-3

OVERVIEW

As a prominent player in the financial services sector, ranked among the top four Non-Bank Financial Institutions (NBFIs) in Sri Lanka, CDB operates based on a set of values including perseverance, empathy, reliability, and innovation. Our overall business strategy and model is closely knitted together with our people formula of “**extraordinary results through ordinary people**” and “**strategy bets on people**”, focused on shaping a thriving, diverse and inclusive workplace.

Our people have a strong connection to the Company and live our purpose “Empowering Aspirations” every day. CDB is a place we call home where employees feel a strong sense of belonging and are valued for who they are and their contribution. While we are a strong performance-oriented company, we are a deeply humane organisation with leaders who set the tone at the top and are role models of integrity, mutual respect and empathy.

Our technology infusion is viewed as a replacement of task and not the role, and we believe if deployed correctly, can create roles that are more meaningful for our people enabling them to grow their skills and draw on their unique human capabilities.

Our people strategy continues to be guided by the following drivers to shape a thriving, diverse and inclusive workplace that enables people to be engaged, future ready and aligned to our goals.

Effective leadership practices	Fostering employee engagement	Facilitating knowledge accessibility	Optimising the workforce	Enhancing organisational learning capacity
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Capitals impacted     	Material matters  Career progression and skill development  Occupational health and safety and favourable work environment
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OUR TEAM

GRI 2-7, 401-1

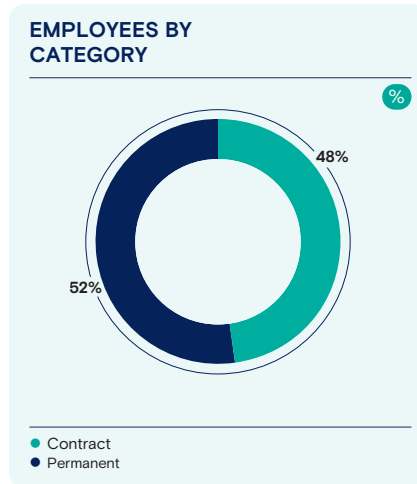
Our team comprises 1,916 team members who are a vital source of our competitive strength. As an equal opportunity employer, we do not discriminate against team members based on gender, age, religion, race or any other factor, thereby ensuring equity and equality for all team members. All our employees are engaged on a full-time basis and our team profile is as follows.

Province	Permanent		Contract		Total	
						
Central Province	12	34	21	57	33	91
Eastern Province	6	7	9	13	15	20
North Central Province	4	12	5	13	9	25
North Western Province	25	74	42	77	67	151
Northern Province	6	8	4	9	10	17
Sabaragamuwa Province	21	48	26	60	47	108
Southern Province	12	25	22	34	34	59
Uva Province	5	21	9	20	14	41
Western Province	230	443	205	297	435	740
Grand Total	321	672	343	580	664	1,252

 Female  Male

Employees as of 1st April 2023	1,683
Recruits	1,034
Turnover	801
Turnover Ratio (Permanent)	22.54%
Turnover Ratio (Contract)	72.38%
Employees as of 31st March 2024	1,916

Ratio: 44.51%



Outsourced staff

GRI 2-8

Category	Total
Operational outsourced staff	125
Interns	38
Janitorial	85
Security	91

Generation	Front Line	Junior Management	Middle Management	Managers	Senior Management	Top Management	Grand Total
Gen Z	915	208	7	1	-	-	1,131
Millennials	69	386	187	29	21	3	695
Pre - Millennials	27	9	15	8	12	19	90
Grand Total	1,011	603	209	38	33	22	1,916

Pre- Millennials – Born before 1981
 Millennials – Born during 1981 to 1996
 Gen Z – Born after 1996

TALENT ATTRACTION, RECRUITMENT AND RETENTION

GRI 401-1

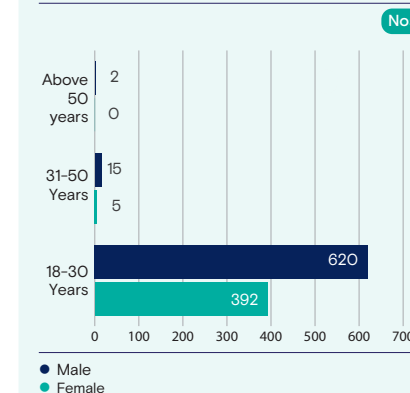
Talent acquisition is a crucial aspect of CDB's corporate strategy, focusing on attracting, identifying and recruiting individuals who align with the specific needs, values, and ethical standards of the organisation. The goal is to nurture and groom these individuals for future leadership roles within the Company.

Through a comprehensive recruitment policy, CDB seeks to enhance productivity and foster organisational growth. Our team predominantly consists of members from rural and challenging family backgrounds. We mainly recruit young talent fresh out of school or recent graduates straight from universities, offering them employment opportunities and equipping them with necessary skills through a supportive culture and extensive training and development programs.

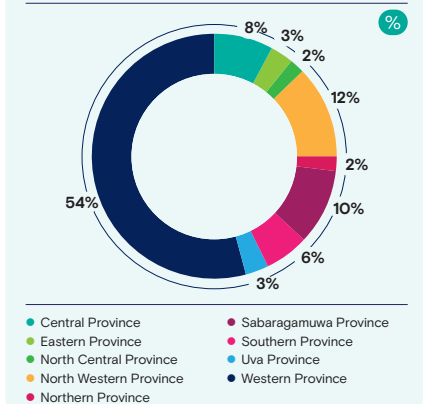
New recruits by region

Central Province	27/61	88
Eastern Province	11/24	35
North Central Province	06/20	26
North Western Province	46/77	123
Northern Province	05/12	17
Sabaragamuwa Province	30/70	100
Southern Province	24/37	61
Uva Province	09/18	27
Western Province	239/318	557

NEW RECRUITS BY AGE AND GENDER



NEW RECRUITS BY REGION

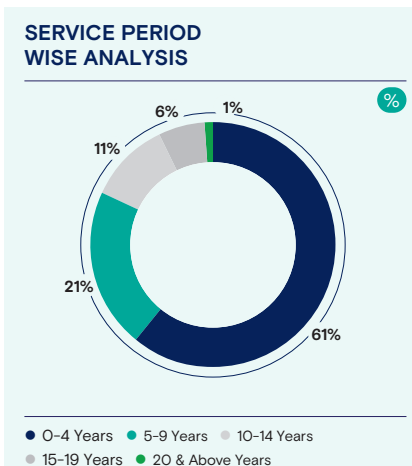


Attracting and retaining skilled professionals is a common challenge for most of the industries. The competition for talent, especially in specialized areas like finance and technology, can be intense. One of the challenges faced by HR is employee retention, influenced by various factors such as local/ global job market trends, economic shifts, social dynamics, political changes and technological advancements.

During the year under review, employee exits were mainly linked to new job opportunities, migration, and pursuit of higher education. Attrition rates remained highest among individuals aged 18-30, particularly in sales. We expect high turnover of school leavers who join our sales team. Best performers have the opportunity to join the permanent cadre.

To address HR challenges, CDB prioritises digital transformation, succession planning, employee development, coaching, rewards and recognitions and a series of talent engagement events. Additionally, the Company focuses on talent management through cross functional training and job rotation to promote employee mobility and upgrading the human resource system to facilitate data driven decision making and centralizing routine tasks to enhance service delivery.

Service Years	Total
0-4 Years	1177
5-9 Years	403
10-14 Years	203
15-19 Years	110
20 & Above Years	23



We continually invest in the professional and personal development and career progression of our team members to make people employable and generate extraordinary results through ordinary people.



DEVELOPING AND UPSKILLING OUR TEAM

404-1.2

Building workforce capabilities and developing our team members so that they can achieve their potential is a key to CDB strategy. We continually invests in the professional and personal development and career progression of our team members to make people employable and generate extraordinary results through ordinary people. We believe that by building people we build the business and our investment in developing our human resources has reaped great returns, resulting in a year-on-year growth in revenue per employee of LKR 12 Mn.

The CDB Academy runs a wide array of training and development programmes from soft skills to technical skills and preliminary to advance level programmes with a well-designed curriculum for each phase. Further, we facilitate external trainings from subject matter experts in the market, for the development of our employees.

Overall, we are equipped with a well-designed training blueprint which provides a roadmap to help individuals stay focused, motivated, and on track towards their goals.



PRELIMINARY LEVEL

Designed for new recruits and includes;

- ✓ Common induction program.
- ✓ 6-month E-Learning course (LMS) based on the respective category (Category courses related to products and processes).
- ✓ Personal/Soft Skills and Professional trainings.
- ✓ Professional Development – Partnering with professional institutes

EXECUTIVE LEVEL

Designed for employees to level up and includes;

- ✓ Junior talent pool - Branch Head Development Programme, Second Officer Development Programme, Women Empowerment Programme for Head of Branch Position
- ✓ Guidance for higher education partnering with reputed institutions in the country.
- ✓ Re-imbursement of professional examination fees.
- ✓ Opportunity to attend various external trainings, seminars and workshops.

ADVANCED LEVEL

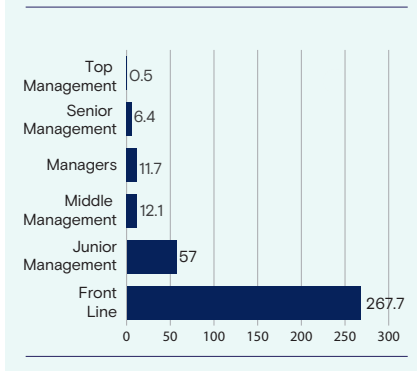
Dedicated for the Senior Management/ Senior Members /Experienced Members and includes;

- ✓ Senior Talent Pool Development Program – ‘CDB Challengers’
- ✓ Local and Foreign External Trainings

AVERAGE TRAINING HOURS PER EMPLOYEE



AVERAGE TRAINING HOURS BY EMPLOYMENT CATEGORY



Average training hours by gender

105



198

Total investment in training during the year:

Rs. 16.3Mn

We implemented trainings for our sales staff with the intention of developing their knowledge on products, basic soft skills, CDB digitalisation strategy and sustainability agenda. Furthermore, a series of trainings on the topic “How to be a Professional in Sales” were carried out over 2,396 hours for 312 employees.

Operation staff were also equipped with trainings related to the job specification, products, basic soft skills, CDB digitalisation strategy and sustainability agenda. During FY 2023/24 28,040 hours were completed for the operations staff in relation to on-the-job training.

A training program targeting the Advance Level to develop identified interpersonal communication competencies that enables to develop client centric communication was carried out during the year under review. This program themed ‘Communicate, Connect and Influence’ looked at five broad learning objectives that come together to form a system of communication and interpersonal behaviour that allows leaders and teams to be more persuasive and assertive. 12 members from the Management and Senior Management were selected for this training incurring an investment of approximately LKR 1.6Mn. Further, a comprehensive training program was conducted to the “Senior Talent Pool”, in which the second phase was completed by the University of Colombo covering areas pertaining to leadership and management.



PERFORMANCE MANAGEMENT

GRI 404-3

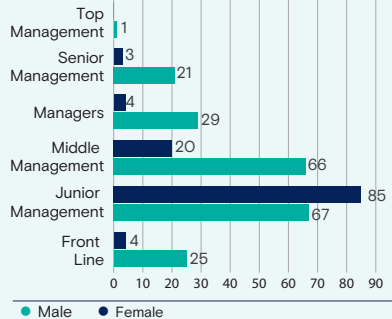
CDB has a well-defined performance management system in place with a policy and framework which contributes to the organisation’s goals. CDB’s performance system has been aligned to a globally and locally proven performance appraisal methodology and provides a platform where employees and immediate supervisors plan and finalise the key result areas and measurable outcomes which is based on the strategic plan unveiled by the CDB Leadership team at the beginning of the financial year. Known as the “Kick Off”, this annual event aims to align all staff members with the organisation’s overall objectives, irrespective of their roles or departments.

All staff members undergo regular performance reviews that help align their capabilities with the company’s goals. The performance management system is designed to not only enhance productivity and profitability but also to reduce employee turnover. The process recognises the performance levels of each employee and provides constructive feedback for improvement, with training requirements communicated to the HR division. Through the performance appraisal process, CDB identifies top performers for promotion and inclusion in tandem with the succession planning efforts.

CDB has established an Appeal Process for any employee who disagrees with the rating received during the feedback session. Through a submission of a written application to the appraiser within 7 days after the feedback process. Upon receiving a written request, the prescribed procedure will be followed to address the grievance, considering the impact on other’s ratings, if this rating is to be amended.

To ensure a pipeline of internal candidates for leadership positions, CDB has implemented a robust succession planning programme. This programme identifies multiple talent pools for targeted development. These talent pools consist of potential successors earmarked for key positions within the organisation, who are provided with the necessary grooming, skills, and knowledge to assume higher levels of responsibility in the future. The CDB Challengers programme initiated in January 2022 continues to serve as the development platform for the first talent pool.

PROMOTIONS BY GENDER



Promotions

209



116

As at 31st March 2024, our total staff strength was 1,916 out of which 926 permanent team members were eligible for the annual performance evaluation and 990 contract team members have been evaluated at the end of their contract period. During the year, a total of 325 team members were promoted.

ENSURING EQUITABLE COMPENSATION

GRI 2-19, 20, 401-2

CDB adopts a well-rounded total rewards plan that encompasses two integral pillars: total compensation and benefits and wellbeing. CDB consistently assesses its compensation and benefits packages to ensure they remain competitive, sustainable, and equitable. The Company conducts regular salary surveys to compare staff salaries with market rates, enabling the Committee to identify any discrepancies and make informed decisions.

• Total compensation

Our Remuneration Policy aims to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career with appropriate professional, managerial and operational expertise required to achieve the Company’s short term and long-term objectives. The Remuneration Policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best individuals to the Company.

In designing competitive compensation packages, the policy is to appreciate and reward high performers while ensuring that what we pay our people is aligned to our business strategy and performance is judged not only on what is achieved over the short and long term but also importantly on how it is achieved, as we believe the latter contributes to the sustainability of the business. The Remuneration Policy applies to the Board of Directors, the Executive Board and all employees of the Company.

Our holistic approach to total compensation is structured around two core elements, fixed pay and variable pay, the latter consisting of variable bonuses and long-

term incentive awards. This framework is designed in alignment with the long-term performance goals and objectives of the organisation while simultaneously motivating and rewarding our employees in a manner that befits their outstanding efforts and achievements.

Fixed pay

This includes salary, fixed pay allowance, and other cash allowances in accordance with local market practices and is reviewed on an annual basis

Variable pay

Performance bonus: Based on the overall performance of individual, reinforcing a pay-for-performance culture

Sales incentives: based on performance and target achievement

Overtime: As per regulatory requirements and company policy

• **Benefits and wellbeing**

Employee benefits are fundamental to our total rewards management, merging seamlessly with our commitment to ESG values and our strategic objectives. CDB's comprehensive benefits programme is designed to offer financial security, healthcare coverage, paid time off, employee loans at preferential rates, and other perks and benefits that facilitate work-life balance. We regularly review these offerings, ensuring they remain competitive and aligned with industry standards amid the ever-evolving business landscape.

Medical and wellness
Reimbursement of hospitalisation expenses for team members and their nominated family members.
Outpatient medical reimbursements, including coverage for OPD expenses, spectacles, and special tests and scans for team members and their families.
Group life insurance coverage with benefits for death and critical illnesses
Special medical tests conducted for Assistant Manager and above 40 years.
Sponsorships and reward recognitions for Sports achievements
Access to a fully equipped gymnasium and badminton facilities, provided free of charge to team members.
CDB has implemented an Automation of OPD and Hospitalisation Scheme, through which the OPD medical claim process has been converted to a paperless, fully automated process based on the ERP platform.
Members have the privilege of accessing holiday bungalows in Habarana and Nuwara Eliya for vacation.
Maternity leave entitlement increased from 84 to 100 days
Paternity Leave Policy, granting male employees three days off upon the birth of their child to support their spouse.

Other financial assistance
Staff loan schemes, including special concessionary interest rates for vehicle loans.
Reimbursement scheme for interest paid on housing loans.
Reimbursement of fuel, travel, and accommodation expenses.
A death donation scheme to provide financial assistance in case of the demise of an immediate family member.
Productivity and profit-related bonuses
Company provides a wedding gift to employees upon their marriage.
Exclusive gratuity schemes
Educational benefits
Reimbursement of professional memberships and examination fees.
Honorarium for completing professional exams and qualifications.
Access to a staff library facility located at the head office.
An e-learning platform with integrated online services for team members.
Retirement benefits
EPF/ ETF
Gratuity

RECOGNITION AND REWARDS

Our rewards and recognition programmes acknowledge and celebrate employee achievements, fostering a positive work environment, and a sense of appreciation. These initiatives boost morale, loyalty, and productivity, ultimately leading to improved performance, teamwork, and organisational success.

- CDB Infinity Awards in recognition of the best performing exceptional employees, offering monetary and non-monetary rewards
- Spot Rewards Programme in recognition for identifying lapses, process risk identification, and suggestions, etc. offering immediate recognition through performance-based rewards and numerous monetary and non-monetary benefits
- Special rewards for employees achieving monthly targets
- High Five Awards in recognition of higher performers in line with CDB Values of Perseverance, Empathy, Reliability and Innovation.
- Coffee with MD in recognition and appreciation for staff over 10 years of service



We believe that strong leadership is essential for fostering a culture of innovation, collaboration and excellence.

LEADERSHIP

Leadership effectiveness is a key to creating a work environment that brings out the best in our people and enables them to reach their full potential. We believe that strong leadership is essential for fostering a culture of innovation, collaboration and excellence. We continue to invest significantly in strengthening our leaders through local and international development programs which blends exposure to global thinking and threads with our own business context.

The role of leader as a coach is critical in enabling the growth of our people and as a consequence emphasis is placed on developing leaders across all business facets.

EMPLOYEE ENGAGEMENT

Employee engagement programmes cover a series of exciting events with the intention of building team synergy. These include welfare events, sports events, musical events, annual get togethers, talents shows and Womens' Day events.

Engaging mindful team members are a core area of our business model and strategy. CDB Advance Green Club, Active Ninja (team member health and well-being), paper and electronic recycling, home gardening, zero food waste and reforestation are some of the areas with high team member engagement.

Furthermore, the welfare club organised a range of events, notably including a blood donation campaign and dental and eye care clinics. The annual blood donation campaign occurred in October 2023 at the CDB Head Office, resulted in the collection of approximately 96 blood packs. The dental clinic, held over two days in July at the head office premises, focused on educating staff members about maintaining oral health, with support from Sudantha. Furthermore,

an eye clinic was organised in collaboration with Vision Care.

The year 2023 ended with the staff Annual Get Together at Pearl Bay, Arewwala which was open to employees and their families and close to 1900+ employees and their families participated in this event.



HEALTH AND SAFETY

GRI 403-1, 2, 3, 4, 5, 6, 7, 8, 9, 10

Understanding the importance of fostering a safe working environment for its team members, CDB prioritises creating a safe working environment. Robust security systems, fire safety protocols, and regular audits ensure a safe environment. The Company raises awareness of hazards and promotes compliance with health and safety regulations. CDB's goal is to protect the well-being of its team members, fostering productivity and growth. It provides comprehensive support for physical, mental, and emotional wellbeing, monitoring the health status of its team members centrally. Regular communication fosters a positive mindset, leading to commendable performance. New team members undergo health screening prior to completion of probation.

All our facilities have fire protection measures, and emergency preparedness training is provided. CDB offers healthcare options and promotes healthy lifestyles while ensuring decent working conditions. Within its Governance framework, CDB maintains a BCP Steering Committee that oversees defined policies, procedures, roles, and responsibilities. This committee comprises BCP coordinators representing various floors and branches. All BCP coordinators undergo training. Moreover, committee members are assigned quarterly, bi-annual, and annual activity completions, including tasks such as call tree tests, evacuation drills, and scenario testing. During the FY 2023/24 fire training was conducted specifically for branch BCP coordinators. Furthermore, CDB facilities regularly monitors fire detectors, smoke detectors, and a 24-hour centralized security monitoring system.

The number and rate of fatalities as a result of work-related injury	Nil
The number and rate of high-consequence work-related injuries (excluding fatalities)	Nil
The number and rate of recordable work-related injuries	2
Work related ill health (disease, illness, and disorder)	Nil
Fatalities as a result of ill-health	1*

* An officer passed away of a heart attack on his way to an official investigation.

DIVERSITY, EQUITY AND INCLUSION

GRI 405-1

CDB fosters a growth-oriented workplace for all, embracing diversity across gender, ethnicity, age, race, religion and other distinctions to achieve extraordinary outcomes. CDB's hiring and promotion procedures prioritise merit and qualifications and the organisation has implemented policies to prevent discrimination and guarantee equitable treatment for all employees, encompassing recruitment, compensation, benefits, and work-life balance.

Our initiatives during 2023/24

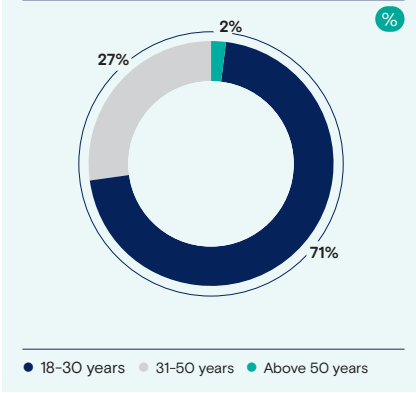
- CDB Paralympians: CDB is dedicated to providing opportunities for differently-abled team members through its program, CDB Paralympians, which is tailored to support and empower individuals with disabilities. Currently, we have five differently-abled staff, and we

are actively identifying additional job roles that can be performed by differently-abled team members. Furthermore, we aim to raise awareness among our staff regarding effectively engaging with both internal and external clients with different abilities.

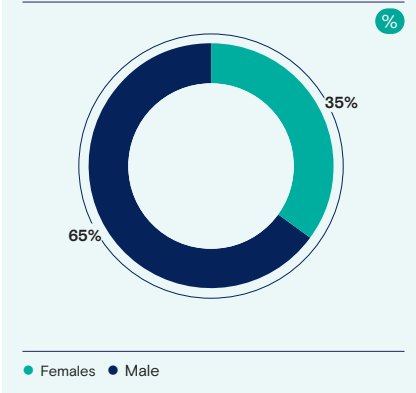
- Female representation: The company has maintained its commitment to enhancing the representation of women in its workforce. To uphold fair employment practices, CDB has instituted gender-sensitive recruitment policies, actively seeking out female candidates, promoting them to managerial and executive roles, and inviting them to serve on the corporate Board of Directors. Over 51% of our non-field based team members are female demonstrating CDB's steadfast dedication to fostering gender diversity and empowerment.
- Empowering women: CDB places considerable emphasis on empowering women, both within its workforce and in society as a whole. CDB is actively engaged in implementing policies and programs aimed at fostering the professional growth of women, which includes initiatives such as mentorship and leadership development. The ongoing programme "**Shimmers**" **Empowerment program**, is designed to groom high-performing female team members.

The CDB family comprises of individuals from diverse backgrounds, and we honour and respect the traditions and beliefs of all members of our community, fostering a sense of unity, understanding, and mutual respect within the CDB family.

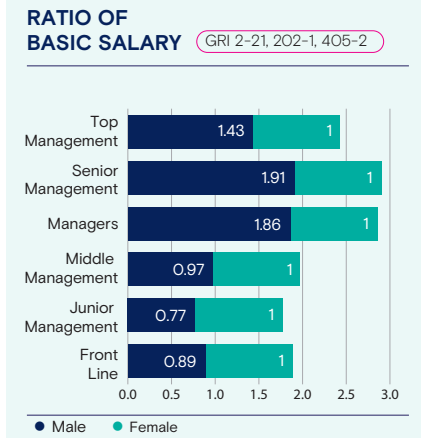
WORKFORCE BY AGE



WORKFORCE BY GENDER



Staff Category	18-30 years		31-50 years		Above 50 years		Grand Total	%
Top Management			2	7	1	12	22	1
Senior Management		1	5	25	1	1	33	2
Managers	2	1	6	27	1	1	38	2
Middle Management	2	20	44	140		3	209	11
Junior Management	109	264	60	165	2	3	603	31
Front Line	424	538	5	24		20	1,011	53
Grand Total	537	824	122	388	5	40	1,916	100
%	28	43	6	20	0	2		100



RETURN TO WORK AND RETENTION RATE AFTER PARENTAL LEAVE

GRI 401-3

	2023
Employees entitled to parental leave	654
Employees who went on parental leave	33
Employees who returned to work after parental leave	31
Employees still in employment twelve months after their return to work from parental leave	31
Return to work rate	94%
Retention rate	100%



Women's Day celebrations - One of the key aspects of our philosophy is multiplicity. 35% of our workforce is made up of women. We have always maintained a gender sensitivity in the recruitment process so as to ensure that there is no discriminatory working culture. We have female representation in executive to corporate management positions having feminine contribution in decision making roles. Therefore, we celebrate Women's Day each year with a special tribute to our women in the workforce.

Mrs. Apsari Thilakarathne working for the Sri Lanka Cricket Board as a women cricket convener was the guest keynote speaker for the Women's Day programme and a grooming session was conducted by British Cosmetics resulting in 200+ participants. In addition, stalls were set up by external women entrepreneurs aiming to support women empowerment.

EMPLOYEE WELLBEING

GRI 2-27, 410-1

Upholding human rights

GRI 406- 1

CDB upholds human rights and recognises the fundamental right to a livelihood through honest effort. Therefore, the Company ensures equal opportunities for individuals to earn a living through work, respecting their freedom of choice and creating a conducive environment that safeguards employee rights. Corporate internal policies such as the Employee Code of Conduct and HR Policy, encompass information on human rights, gender equality, and sustainable development. CDB has taken measures to increase awareness and implement these policies, ensuring all employees have an in-depth understanding of them.

To foster a safe work environment, the Company has implemented a zero-tolerance approach towards all forms of workplace violation of rights, including sexual harassment and discrimination. CDB has established appropriate policies, procedures, grievance mechanisms, and support structures that enable employees to report incidents or suspected incidents of violence, exploitation, or harassment, anonymously. Moreover, best practices have been implemented to protect whistleblowers from potential retaliation. The Company has communicated internally and externally its commitment to reducing gender-based violence. CDB has also conducted awareness campaigns among employees to educate them on what constitutes harassment, trafficking, or exploitation, and provided training on how to effectively manage and prevent such incidents. There were no incidents of discrimination during the year under review.

Ensuring ethical conduct

GRI 2-26, 2-30, 402-1

The Company strongly believes that ethical leadership is of paramount importance. CDB's Code of Ethics plays a central role in its operations and sustainable growth, ensuring ethical behaviour is ingrained, and unethical practices, fraud, and corruption are forbidden. CDB's commitment to ethical business practices is reinforced by top management and driven by its values-based culture, which is communicated and embraced by all team members in their daily business activities. CDB does not have a collective bargaining agreement. All employees are given adequate notice regarding any significant operational changes.

Ethical behaviour and good conduct are integrated into the organisation, promoting transparency and open communication with regulators. CDB actively engages

in inspections and investigations, working constructively with regulators. Throughout the year, CDB submitted timely and accurate information regarding its operations to the CBSL, and all other relevant regulators demonstrating its commitment to compliance and transparency.

In light of the increased scrutiny on non-bank financial institutions and the growing digitalisation of financial services, CDB has prioritised strengthening its compliance and governance framework. The Sustainability Steering Committee oversees the promotion of financial inclusion and diligently monitors business practices to ensure accountability, fairness, and ethical behaviour, whilst safeguarding the privacy of customer data. There were zero pending litigations as of year end.

Grievance handling

GRI 2-25

CDB has established a grievance handling policy to provide a productive and harmonious work environment by ensuring that grievances are responded to and resolved in a fair and quick manner. This aids in preventing minor problems or grievances from escalating and supports employees to resolve problems/conflicts proactively and handle any type of grievances in a fair manner with the support of internal and external counselors.

Whistle Blowing Policy

GRI 2-16

CDB encourages any employee who suspects wrongdoing at work, whether by his management, peer, or another employee, to raise their concerns through an internal whistle blowing procedure. Concerns raised will be investigated properly and the identity of the person raising the concern

will be kept confidential. Such information will be channeled through the Board Audit Committee.

Anti-Corruption

GRI 205-1, 2, 3

Throughout its history, CDB has proven to all its stakeholders that "honesty and integrity are essential in all our relationships and will never be comprised" and competitive advantage or profits will not be sought through unlawful, dishonest, or unethical business practices. Accordingly, CDB expects legal and ethical business practices regardless of any impact on the bottom line.

It is in this spirit that the Board of Directors of CDB has adopted this Anti-Corruption Policy to provide concrete guidance regarding compliance with relevant to anti-bribery laws and regulations. The Policy applies to and is communicated to all directors, officers, and employees of CDB and wherever located, they will adhere to the letter and spirit of all applicable corruption and bribery laws in Sri Lanka.

To enhance employees' knowledge on regulatory requirements and compliance, ongoing training is provided through the CDB e-learning platform, with a specific focus on anti-money laundering measures. The Company reinforce a compliance culture by appointing compliance representatives for each branch and department, and regularly communicating new directives through meetings. Employee feedback on compliance is reported regularly to the management team and the Board for review and necessary action, allowing CDB to proactively comply with new regulations.



FUTURE OUTLOOK

Short term

- Increase the proportion of female team members from 35% to 40%.
- Implement a contribution-based branch performance and reward and recognition ecosystem.

Medium to long term

- Establish comprehensive talent management strategies to attract, retain, and develop top talent in response to evolving market demands and regulatory requirements.
- Foster a diverse and inclusive workplace culture to drive innovation and enhance organisational resilience.
- Develop advanced HR analytics and technological tools to improve decision-making, optimise workforce performance, and align human capital strategies to meet business objectives.

Total number of confirmed incidents of corruption during 2023/24

Zero

Total number of employees dismissed or disciplined for corruption during 2023/24

Zero

DIGITAL CAPABILITIES

OVERVIEW

In line with expanding digital economies and rapidly evolving customer preferences, we continue to enhance our technological and people capabilities to provide personalised solutions, leveraging advanced data analytic tools to analyse, understand and identify our customers' needs. We continue to strengthen our focus on innovation and enhance and integrate solutions offered on our digital platforms to provide a secure and seamless end-to-end experience to cater to our customers' needs. CDB aims to continually invest to accelerate the development of its digital capabilities over the next five years as part of its 2021-2030 business strategy, to support the Company's long-term sustainability and to stay ahead of emerging competition.

CDB's evolution from traditional business to Fintech involved a pivotal shift from a traditional, technology-enabled financial institution to a technology-driven organisation that leverages its advanced technological capabilities to provide innovative financial products and services. This ongoing transformation has entailed embracing cutting-edge technology, developing its ICT infrastructure, enhancing digital channels, leveraging data and emerging technologies, expanding its ecosystems by engaging in partnerships, offering integrated services, focusing on customer-centricity, ensuring security and compliance, and most importantly, training its team members to embrace the new ethos and work-style.

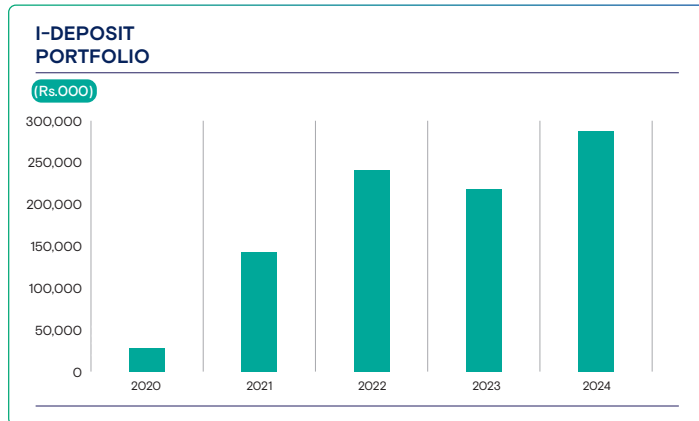
Digital adoption has been a cornerstone of our operational and strategic framework for years and our team has consistently championed this, ensuring that it is not

just a one-time initiative but an ongoing journey. We have reimagined the customer journey to be entirely digital, ensuring a seamless and engaging experience at every touchpoint.

Our crowd sourcing platform enables us to identify potential customers looking out to purchase vehicles. These leads are automatically directed to our sales management App - Affinity 360 and distributed across our sales teams based on the geographical location of the customers enabling our sales team to connect with prospective customers on a timely manner to facilitate their financing needs.

Our digitised customer onboarding process is an integrated ERP solution which is linked to automated credit decisions enabling us to reach out to meet our customers' needs at machine speed.

Our commitment to digital transformation allows us to provide a streamlined and efficient process from initial contact to post-delivery support. From targeted marketing, to product information, purchase decisions, onboarding and delivery, digital support, feedback and loyalty and user engagement, the entire process is a meticulously designed digital journey that not only enhances customer convenience but also builds long-lasting relationships based on trust and innovation.



Capitals impacted

- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Social and Relationship Capital
- Natural Capital

Material matters

M3

M8

Digital product innovations and process automations

Reducing carbon footprint



We continue to strengthen our focus on innovation and enhance and integrate solutions offered on our digital platforms to provide a secure and seamless end-to-end experience to cater to our customers' needs.

OUR IT STRATEGY

The IT strategy of CDB is a five-year roadmap (2022-2026), which details the Company's planned IT initiatives and contribution to the overall CDB ecosystem. CDB's expectation over the current decade is to become a financial services provider with a tech mindset. The IT strategy is intrinsically linked to CDB's business strategy through the two pillars- Sustainability and Technology Disruption, with the technical team entrusted to accomplish our objectives under these

strategic pillars. The key objectives of our IT strategy are discussed in the ensuing section.

EMERGING TECHNOLOGIES

Customer-centricity being our core focus in developing solutions that deliver exceptional customer experience has driven the continuous improvement of our technological infrastructure and systems such as upgrading our Data Centres to Tier 3 Data centres making it faster and more secure which allows us to expand our offerings to facilitate a seamless end-to-end customer experience within our digital platforms, CDB SELF app is one of such offerings.

Through continuous innovation and investment in cutting-edge technology, CDB has successfully transitioned into a virtual powerhouse, empowering customers to access financial services anytime, anywhere. This journey has not only improved customer convenience, but has also streamlined operations, reduced costs, and positioned CDB as a leader in the virtual financial services landscape.

By leveraging emerging technologies such as AI and machine learning, automated systems have minimised manual intervention resulting in reduced turnaround times, enhanced operational efficiency, lower costs, improved risk management, a better customer experience and compliance.

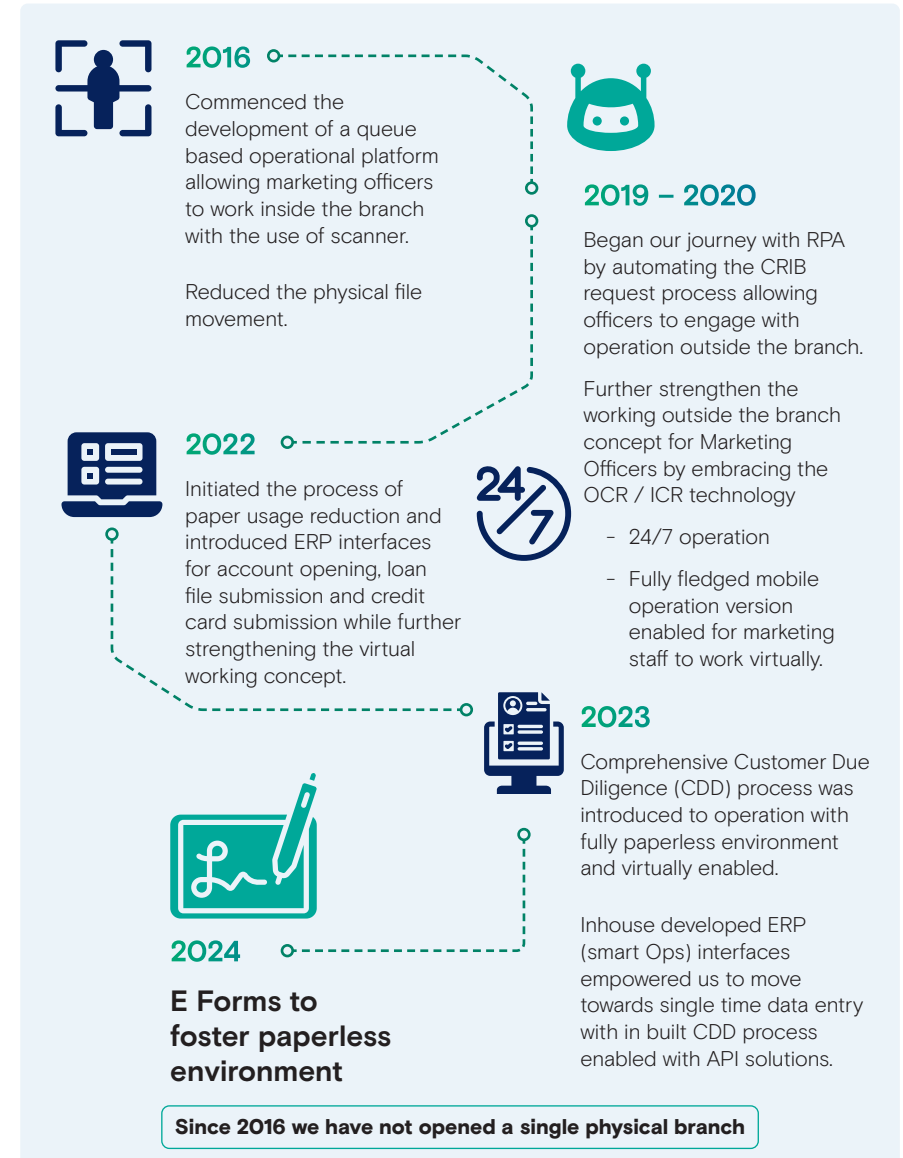
Furthermore, by harnessing the power of emerging technologies, CDB has been able to drive positive environmental outcomes and contribute to a more sustainable future by enabling resource efficiency, reducing carbon emissions, and supporting eco-friendly practices.

OPERATIONAL EXCELLENCE

Over the years, we have been laying the foundation to enable the acceleration of technology modernisation to secure the Company's long-term needs. CDB aims to be a leader in technology-driven efficiency, and a carbon-neutral organisation, by expanding its capacity exponentially through technological disruption and creating a virtual presence without opening any new physical branches. Our digital value creation journey began in 2016 by embracing virtualisation and revolutionising operations across a substantial number of its departments and processes. With a vision to enhance customer experience and actively embrace technological advancements, the Company set out to create a seamless virtual financial services environment. The first step was the development of robust online platforms and user-friendly mobile applications, laying the necessary groundwork for the virtual journey. Since then, we have continually disrupted traditional time-based financial practices and enabled the direct delivery of solutions to customers' doorsteps, even in remote rural areas.

As customers increasingly embraced digital offerings and channels, CDB expanded its services, enabling online account openings, easy and convenient fund transfers, online bill payments, and streamlined loan applications. While expanding digital services, CDB also prioritised security and reliability, ensuring customers could trust and rely on their virtual journey and experience. Thus, CDB's digital transformation efforts have resulted in better alignment with evolving customer needs, higher conversion rates, improved customer satisfaction, and a competitive edge in customer acquisition.

CDB's evolution from traditional business to Fintech is illustrated below.



In 2023/24, CDB carried out several key process changes automations which will create a paperless environment, bring about better connectivity, enable economies of scale to focus our resources efficiently, as well as reduce our downtime and recovery time to minimise service interruptions.

Key initiatives

System integration

- Data submission:** To facilitate the digitalisation of the customer journey and expedite the decision-making process, CDB has developed a comprehensive and integrated ERP system. Through this, the customer onboarding process has been simplified and made more efficient. Previously CDB operated using Optical Character Recognition (OCR) and Intelligent Character Recognition (ICR) technology in fulfilling the onboarding cycle. With the introduction of single time data entry through the Smart Ops ERP system we have been able to gain a competitive edge in customer acquisition.
- Data entry:** CDB has evolved from the use of Robotic Process Automation (RPA) to Application Programming Interface (API) solutions for automated data entry requirement.
- Data verification:** Under the previously used OCR/ICR technology there has always been a requirement for human based validation. However, with the Smart Ops system we have brought in multiple automations which have significantly reduced the level of human intervention required for data verification.

Due diligence

CDB places significant importance on implementing robust Customer Due Diligence (CDD) processes by ensuring thorough customer identification, collection, and verification of crucial information. This is followed by meticulous risk assessments to evaluate customers' profiles based on factors such as their business activities, transaction patterns, and potential exposure to politically exposed persons (PEPs). Accordingly, our CDD process has been automated with the help of RPA and integrated with an API solution which ensures timely verification and compliance with regulatory requirements.

Automated Annual Credit Review

The annual credit review of lending customers has been automated to ensure that the review of lending facilities is performed efficiently and in a timely manner, and to provide pre-approved credit facilities to existing customers. Our API connectivity with CRIB records enables us to automate this process, which was previously performed manually. Pre-approved facilities are pushed to our integrated sales monitoring app, which will be followed up by our sales team.

Video KYC (VKYC)

We have integrated VKYC with our call centre, allowing customers to complete KYC procedures from home, reducing branch traffic, and eliminating the need for in-person visits to open accounts or obtain facilities.

Electronic KYC (EKYC)

EKYC has been implemented in our branches, enabling direct input of customer details into the system, shortening the manual KYC process, reducing branch traffic, and minimizing the time customers spend on account creation or facility acquisition.

Average credit cards request per month - **607**

Average credit file requests per month - **2,084**

Client creation for FY 2023/24

RPA - **51,683**

Manual - **1,880**

Savings accounts openings for FY 2023/24

RPA - **24,592**

Manual - **6,749**

Customers onboarded for mobile app

FY 2023/24 - **3,804**

Through the widespread adoption of process automation, team members engaged in manual processes have been redeployed to more value-adding roles that entail greater engagement with customers across multiple channels. This allows the centralised team to strengthen the branch operation in terms of capacity management, irrespective of changes in manpower requirements and volume, thereby increasing overall efficiency and productivity.

Supported by a robust network of tech partners, CDB successfully continues to progress on its journey of strengthening digital infrastructure including governance and cybersecurity. This enabled us to ensure continuous monitoring and leverage threat intelligence, resulting in effective incident response planning, conducting security assessments, and audits. The Company follows a rigorous and transparent selection process involving a Board steering committee, to ensure the selection of the best partners who would complement the execution of our strategy.



Number of iDeposits placed - **4,479**

Value of iDeposits placed - **Rs. 1 Bn**

Mobile app downloads - **12,274**

iControl app downloads - **4,809**

CDB website visitors - **214,190**

CDB Facebook followers - **109,200**

CDB LinkedIn followers - **9,730**

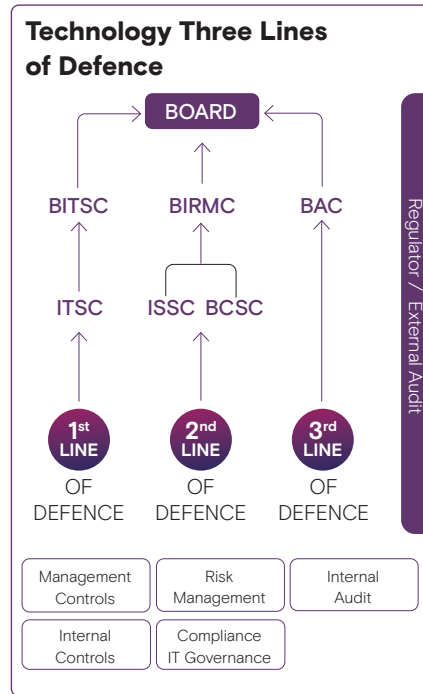
During the year, CDB maintained the expected SLA across all services. This includes transparent decisions, the continuation of the Annual Maintenance Contract (AMC), carrying out the required system upgrades, establishing relevant data security standards and patch upgrades, and accommodating changes in technology to meet evolving and unmet customer requirements. CDB's strong and long-standing relationships with its technological partners enabled it to provide an uninterrupted service and meet the increased demand for digital services.

IT GOVERNANCE

As we intensify to invest in technology and digital capabilities to build, scale and offer best-in-class experience at CDB, we recognise the need to have a robust IT governance framework to provide a balance mix of technology investments that are aligned with strategic and cross-functional business objectives. As part of the IT governance framework the three

strategic steering committees, namely the Information Technology Steering Committee (ITSC), Information Security Steering Committee (ISSC) and Business Continuity Steering Committee (BCSC) have been established to promote, oversee and support the effective use of technology, information as well as information security across the organisation as well as to create strong security posture and cyber resilience.

Technology Three Lines of Defence model detailed below.



BIRMC – Board Integrated Risk Management Committee
 *BITSC – Board Information Technology Steering Committee
 BAC – Board Audit Committee
 *BCSC – Business Continuity Steering Committee
 ITSC – Information Technology Steering Committee
 ISSC – Information Security Steering Committee

*Will be established from the financial year 2024/25

We follow ISO 27001 to align our IT strategies with business objectives, manage risks associated with IT, and ensure compliance with regulatory requirements and industry standards. In addition, we have planned to become recertified with the latest ISO/IEC 27001:2022 standard. We also abide by the PDDPA act that has been enforced ensuring our customer data is secure building our digital trust.

INFORMATION SECURITY

In an era of aggressive digital expansion, cybersecurity stands as an indispensable pillar safeguarding our organisation’s digital assets and operations. As we navigate an increasingly interconnected landscape, threats to our data and systems continue to evolve, necessitating perpetual vigilance and adaptation. At CDB we adopt a proactive approach to mitigate cyber security threats and invest in technologies, processes, and personnel. Our cybersecurity strategy is developed in line with the CBSL Direction No.01 of 2022 and in collaboration with other public and

private sector partners on a national and international level. CDB holds the ISO/ IEC 27001:2013 certification for its IT Services and has maintained the certification over the past six consecutive years which demonstrates its commitment to ensuring the highest levels of customer information security through conformance to the highest information systems, practices and protocols, in accordance with global standards.

CDB has also established security solutions and policy management protocols supported to align multi-vendor solutions which address cyber security challenges and the associated cyber risks. Security assessments are continually carried out to detect and evaluate vulnerabilities in systems and applications, promptly taking necessary corrective measures. Additionally, the Company is constantly on alert to emerging technologies, and new cyber threats emanating from a wide range of sources in creating resilience. Team members are updated through e-flyers and

staff announcements while Cyber security training and awareness sessions are carried out for staff and Board members, with the help of industry experts, and continuous reminders and updates are circulated via email to ensure everyone stays vigilant.

IT WORKFORCE DEVELOPMENT

The need for digitally savvy talent has become increasingly crucial to enable CDB’s aspiration as well as to remain competitive as a digital financier. In this context, we have been diversifying our recruitment and development programmes to build our own internal pipeline of digitally-skilled experts. Majority of our team is very young with high tech user adaptability. Thus, we continue to invest in skill development programmes, to ensure our existing talent is well-equipped with the right skills and knowledge to keep them relevant and competitive.

As an organisation that heavily focuses on empowering staff, we encourage our technical teams to obtain the relevant certifications to remain up to date with the latest tech developments. Our technical teams are sent on scheduled trainings and various other technical forums who thereafter disseminate the knowledge to the rest of the employees.

1 Strengthen the cyber team and its capabilities to enable secure and innovative operations

2 Collaborate with key partners to promote resilience and reduce the incidence and severity of cybersecurity breaches

3 Regulate and promote leading cybersecurity standards through CDB’s oversight roles

Key initiatives

- ISO 27001 Lead implementer training was conducted for our staff allowing them to obtain the knowledge for the ISO 27001 certification.
- Industry specific trainings on demand along with Tech Summits, BankTech Asia and other programs



FUTURE OUTLOOK

Short term

- Establish a fully digitalised operational framework, integrating technology into every aspect of our business.
- Deliver a digitally empowered efficient experience to our customers.
- Embrace a paperless operational environment to support our sustainability ambitions.

Medium to long term

- In charting its future course, CDB recognises that successful disruption hinges on regulatory compliance, economic conditions, and technological innovation.
- Building on its digital transformation journey, the company sees vast potential in leveraging emerging technologies like advanced analytics, AI, and cloud computing to enhance customer experiences and drive innovation.
- Embracing blockchain and open banking APIs offers avenues for enhanced security, transparency, and collaboration with fintech startups. With the IT department at the forefront, CDB's Business Strategy 2020-2030 focuses on sustainability and technology disruption, aligning projects and fund allocation to prioritize customer service improvement.
- Biannual reviews ensure adaptability in a volatile operating environment, with a roadmap encompassing regulatory compliance, stakeholder collaboration, and a commitment to technological advancement, positioning CDB as a leader in a rapidly evolving financial landscape.
- Fostering Digital Trust through a robust foundation in technology resilience.

CONSCIOUS

RESPONSIBILITY

Sustainability is at the core of our strategy. We believe that financial success is achieved only when it harmonises with the health of our planet and the well-being of our communities. Envisioning beyond we seek to collaborate and deliver sustainable and green solutions whilst converging with our ambitions of growth.



FINANCIAL PERFORMANCE

GRI 201 - 1

The year under review was yet another challenging one due to the prevailing economic and geopolitical challenges across the world. The global economy experienced volatility, characterised by geopolitical tensions, supply chain disruptions and inflationary pressures. These challenges posed significant headwinds for businesses across industries, impacting consumer behaviour, market dynamics, and operating environments.

Sri Lanka continued to battle against the lingering effects of the economic crisis, and the economy contracted by 2.3% during the year 2023. Though far from its true potential, this was however a notable improvement over the prior year contraction of 7.3%, showing hopeful signs of a rebound. The financial services sector continued to be affected by the high-interest rate environment and subdued credit demand particularly during the first half of the year. Signs of improvement however were observed from the third quarter of the year as the effects of the economic reform programmes implemented by the Sri Lankan authorities began showing preliminary results. Overall, the sector remained resilient with adequate capital and liquidity buffers

throughout the year while recording growth in terms of assets, deposit base, and profitability.

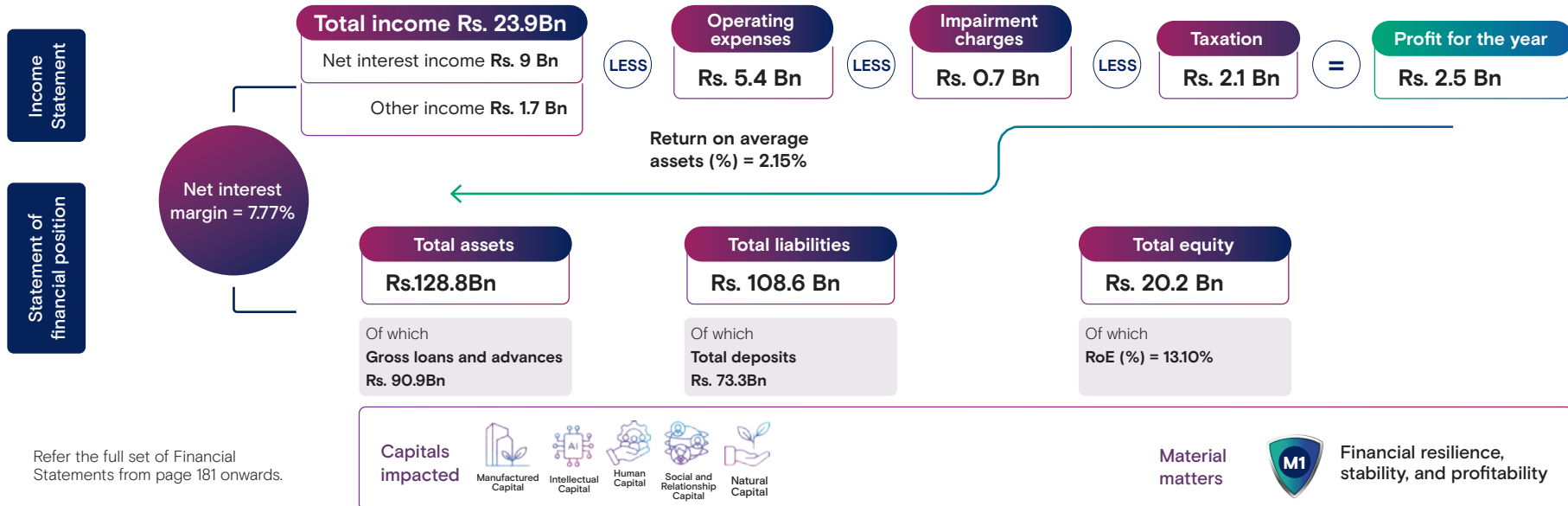
CDB navigated through these economic challenges with resilience, adaptability, and a steadfast commitment to its strategic objectives. While our financial performance may have been influenced by external factors beyond our control, we remained focused on managing risk, optimising operational efficiency, and preserving long-term value for our stakeholders.

CDB delivered a remarkable financial rebound, surpassing industry averages and showcasing the resilience of our business model, the effectiveness of our strategy, the

strength of our risk management framework, and the calibre of our customer base. Following two years of stagnant growth in the balance sheet, CDB achieved a notable 22% increase, reaching an asset base of Rs. 129 billion. Our profits experienced commendable growth during this period, all the while maintaining favourable operating indicators, including a well-managed non-performing asset ratio. This underscores our exceptional ability to navigate and respond to macro environmental challenges with resilience.



KEY FINANCIAL HIGHLIGHTS AT A GLANCE



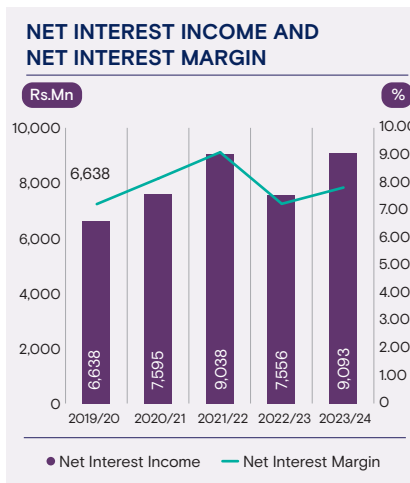
Refer the full set of Financial Statements from page 181 onwards.

ANALYSIS OF THE INCOME STATEMENT

Net interest income

The increase in net interest income (NII) from 7.6 billion in 2023 to 9.1 billion in 2024, can be primarily attributed to the repricing effect of interest rates as well as improved economic conditions. Interest income reached Rs. 22.2 billion and recorded a growth of 10% as a result of the uptick in lending activities particularly during the latter half of the year. Additionally, there was a notable increase in interest income from financial instruments, particularly Treasury Bills, driven by higher returns on investments due to high rates from government securities and excess liquidity position maintained during the year.

Interest expenses grew by 4%, reaching Rs. 13.1 billion as at year end compared to Rs. 12.6 billion of the previous year. Interest paid to depositors represents the largest quantum of total interest expenses and the increase in the current financial year was mainly the result of frequent re-pricing of the fixed deposits portfolio in line with the downward change in policy interest rates during the first half of the year despite 17% increase in customer deposits. However, this was offset by decreased expenses through the settlement of a significant quantum of interest-bearing loans and borrowings. Consequently, with the growth in interest income outpacing the interest expenses, the net interest margin (NIM) improved to 7.77% as at March 2024 from 7.18% recorded as at the prior year end.



Fee based income

Total non-fund based income stood at Rs. 1.7 billion as at year end compared to Rs. 1.4 billion of the previous year. Income from fees and commissions recorded a slight reduction compared to the year before, reaching Rs. 240 million as at year end. Other operating income which mainly comprises of income from early settlement of lending facilities, income from credit cards and other income, increased by 21% to Rs. 1.4 billion from Rs. 1.2 billion in the previous year, mainly as a result of the rise in pre-closures of lending contracts.

Impairment costs

The Company's impairment cost decreased by Rs. 71 million, representing a reduction of 9% compared to the previous year. This positive shift can be attributed to enhanced credit quality and stringent recovery strategies implemented throughout the year.

In accordance with the CBSL Direction No. 01 of 2020, "Classification and

Measurement of Credit Facilities" the method of computing the non-performing loan ratio was changed with effect from 01 April 2022. Under the new classification, all facilities reaching 90 days past due were considered as non-performing loan. Based on 90 days past due (DPD), the NPA ratio (gross) exhibited a significant decrease of 365 basis points (bps) year-on-year to 12.06% in 2023/24 from 15.71% the previous year. Similarly, the NPA ratio (net) saw a remarkable decline of 325 bps to 6.88% in the year under review from 10.13%. This achievement is noteworthy, particularly in light of the asset quality deterioration observed in the Non-Banking Financial Institutions (NBFI) sector. Additionally, the 90 DPD-based provision cover also improved, rising from 39.37% in 2022/23 to 46.83% in the current year, surpassing the sector average of 32.5%.

	2022/23 (120 DPD)	2022/23 (90 DPD)	2023/24 (90 DPD)
Gross NPL	10.99%	15.71%	12.06%
Net NPL	5.12%	10.13%	6.88%

	Stage 1	Stage 2	Stage 3	Total
Gross loans and receivables to customers	66,421,935	11,741,355	12,746,639	90,909,929
Expected credit loss allowance	(1,169,788)	(607,947)	(3,168,321)	(4,946,056)
Net loans and receivables to customers	65,252,147	11,133,409	9,578,318	85,963,874

Total operating expenses

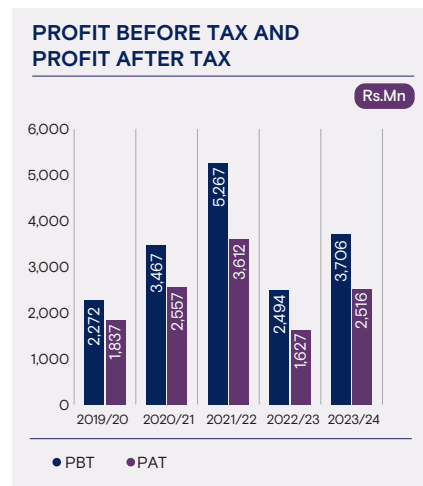
Total operating expenses rose by 7% year-on-year to Rs. 5.4 billion from Rs. 5.1 billion. This increase was primarily attributed to premises, equipment, and establishment expenses which grew by 6% due to the impact of inflationary pressures. The 7% growth in staff-related expenses reflecting salary increases and people investments further contributed to the rise in operating expenses.

The cost to income ratio stood at 50.40% marking a decline from the previous year as a result of the increase in income and management of cost escalation during 2023/24.

Profitability

Despite the myriad challenges that prevailed in the operating context, operating profit before taxes on financial services surged by 48% to Rs. 4.6 billion in 2023/24 from Rs. 3.1 billion in the preceding year. This growth was driven by a 20% increase in net interest income and a 21% rise in other operating income. Value-added tax and other taxes rose sharply by 41% year-on-year to Rs. 2.1 billion. Consequently, profit before tax for FY 2023/24 increased by 49% to Rs. 3.7 billion compared to Rs. 2.5 billion in the previous year. CDB recorded a profit after tax of Rs. 2.5 billion for the year under review, marking a substantial 55% year-on-year increase from Rs. 1.6 billion in the previous year 2022/23.

Earnings per share increased to Rs. 35.95 from Rs. 23.29 in the preceding year. The substantial increase in profit after taxation (55%) outpaced the relatively lower growth in equity (11%) and total assets (22%) during the year. Consequently, both return on average assets (after-tax) and return on average equity rose to 2.15% and 13.10% respectively for the year, compared to 1.55% and 9.08% reported in 2022/23.



Taxation

Income tax expenses grew by 37% recording Rs. 1.2 billion for the year ending 31 March 2024 from Rs. 867 million recorded at previous year end, on account of improved profitability during the year.

Taxes paid	2024 Rs. '000	2023 Rs. '000
For the year ended 31 March		
Direct taxes		
Value added tax on financial services	670,445	698,603
Crop insurance levy	15,526	18,920
Surcharge tax	-	715,053
Social Security Contribution Levy	65,418	33,521
Income tax	1,072,260	1,369,193
Indirect taxes (Collected and paid)		
Value added tax	34,868	32,000
AIT/WHT	630,018	88,290
Stamp duty	250,070	136,467
PAYE tax	152,958	86,987
Total taxes paid during the financial year	2,891,564	3,179,034

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Total assets

During the year, the asset base of the Company expanded by 22% reaching Rs. 128.8 billion from Rs. 105.2 billion at the end of the prior year. This growth significantly exceeds the industry asset growth. Interest earning assets accounted for nearly 93% of the total assets. The value of interest earning assets increased compared to previous year mainly as a result of increased deposits with banks and financial institutions driven by excess liquidity and increased loans and receivables to customers on the back of more aggressive growth pursued during the latter half of the year.

Loans and receivables

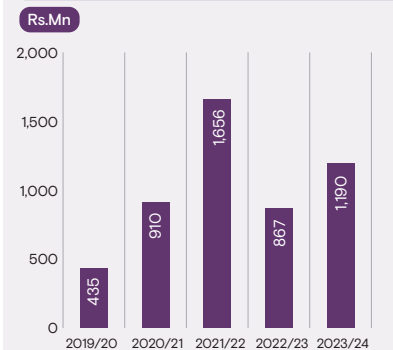
Loans and receivables to customers rose by Rs. 9.5 billion, marking a 12% year-on-year increase to reach Rs. 85.9 billion as of March 31, 2024, compared to Rs. 76.5 billion in the previous year. The growth in the loan book was primarily driven by core products, with leases experiencing a growth of Rs. 5.7 billion (12%, YoY) and term and vehicle loans growing by Rs. 3.3 billion (42% YoY). The persistently elevated prices of vehicles in the market remained a hurdle for new leases. Additionally, due to the declining trending interest rates in the second

Tax management at CDB

GRI 207-1,2,3

Our Board oversees all tax related matters, ensuring compliance with laws and regulations. We prioritise ethical tax planning aligned with our business strategy. We optimise tax positions within legal boundaries, disclosing payments in our financial reports. Our practices aim for transparency and responsible tax management. We manage tax risks through regular reviews and communication with tax authorities. In disputes, we engage in constructive dialogue to resolve issues promptly and transparently.

INCOME TAX EXPENSES



half of the year, there was a noticeable trend of customers seeking financial assistance to buy vehicles. Consequently, we encountered frequent early settlements of leases.

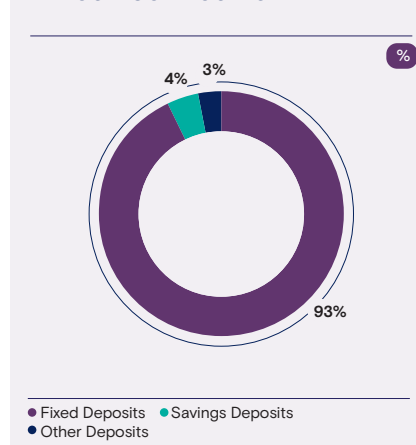
In terms of non-core products margin trading, credit card, and gold loan portfolios all demonstrated considerable growth during the year, increasing by Rs. 105 million, Rs. 248 million, and Rs. 697 million respectively. This expansion underscores our efforts toward portfolio diversification.

As at 31 March	2023/24 Rs. '000	Composition %	2022/23 Rs. '000	Composition %	Change Rs. '000	% Change
Leasing and other long-term loans	70,673,609	77.7	62,241,571	76.5	8,432,038	13.5
Gold Loans	16,486,801	18.1	15,789,950	19.4	696,851	4.4
Loans against deposits	1,762,646	1.9	1,741,277	2.1	21,369	1.2
Credit Cards	1,536,042	1.7	1,287,710	1.6	248,332	19.3
Margin Trading	450,831	0.6	345,696	0.4	105,135	30.4
Total Portfolio	90,909,929		81,406,204		9,503,725	11.7
Impairment	(4,946,055)		(4,929,315)		(16,740)	0.3
Portfolio net of provisions	85,963,874		76,476,889		9,486,985	12.4

Total liabilities

Overall liabilities witnessed a year-on-year increase of 25%, primarily driven by the 17% growth in the deposit base, which expanded from Rs. 62.9 billion in FY 2022/23 to Rs 73.3 billion as of end March 2024. This growth was primarily driven by time deposits, which increased by Rs. 9.5 billion, reflecting a 16% year-on-year expansion. The average cost of customer deposits notably decreased to 13.33% as of March 2024, down from 21.32% a year prior, indicating a reduction in interest rates within the economy. Furthermore, the proportion of deposits to debt composition declined from 75% in the previous year to 71% in the financial year under review.

DEPOSIT COMPOSITION



Foreign funding

Our foreign borrowings portfolio increased by 110% to Rs. 8.9Bn in FY 2023/24 from Rs. 4.2Bn. in FY 2022/23. Amidst the challenging economic circumstances and foreign currency shortages, we honoured our foreign loan settlement commitments to our foreign funding partners who had placed great trust in us for years. Despite the country navigating through a challenging foreign currency sovereign debt repayment burden scenario over the medium term, low foreign exchange reserves and rising government debt. CDB succeeded in securing a USD 30 million funding facility from U.S. International Development Finance Corporation (DFC) to support women entrepreneurs, green

financing, and micro-, small and medium enterprises (MSMEs). This marked a significant milestone as the facility was disbursed when the country was in the credit default state, reaffirming our credibility and strong commitment to corporate stewardship.

While our existing foreign funding portfolio shrank with the settlements made during the year, the total portfolio was boosted with the receipt of this DFC facility in December 2023.

Foreign borrowings (Rs. Mn)

31 March 2024	8,866
31 March 2023	4,225

Capital and liquidity

CDB's total equity strengthened, increasing by Rs. 2 billion during the year to reach Rs. 20.2 billion as at 31 March 2024, mainly due to improved profitability recorded in 2023/24. Over the past years, we have consistently enhanced our capital adequacy ratios, positioning ourselves comfortably to meet even more stringent capital adequacy requirements outlined in the guidelines on Sector Consolidation and the Prompt Corrective Action by the Central Bank of Sri Lanka. As of the financial year 2023/24, our tier I and tier II capital ratios stood at 15.51% and 15.89% respectively, exceeding the statutory requirements.

Ratio	2023/24	2022/23	2021/22	2020/21	2019/20
Core capital Ratio (%)	15.51	16.23	15.16	12.10	10.25
Total capital Ratio (%)	15.89	17.35	17.07	15.34	13.29

We continued to maintain liquidity levels above the regulatory minimum and stringent ALCO targets were maintained during the year. With 93% regular cash flow generating assets we were able to maintain liquidity at compatible levels. The statutory liquid assets ratio of 18.10% (2022/23: 14.05%) stood well above the regulatory minimum requirement of 10%.



FUTURE OUTLOOK

Looking ahead, we anticipate a positive trajectory for our financial capital as we continue to navigate through a dynamic business landscape. Despite macroeconomic uncertainties, we remain optimistic about our profit and asset growth prospects, driven by our unique strategy and customer-centric approach (Tech disruption and Sustainability). Our focus on digital innovation and technological advancements will enhance operational efficiency and customer experience, contributing to sustained profitability, while our focus on sustainability will position us better to adapt to changing market dynamics, create long term value and create a positive impact on the planet.

Additionally, prudent risk management practices and a robust capital adequacy framework will ensure financial stability and resilience against potential market volatilities. We are committed to deliver value to our shareholders while strategically allocating capital towards growth initiatives, including expansion into new markets and investments in digital infrastructure. Although we recognize the presence of regulatory and geopolitical risks, our proactive approach to risk management positions us well to mitigate these challenges and capitalize on emerging opportunities. Overall, we are confident in our ability to deliver long-term value to our shareholders and stakeholders while upholding our commitment to financial integrity and sustainable growth.

“Team CDB” has experienced many shocks during its early years and emerged as a stronger and more resilient organisation. We are confident that our purpose coupled with exemplary governance and meticulous

Shareholder returns

The return on average shareholders’ equity (after tax) improved to 13.10% as at the end of the year compared to 9.08% reported at the end of the year 2022/23. Net assets value of the share as of 31 March 2024 was Rs. 285.22 (2023 – Rs. 260.40). Market price of the voting and non-voting shares were recorded at Rs. 210.00 and Rs. 85.80 respectively.

Board proposed a dividend for FY 2023/24 of Rs. 7.00 per share which is 40% increase of the dividend declared in the previous FY 2022/23 while maintaining a dividend payout ratio around 20%.

execution of our strategy will enable us to build an organisation that continues to be highly resilient to volatile and uncertain times. Despite the challenges posed by the uncertain macroeconomic context, we will strongly commit ourselves to the three strategic priorities of TechFin Transformation, one million customer base, and A Quarter Trillion Asset Base (Q-TAB) by 2030, in the immediate future.

Short term

- Effective management of asset and liability portfolios to minimise the maturity mismatch
- Pursue revenue diversification opportunities
- Improve operational efficiency and productive deployment of capital assets

Medium to long term

- A Quarter Trillion Asset Base (Q-TAB) by 2030
- Diversification of lending portfolio into new market segments
- Significantly expand the green portfolio

A RESILIENT PERFORMANCE

CAPITAL MARKET PERFORMANCE

The Colombo Stock Exchange (CSE) has 284 companies with a market capitalisation of Rs. 4,535 Bn. as at 31 March 2024. All Share Price Index (ASPI) and S&P Sri Lanka 20 Index (S&P SL 20) stood at 11,444 and 3,318 respectively.

During the financial year, prices of ordinary voting shares of CDB indicated a capital depreciation of 7.8% while ordinary non-voting shares of CDB generated a capital appreciation of 8.5%. The performance of the ASPI was 23% YoY as of 31 March 2024.

CDB.N was trading between Rs. 173.75 – Rs. 225.00 and CDB.X was trading between Rs. 60.10– Rs. 96.00. Overall, CDB stock market capitalisation has depreciated by 5.41% YoY, decreasing from Rs. 14.37 Bn. market capitalisation in 2022/23 to Rs. 13.59 Bn. in FY 2023/24.

OVERALL SHARE MARKET

As at 31 March 2024 the 284 companies were listed in the CSE with a market capitalisation of Rs. . 4,535 Bn. reflecting an increase of 16% compared to Rs. 3,904 Bn in the previous year.

	31 March 2023	31 March 2024
All Share Price Index (ASPI)	9,301	11,444
S&P Sri Lanka 20 Index (S&P SL 20)	2,683	3,318
Market capitalization (Rs. Bn.)	3,904	4,535

We have continued to maintain a positive and effective communication with investors and shareholders over the period, leading to enhanced relationships and performance of the Organisation. In order to ensure fair and timely disclosures, and provide relevant information, we connected with the investors through online and offline communication channels.

STOCK EXCHANGE LISTING

The issued ordinary shares of Citizens Development Business Finance PLC are listed on the Main Board of the Colombo Stock Exchange.

The unaudited Interim Financial Statements for the three quarters in the FY 2023/24 have been submitted to the CSE within the stipulated 45-day period. The unaudited Interim Financial Statements for the final quarter was submitted to the CSE within the stated 60 days from the Statement of Financial Position date.

INVESTORS' SUMMARY

As at 31 March	Earnings per share	Dividend per share	Dividend payout %	Market price per share	Dividend Yield
2024	35.95	7.00*	19.47	210.00	3.33
2023	23.29	5.00	21.47	227.75	2.20
2022	51.75	3.75	7.25	230.75	1.63

*Proposed Dividend

For the financial year ended 31 March 2024, CDB declared a first and final cash dividend of Rs. 7.00 per share for both voting and non-voting shares of Rs. 423,547,278 and Rs. 72,405,476 respectively, which aggregated to a sum of Rs. 495,952,954 subject to shareholders' approval at the Annual General Meeting .

SHARE PRICE INFORMATION

Prices (LKR)	2023/24	
	Voting	Non-Voting
High	225.00	96.00
Low	173.75	60.10
Last traded	210.00	85.80

	ASPI	CDB.X	CDB.N
April 2023	8,983	65.30	194.00
May 2023	8,555	65.40	204.25
June 2023	9,443	68.30	210.00
July 2023	11,387	88.10	189.50
August 2023	11,114	81.90	190.00
September 2023	11,336	81.90	200.00
October 2023	10,647	80.00	190.00
November 2023	10,594	84.20	199.75
December 2023	10,654	80.30	200.00
January 2024	10,311	79.00	200.00
February 2024	10,652	83.50	200.00
March 2024	11,444	85.80	210.00

SHARE TRADING INFORMATION

CDB voting share performance

	Turnover (Rs. Mn.)	Share volume	Highest Price	Lowest Price	Closing Price
April 2023	12.1	61,420	225.00	180.75	194.00
May 2023	7.1	35,069	210.00	181.25	204.25
June 2023	7.9	39,195	210.00	181.00	210.00
July 2023	20	98,348	205.00	188.50	189.50
August 2023	16.7	86,204	210.00	180.25	190.00
September 2023	84.3	432,459	200.00	185.00	200.00
October 2023	1.7	8,464	200.00	185.25	190.00
November 2023	4.2	21,098	205.00	190.00	199.75
December 2023	59.5	297,648	200.00	173.75	200.00
January 2024	32.9	164,423	204.75	181.75	200.00
February 2024	10.3	51,434	208.50	182.25	200.00
March 2024	53.2	263,185	219.50	189.00	210.00

CDB non-voting share performance

	Turnover (Rs. Mn.)	Share volume	Highest Price	Lowest Price	Closing Price
April 2023	2.3	32,064	80.00	65.10	65.30
May 2023	4.1	65,308	68.00	60.10	65.40
June 2023	8.5	123,975	72.30	63.50	68.30
July 2023	23.8	291,012	90.00	71.50	88.10
August 2023	23.7	278,442	96.00	75.00	81.90
September 2023	5.3	65,212	83.90	76.80	81.90
October 2023	2.8	34,650	81.00	76.00	80.00
November 2023	4.3	51,281	86.00	80.00	84.20
December 2023	3.8	45,532	86.80	80.10	80.30
January 2024	5.1	64,156	82.50	78.20	79.00
February 2024	2.1	25,991	83.50	79.00	83.50
March 2024	2.6	30,969	88.00	82.00	85.80

Quarterly summary

Period - Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade volume	Share volume	Turnover (Rs.)	Days traded
2023/24 - Q1	225.00	180.75	210.00	458	135,684	27,121,801	35.00
2023/24 - Q2	210.00	180.25	200.00	573	617,011	120,990,331	52.00
2023/24 - Q3	205.00	173.75	200.00	201	327,210	65,346,883	33.00
2023/24 - Q4	219.50	181.75	210.00	155	479,042	96,379,313	33.00

Period - Non-Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade volume	Share volume	Turnover (Rs.)	Days traded
2023/24 -Q1	80.00	60.10	68.30	478	221,347	14,902,171	46.00
2023/24 -Q2	96.00	71.50	81.90	1,502	634,666	52,698,829	59.00
2023/24 -Q3	86.80	76.00	80.30	502	131,463	10,860,602	60.00
2023/24 -Q4	88.00	78.20	85.80	419	121,116	9,856,107	57.00

Annual transaction information – Ordinary voting shares

	2019/20	2020/21	2021/22	2022/23	2023/24
Number of transactions	1,401	1,556	2,703	638	1,387
Number of shares traded	5,647,980	2,497,879	1,928,617	5,682,209	1,558,947.
Value of shares traded (Rs.)	500,892,517	240,347,905	282,060,872	1,135,097,739	309,838,328

MARKET CAPITALISATION

Market capitalisation as at 31 March 2024

	Number of shares	Market price per share	31 March 2024
Voting	60,506,754	210.00	12,706,418,340
Non-voting	10,343,668	85.80	887,486,714
Total	70,850,422		13,593,905,054

Floating adjusted market capitalisation

	Number of shares	Market price per share	Market capitalisation (Rs.)	Percentage of public holders	Floating adjusted market capitalisation (Rs.)
Voting	60,506,754	210.00	12,706,418,340	45.18%	5,740,759,806
Non-voting	10,343,668	85.80	887,486,714	83.44%	740,518,914
Total			13,593,905,054		6,481,278,721

SHAREHOLDER ANALYSIS

Composition of voting shareholders

Categories of shareholders	31 March 2024		
	No. of shareholders	No. of shares	Holding %
Individual	1,510	5,906,726	9.76
Institutional	64	54,600,028	90.24
Total	1,574	60,506,754	100.00

Annual transaction information – Ordinary non-voting shares

	2019/20	2020/21	2021/22	2022/23	2023/24
Number of transactions	1,267	3,341	10,459	3,381	2,901
Number of shares traded	1,175,929	4,322,586	5,905,811	1,303,693	1,108,592
Value of shares traded (Rs.)	76,157,195	306,053,238	564,400,918	82,432,645	88,317,708

Market capitalisation as at 31 March 2023

	Number of shares	Market price per share	31 March 2023
Voting	59,512,375	227.75	13,553,943,406
Non-voting	10,343,668	79.10	818,184,139
Total	69,856,043		14,372,127,545

The float adjusted market capitalisation of the Company falls under Option 3 of Rule 7.13.1(i)(a) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under the said option.

Composition of non-voting shareholders

Categories of shareholders	31 March 2024		
	No. of shareholders	No. of shares	Holding %
Individual	1,863	5,225,195	50.52
Institutional	82	5,118,473	49.48
Total	1,945	10,343,668	100.00

Ordinary voting - Composition according to shareholding - 31 March 2024

Shareholdings	Resident			Non-resident			Total		
	No. of shares	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)
1 to 1000 Shares	1,019	170,897	0.28	2	307	0.00	1,021	171,204	0.28
1001 to 10,000 Shares	400	1,048,615	1.73	2	7,230	0.01	402	1,055,845	1.74
10001 to 100,000 Shares	117	3,347,987	5.53	1	15,685	0.03	118	3,363,672	5.56
100001 to 1000,000 Shares	21	5,097,606	8.42	0	0	0.00	21	5,097,606	8.42
Over 1,000,000 Shares	12	50,818,427	84.00	0	0	0.00	12	50,818,427	84.00
Total	1,569	60,483,532	99.96	5	23,222	0.04	1,574	60,506,754	100.00

Ordinary non-voting - Composition according to shareholding - 31 March 2024

Shareholdings	Resident			Non-resident			Total		
	No. of shares	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)
1 to 1000 Shares	1,627	216,406	2.09	4	916	0.01	1,631	217,322	2.10
1001 to 10,000 Shares	218	776,115	7.50	2	14,046	0.14	220	790,161	7.64
10001 to 100,000 Shares	74	2,523,808	24.40	3	188,990	1.83	77	2,712,798	26.23
100001 to 1000,000 Shares	13	3,452,598	33.38	2	216,018	2.09	15	3,668,616	35.47
Over 1,000,000 Shares	2	2,954,771	28.56	0	0	0.00	2	2,954,771	28.56
Total	1,934	9,923,698	95.93	11	419,970	4.07	1,945	10,343,668	100.00

SHARE CAPITAL MOVEMENT**Information on share capital movement - voting shares**

Year	Details	Share Type	Basis	No. of shares issued	No. of voting after the issues	New Capital raised Rs. ' 000
2010	Introduction				39,685,048	
2011	Right Issue	Voting shares @ Rs. 70.00	1 for every 6 existing shares	6,614,175	46,299,223	462,992
2019	Right issue	Voting shares @ Rs. 77.00	1 for every 4 existing shares	11,574,805	57,874,028	891,260
2019	Scrip issue	Voting shares	0.02721519 for every 1 existing shares	1,575,052	59,449,080	
2022	Share options	Voting shares @ Rs. 183.00		63,295	59,512,375	11,584
2023	Share options	Voting shares @ Rs. 190.00		994,379	60,506,754	188,545

Information on share capital movement – non-voting shares

Year	Details	Share Type	Basis	No. of shares issued	No. of non-voting after the issues	New Capital raised Rs. ' 000
2011	Rights Issue	Non-voting shares @ Rs. 45.00	1 for every 7 exiting shares	5,669,293	5,669,293	255,118
2012	Scrip issue	Non-voting shares	1 for every 22.222224 exiting shares	2,336,691	8,005,984	-
2019	Rights issue	Non-voting shares @ Rs. 64.00	1 for every 4 exiting shares	2,001,496	10,007,480	128,096
2019	Scrip issue	Non-voting shares	0.03359375 for every 1 existing shares	336,188	10,343,668	-

LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDINGS AS AT 31 MARCH 2024

Ordinary voting shares

No.	Name	Shareholding	Percentage (%)
1	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.3 SHAREHOLDER'S FUND NCUSTODY & TRUSTEE SERVICES LEVEL 15	19,120,225	31.60
2	JANASHAKTHI INSURANCE PLC-SHAREHOLDERS	11,988,045	19.81
3	SAMPATH BANK PLC/ASIA MANAGEMENT CONSULTANCY (PVT) LTD	3,442,463	5.69
4	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC A/C O2 (CDB EMPLOYEE GRATUITY FUND)	2,722,408	4.49
5	CARGILLS BANK LIMITED/ASIA MANAGEMENT CONSULTANCY (PRIVATE) LIMITED	2,444,169	4.04
6	CEYLINCO INSURANCE PLC A/C NO 2 (GENERAL FUND)	2,379,654	3.93
7	PEOPLE'S LEASING & FINANCE PLC / WELIGAMA PALLIYAGURUGE CLAUD MAHESH NANAYAKKARA	2,146,594	3.55
8	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.1	1,423,548	2.35
9	PEOPLE'S LEASING & FINANCE PLC / SASINDRA VIRAJITH MUNASINGHE	1,385,253	2.29
10	PEOPLE'S LEASING & FINANCE PLC / ROSHAN HASANTHA ABEGOONWARDENA	1,373,666	2.27
11	SEYLAN BANK PLC/TENNAKON MUDIYANSELAGE DAMITH PRASANNA TENNAKON	1,200,888	1.98
12	ASEKI INSURANCE BROKERS (PVT) LTD	1,191,514	1.97
13	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.2	954,323	1.58
14	PEOPLE'S LEASING & FINANCE PLC / NAYANTHI DINESHA KODAGODA	551,413	0.91
15	NATION DEVELOPMENT BANK PLC/ ASIA MANAGEMENT CONSULTANCY	325,000	0.54
16	PEOPLE'S LEASING & FINANCE PLC/MR.I.M.KOTIGALA	302,798	0.50
17	PEOPLE'S LEASING & FINANCE PLC/MR. H.K. DASSANAYAKE	299,115	0.49
18	PEOPLE'S LEASING & FINANCE PLC / TENNAKON MUDIYANSELAGE DAMITH PRASANNA TENNAKON	257,846	0.43
19	MR A.A.S. KUMARA AMARATUNGA ARACHCHIGE SARATH	256,335	0.42
20	MR J.S. RANATHUNGA JANAKA SANJEEWA	252,163	0.42
	Subtotal of top 20 shareholders	54,017,420	89.27
	Other shareholders	6,489,334	10.73
	Total shareholders	60,506,754	100.00

The percentage of shares held by the public as at 31 March 2024 was 45.18% (with 1,558 public shareholders)

Ordinary non-voting shares

No.	Name	Shareholding	Percentage (%)
1	J.B. COCOSHELL (PVT) LTD	1,573,278	15.21
2	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	1,381,493	13.36
3	MR. A.M. WEERASINGHE	623,682	6.03
4	MR. Y.H. ABDULHUSSEIN	418,433	4.05
5	MR. M.A. JAFFERJEE	356,380	3.45
6	MISS R.H. ABDULHUSSEIN	342,901	3.32
7	ODYSSEY CAPITAL PARTNERS (PRIVATE) LIMITED	314,737	3.04
8	PEOPLE'S LEASING & FINANCE PLC/MR.H.M. ABDULHUSSEIN	300,402	2.90
9	ESSAJEE CARIMJEE INSURANCE BROKERS (PVT) LTD	283,455	2.74
10	MR. A. SITHAMPALAM	196,509	1.90
11	MRS. A.M. ESUFALLY AVANTHI MANOJA	165,375	1.60
12	MR. S.M.P.L. JAYARATNE	133,966	1.30
13	GOLD INVESTMENT LIMITED. JDO SECRETARIES LTD	108,009	1.04
14	JAFFERJEES INVESTMENTS (PVT) LTD.	108,009	1.04
15	MR. M.A. VALABHJI	108,009	1.04
16	COMMERCIAL BANK OF CEYLON PLC A/C NO. 04	105,390	1.02
17	LAKDHANAVI LIMITED	103,359	1.00
18	MR. W.P.A.D. GUNATHILAKE WIJEWICKRAMA PATHINAYAKAGE ASANKA DINUNUWAN	100,000	0.97
19	MR. K. KOWRIESAN KARLASINGAM	98,856	0.96
20	MR. P.L.S. ARIYANANDA PALAMANDADIGE LAHIRU SHANTHAWARNA	90,035	0.87
Subtotal of top 20 shareholders		6,912,278	66.84
Other shareholders		3,431,390	33.16
Total shareholders		10,343,668	100.00

The percentage of shares held by the public as at 31 March 2024 84.44% in non-voting shares (with 1,938 shareholders)

Directors' and Chief Executive Officer's Shareholding as at 31 March 2024 Ordinary Voting Shares

No	Name	Shareholding
1	Mr J A R Corera	1,027
2	People's Leasing & Finance PLC / Mr J R A Corera	21,622
3	Mr W P C M Nanayakkara	1,283
4	People's Leasing & Finance PLC / W P C M Nanayakkara	2,146,594
5	Mr T M D P Tennakoon	-
6	People's Leasing & Finance PLC/ T M D P Tennakoon	257,846
7	Seylan Bank PLC/T M D P Tennakoon	1,200,888
8	Mr S V Munasinghe	-
9	People's Leasing & Finance PLC/ S V Munasinghe	1,385,253
10	Mr R H Abeygoonewardena	5,652
11	People's Leasing & Finance PLC / R H Abeygoonewardena	1,373,666
12	Mr D A De Silva	60,380
13	Dialog Finance PLC/D.A. DE SILVA	117,550
14	Mr J P Abhayaratne	-
15	Mr S P P Amaratunge	-
16	Mrs P R W Perera	-
17	Mr S Kumarapperuma	-
18	Mr E R S G S Hemachandra	-
19	Prof P N Gamage	-
	Total	6,571,761

Ordinary Non-Voting Shares

No	Name	Shareholding
1	Mr J A R Corera	10,335
2	Mr W P C M Nanayakkara	56
3	Mr T M D P Tennakoon	-
4	Mr S V Munasinghe	-
5	Mr R H Abeygoonewardena	82,842
6	People's Leasing & Finance PLC / R H Abeygoonewardena & V F Abeygoonewardena	37,850
7	Mr D A De Silva	-
8	Mr J P Abhayaratne	-
9	Mr S P P Amaratunge	-
10	Mrs P R W Perera	-
11	Mr S Kumarapperuma	-
12	Mr E R S G S Hemachandra	-
13	Prof P N Gamage	-
	Total	131,083

INFORMATION ON LISTED DEBENTURES**Debentures January 2019 –January 2024 (already redeemed)**

Debt Description	Type	Interest payment frequency	Tenor (years)	Issued quantity	Interest Rate		Comparable Government Security Yield
					Coupon Rate (Per Annum) (%)	Annual Effective Rate (%)	
Listed Debenture (Rs. 100) Rated Subordinated Listed Unsecured Redeemable Debenture	A	Semi-annually	5	2,591,800	15.00	15.56	14.52
	B	Annually	5	6,685,900	15.50	15.50	14.52

Debentures December 2019 –December 2024

Debt Description	Type	Interest payment frequency	Tenor (years)	Issued quantity	Interest Rate		Comparable Government Security Yield
					Coupon Rate (Per Annum) (%)	Annual Effective Rate (%)	
Listed Debenture (Rs. 100) Rated Subordinated Listed Unsecured Redeemable Debenture	A	Semi-annually	5	3,879,000	13.43	13.88	14.52
	B	Annually	5	6,873,000	13.88	13.88	14.52

Market Prices for the year end ended 31 March 2024

Subordinated Listed Rated Unsecured Redeemable Debentures December 2019 – December 2024						
Debt type	Highest Price Rs.	Lowest Price Rs.	Last traded Rs.	Current yield (%)	Yield to maturity (%)	
Type A	Not traded	Not traded	Not traded	Not traded	Not traded	
Type B	Not traded	Not traded	Not traded	Not traded	Not traded	

16 October 2023 Fitch Ratings Lanka Limited affirmed National Long-Term Ratings of 'BB+ (lka)' to the Company's outstanding Subordinated Listed Rated Unsecured Redeemable Debentures December 2019 - December 2024.

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT ACCORDING TO SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

CDB has included all the required content specified in Section 7.6 of the Continuing Listing Rules of the CSE Listing Rules in its annual report, as summarized in the table below.

Rule no.	Content Requirement	Section Reference	Page Reference
7.6 (i)	Names of persons who were Directors during the financial year	Board of Directors	118
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Notes to the Financial Statements- Reporting Entity Annual Report of the Board of Directors	186 04 & 05
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	A Resilient Performance	76 to 77
7.6 (iv)	Voting Shares: float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement. Non-Voting Shares : The public holding percentage (%)	A Resilient Performance	72 to 78
7.6 (v)	A statement of each Director's and Chief Executive Officer's holding in each class of shares of the Entity	A Resilient Performance	78
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Principal Risks	108 to 116
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	There are no material issues pertaining to employees and industrial relations within the Entity.	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Notes to the Financial Statements	219 to 224
7.6 (ix)	Number of shares representing the Entity's stated capital	A Resilient Performance Notes to the Financial Statements	72 to 78 235
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings in the stipulated categories	A Resilient Performance	72 to 78
7.6 (xi)	Stipulated Ratios and market price information relating to the below : Equity Debt Any changes in credit ratings	A Resilient Performance	72 to 79
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	219 to 224

Rule no.	Content Requirement	Section Reference	Page Reference
7.6 (xiii)	Stipulated details of funds raised through Initial Public Offering and/or a further issue of Securities during the financial year	A Resilient Performance	72 to 79
7.6 (xiv)	Required information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	A Resilient Performance Notes to the Financial Statements	75 235 to 237
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Section 9 of the rules	Report on Adherence with the Requirements on Corporate Governance According to the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE)	154 to 155
7.6 (xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the total assets whichever is lower, as per Audited Financial Statements.	Annual Report of Board of Directors Notes to the Financial Statements	05 239 to 240
7.6 (xvii) -7.6 (xxi)	Disclosure requirements in the event the listed Entity has its Foreign Currency denominated Securities, Sustainable Bonds, Perpetual Debt Securities, Infrastructure Bonds and Shariah Compliant Debt Securities listed on the Exchange	CDB dose not have any mentioned types of securities to be listed on the Exchange.	N/A

INNOVATIVE AND EXCELLENT CUSTOMER SERVICE

OVERVIEW

In today’s competitive business landscape, where consumer preferences constantly evolve, we continue to place the customer at the centre of our operations. Our approach goes beyond simply providing good customer service or offering a quality product and involves building deep, meaningful relationships with customers, understanding their preferences, and tailoring experiences to exceed their expectations at every touchpoint. By leveraging our digital technologies and embedding ourselves seamlessly into our customers’ lives, we deliver differentiated customer experiences by managing their journeys and ensuring our products and services are accessible and inclusive to all.

We strive to create a positive impression on our customers throughout their journey, commencing from initial awareness to post purchase support and beyond. This impression is created primarily by living our purpose and values of being a true friend to our customers. Each interaction provides us the opportunity to show our true identity and hence, our efforts are concentrated on creating a positive emotional response. We understand the dynamism of customer needs and expectations and have designed and customised our products and services to suit the needs of our customers. We offer a consistent experience across all our customer engagements ranging from advertisements in social media to resolving customer inquiries. We also value both positive and negative feedback to deepen our understanding on customers requirements and to continually improve our service offering.



Towards a one million customer base

Key focus areas

- Technology infused and sustainability driven strategy of CDB
- Maintain our strong brand reputation infused with trust and financial stability
- Offer robust and user friendly digital financial services with our digital platform based initiatives
- Diverse products range catering to all customer segments with competitive product features
- Customer relationship management with excellent service standards
- Personalisation of products based on customer requirements
- Customer touchpoints through digital channels and partnerships

Key highlights of 2023/24

- Launched the ‘SELF’ Mobile app – The newest digital financial platform to manage all customer financial services at their fingertips
- eShift vehicles (electric powered) – A purpose-led sustainable model designed to promote electronic vehicles through a mind-set and behaviour shift among all Sri Lankans
- Incorporating customer engagement activities into our customer relationship management value proposition to demonstrate the equal value placed on customer mental wellbeing as well as their financial needs
- All year round cash back offer and promotional campaigns to reward premier privilege customers via CDB credit and debit card

Capitals impacted



Material matters



ENHANCING CUSTOMER EXPERIENCE

We emphasize on nurturing a customer centric approach to ensure a strategic and concentrated effort is put in to managing and providing the best possible customer experience across all interactions and touchpoints. We continually collect and analyse data on customer behaviour which enables us to make informed decisions and tailor our strategies to meet the dynamic needs of our customers.

We identify different customer segments based on various criteria such as demographics, behaviours, needs or preferences and portfolio etc. to ensure that we run marketing and service efforts efficiently. Utilising customer insights, we design and execute personalised marketing campaigns that resonate with customers.

ENGAGEMENT AND ACCESSIBILITY

Customer engagement at CDB relates to creating experiences that resonate, inspire, and foster loyalty throughout the lifecycle of customers. We place our customers at the heart of everything we do and effective customer engagement involves understanding customers' needs, preferences, and behaviours, and then tailoring interactions to meet them.

CDB has adopted a multichannel approach in delivering financial services, offering diverse customer engagement platforms. Our efforts taken to strengthen customer engagement and accessibility have taken us closer towards our aspiration of becoming a Quarter Trillion Asset Base (Q-TAB) Company within the current decade (2021-2030). During the year we experienced an addition of 18,730 new customers expanding our total customer base to 353,317.

<p>Branch footprint</p> <p>We currently operate with a network of 71 branches. As our customers become more digitally active, we continue to offer our solutions digitally.</p>	<p>Mobile app</p> <p>SELF – A digital platform which helps users to view, track, and manage funds, to manage their digital lifestyles with just a few taps.</p>	<p>Online platform</p> <p>A platform that makes transacting easier, quicker and better.</p>
<p>Relationship managers</p> <p>Staff equipped with the knowledge and capability to maintain relationships with clients.</p>	<p>Doorstep service</p> <p>A facility provided to existing customers as an extended service at the customer's doorstep.</p>	<p>Contact centre</p> <p>Serves as the hub for personalised customer support handling communications on account related questions, product information transaction assistance and issue resolution with special facilities such as priority queue for premier customers and missed call service.</p>

We seek to intensify customer-centricity by curating personalised products and services to create meaningful experiences throughout customers' lifecycles. This will be largely driven by our strategic thrusts of sustainability and tech disruption, further improving our systems to create integrated and expansive digital ecosystems. Our comprehensive range of offerings ensures that individuals and businesses receive the necessary support to thrive and achieve financial success at every step.

PRODUCTS CATERING TO DIFFERENT LIFE CYCLES OF CUSTOMERS

Minor

CDB Ranketi Savings

Young Adults

CDB Aspire Lease
 CDB Real Saver
 CDB Salary Plus
 CDB Credit Card
 CDB iDeposit
 CDB iTransfer
 CDB Personal Loan

Adults

CDB Platinum Saver
 CDB Dhanasurekum FD
 CDB Ran Naya
 CDB Cash Lease
 CDB Credit Card
 CDB Business Loans
 CDB Home Loans
 CDB Personal Loan
 CDB Margin Trading
 CDB Advance Roof Solar
 CDB Fast Cash
 CDB Money Exchange

Senior

CDB Deegayu Savings
 CDB Margin Trading
 CDB Deegayu FD

Our technological prowess has enabled us to reach out to the most remote, rural, and vulnerable base of the pyramid markets supporting CDB to become a net lender to the rural economy and providing access to finance, leading to financial inclusion. As a result of this technology-based approach, CDB has not opened a single physical branch during the last six years, whilst more than doubling our business capacity.

OUR PRODUCT PORTFOLIO

“CDB is committed to transforming customer experiences with our cutting-edge and diverse product portfolio, delivering unparalleled satisfaction at every touchpoint.”

OUR CONVENTIONAL AND CHECK-IN PRODUCT PORTFOLIO

Check-in products

Savings **CDB Credit cards** **CDB Debit cards**

CDB Savings



CDB Salary Plus



CDB Rankati



CDB Platinum Saver



CDB Deegayu



CDB Wings



CDB Credit cards




CDB Debit cards




Core products

Leasing and loans


CDB Leasing




CDB Personal Loans




Home Loans




Business Loans




CDB Smart Draft




Aspire Lease




Cash Lease




CDB Hybrid Leasing




CDB Ran Naya



e Shift



CDB Advance Roof Solar



New products

Core products

Term Deposits

Omni Channels

CDB Dhana Surekum



CDB Deegayu



CDB Self



CDB iDeposit



CDB iTransfer



patpat.lk



Other products and services

CDB Margin Trading



CDB Money Exchange



CDB Meezan



Fast Cash







CUSTOMER SEGMENTATION FOR EFFECTIVE TARGETTING OF CUSTOMERS

By understanding our customer segments, we focus on customising our marketing strategies, products, and services to better meet the specific needs and preferences of each customer group, ultimately leading to improved customer satisfaction and loyalty.

Portfolio segmentation

Premier elite	0.81%
Premier	6.56%
Platinum	8.66%
Gold	14.72%
Silver	69.25%

DEMOGRAPHIC SEGMENTATION

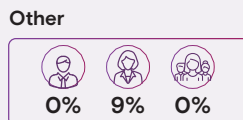
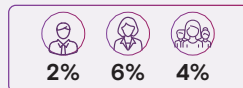
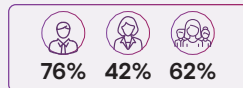
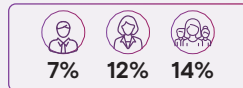
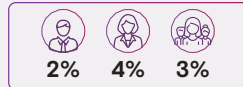
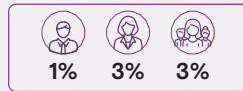
Customer profile by age

0-14 years	2.32%
15-24 years	5.51%
25-54 years	68.64%
55-64 years	12.26%
65+ years	7.82%

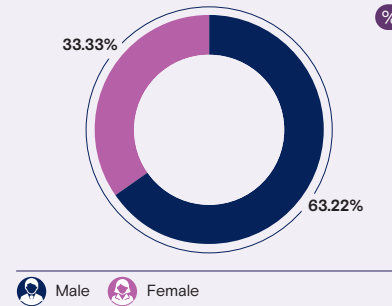
GEOGRAPHIC SEGMENTATION

Geographical Dispersion

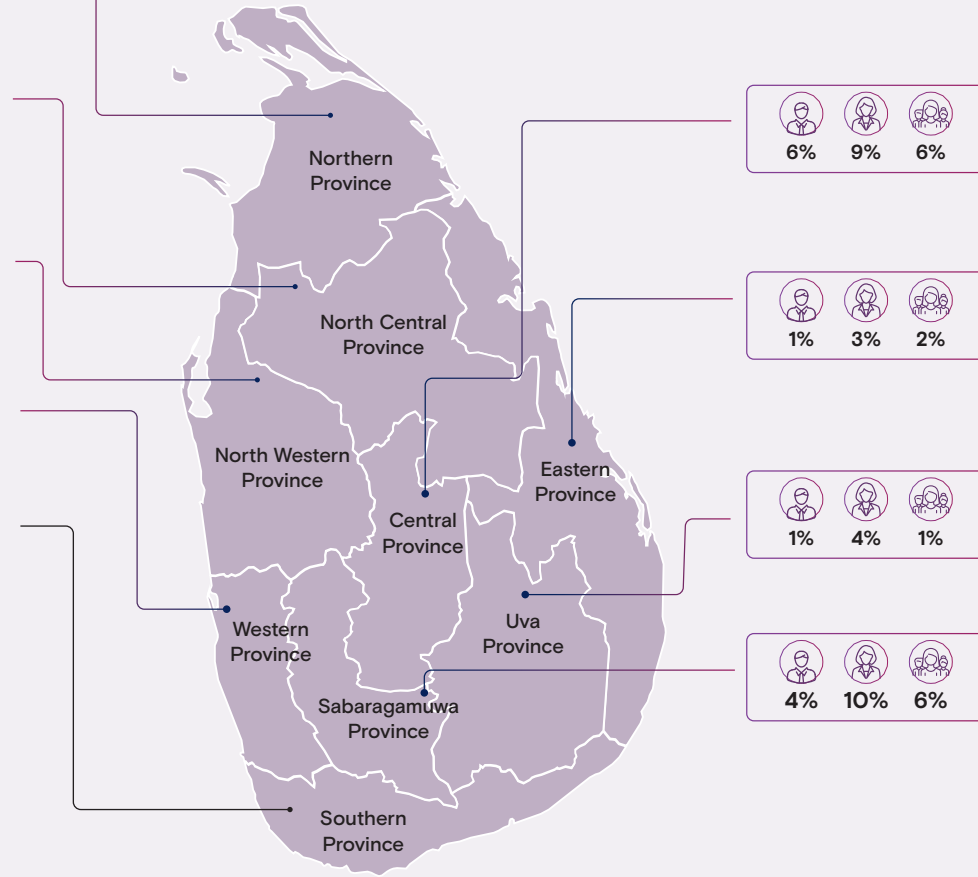
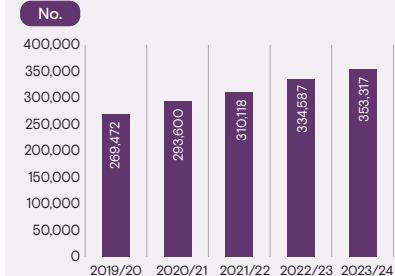
- Corporate clients
- Individual clients
- Joint clients






CUSTOMER PROFILE BY GENDER



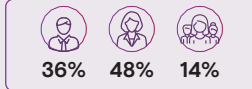
CUSTOMER BASE



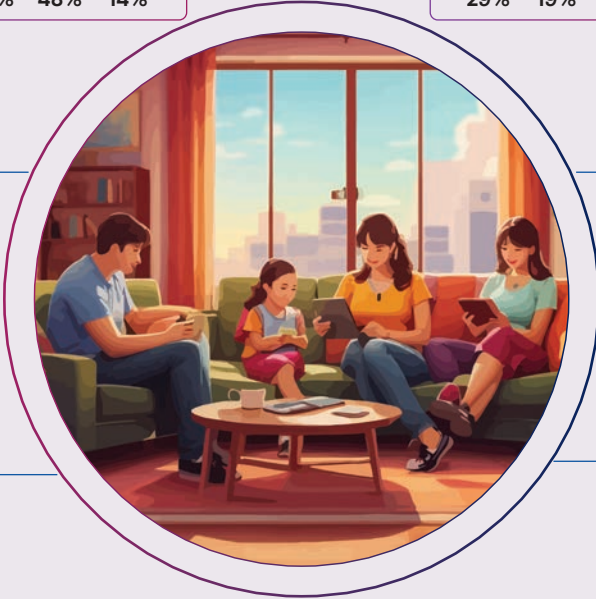
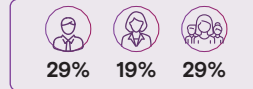
AGE (WITH CDB)

 Corporate clients
  Individual clients
  Joint clients

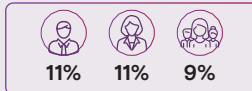
Below 5 years



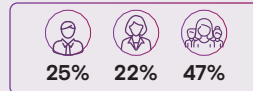
5-7 years



8-10 years



Above 10 years



Product-wise segmentation

Category	Category	Category	Category	Category
1	2	3	4	5
81.66%	15.52%	2.58%	0.24%	0.01%

CUSTOMER LIFETIME VALUE SEGMENTATION

Customer Lifetime Value (CLV) plays a crucial role in customer identification and is determined at CDB through an internally developed extensive evaluation method that considers factors such as portfolio size, payment regularity, age, terminated facilities, number of facilities, number of previous facilities, deposit value, and deposit period. Based on this refined analysis, customers are categorised into five distinct segments with the highest grade being "A" and the lowest being "E". The highest CLV graded customers are identified within the key portfolio segments (premier elite, premier, platinum, gold and silver) to recognise customers with potential for growth and conduct loyalty programmes when necessary.

CDB assesses the future potential of customers through a combination of data-driven analysis and customer segmentation techniques. By leveraging customer data, including purchase history, behaviour and transaction patterns, as well as demographic information, the Company identifies high-potential customers. Additionally, CDB analyses customer interactions, engagement levels, and feedback to gauge their likelihood of becoming long-term, profitable customers. Furthermore, CDB conducts market research to identify emerging trends and customer needs, allowing the Company to tailor its products, services, and marketing strategies to attract and retain customers with high future potential. We continue to revisit our client segmentation on an ongoing basis with new information that becomes available to us and design and deploy strategies to efficiently cater to the needs of our customers.

STRENGTHENING CUSTOMER LOYALTY AND RETENTION

Throughout the year, we prioritised enhancing customer experience across every touchpoint from the moment a customer interacts with our brand to post disbursement support. A key aspect of our approach has been personalisation and by leveraging data analytics and customer insights, we have tailored our products, services, and communications to resonate with individual preferences and needs.

Personalised communication is achieved through a dedicated priority line for Premier customers, making them feel valued and strengthening their connection to the brand. Loyalty programmes that offer exclusive customer experiences, benefits and complementary gifts have been introduced to reward and show gratitude to loyal customers. Feedback channels have also been established using contactless QR methods, demonstrating responsiveness and a commitment to improving services. Exclusive benefits, such as exemptions of fees, are also extended to loyal customers as an incentive to encourage continued engagement. Our staff is also provided comprehensive training on exceptional customer service ensuring prompt resolution of inquiries and issues.

We also carry out customer engagement events to show that we place equal value on customer mental well-being as well as their financial behaviour. During the year, we organised an event at Pearl Bay for our Premier Elite Customer Base to foster loyalty and enhance the overall customer experience.

NEW PRODUCTS AND SERVICES LAUNCHED

We are committed to delivering innovative propositions for our client segments that fully satisfy their day-to-day requirements

based on a deep understanding of their needs. The following solutions were introduced during the year under review in line with our two strategic pillars.

Sustainability

eShift: CDB aims to transform into a quarter trillion asset base with an unwavering focus on sustainability and the eShift vehicle concept is an outcome of this goal. It aims to promote a comprehensive ecosystem based on knowledge sharing, EV charging and EV conversion which focuses on the reduction of carbon footprint and fuel dependency. This initiative primarily focuses on three aspects including encouraging the conversion of traditional vehicles into efficient electric vehicles, expanding accessible E-charging stations, and serving as an educational hub for sustainable transportation. It offers several benefits including enabling companies to reduce their carbon footprint and reach net zero targets, significant cost savings through reduced fuel and maintenance expenses and enhance brand reputation. Key features of the eShift vehicles include zero maintenance costs related to engine repairs, services, oil changes or emission tests, 150km ride with full charge and home charge facility, longer battery life with advanced battery cooling system, no carbon emissions or noise, modern colour display, comfortable seating, auto gear and emergency brakes.

Features of e Shift

	Colour display with modern technology.		No Carbon emissions or noise.
	Easy start with a key.		150 km ride with full charge plus home charge facility.
	Comfortable seating.		Longer battery life with advanced battery cooling system.
	Clutch-less comfortable ride.		Zero maintenance costs, no engine repairs, services or oil changes. No emission tests.
	Controlled brake system. No stress on the pedal.		Comfortable driving for ladies

Technology disruption

SELF: A digital financial platform powered by CDB which allows customers to view, track and manage funds. Customers can enjoy all the essential financial features including fund transfers, bill payments, savings account, credit or debit cards, loans and fixed deposit balance checks, recharging mobile connections and paying credit card bills, Scan QR, Digital fixed deposits, iTransfers, applying for loans and more. For security and safety, the app is equipped with biometric login and instant alerts for transactions. Customers can also create CDB accounts through the video call feature included in the app. Customers can get gold loan details, make gold loan payments and gold loan top up payments without visiting the branches. Plans are also underway to add mobile wallet features and the QR code feature to make payments through the app.

In addition to the above, we have also introduced the following innovative solutions over the last few years, in line with evolving customer needs.

- **E-KYC** - Provides customers greater convenience while minimising the use of paper. Customers can digitally open accounts remotely without any physical interaction.
- **Video call solution** - Existing customers have the option to conduct transactions at any place while minimising the high risks by using standard verification.
- **Missed call service** for customers to inquire about the arrears of lending facilities and billing information of credit cards. Customers have 24/7 access to this service with no hold time and no interaction with contact centre agents.
- **Toll free call-** Customers can simply give a missed call to 0117121111, subsequent to which CDB calls back to promptly address any concerns.
- **Affinity** - Provides a 3600 view of front office customers including their history and actual need.
- **Partnerships** with major banks in the country to facilitate customer payments through their branches and CRMs.
- **Collaboration** with the largest retail supermarket to provide customers with the ease of fulfilling their commitments.
- **E form** account opening which eliminates manual paper work and physical engagement
- **CDB Social Listening** - Regardless of the location, any CDB customer or prospective customer can get assistance, information, give feedback, make a complaint, etc. 24/7 via the social media platforms provided.
- **Automated annual credit evaluation-** Supports accurate credit evaluation of customers and faster decision making. Customers are ranked and based on the ranking we provide sales leads to the related marketing officer to enhance the portfolio if required.

ELEVATING OUR BRAND

GRI 416-1, 417-1

The brand strategy at CDB revolves around positioning itself as an innovative and sustainable brand within the financial services industry. The Company strives to disrupt traditional norms by offering technologically advanced and environmentally sustainable products and service solutions while prioritising financial inclusion and making a positive impact on the community. CDB's fundamental brand intent is to "Empower a smarter and sustainable Sri Lanka" and we strive to consistently enhance our brand equity by monitoring market trends, customer feedback and competitor actions. As our customers embrace digital technology as part of their everyday lives, we continue to focus on building a strong digital brand and capability to offer a seamless experience across the consumer ecosystem, including social, digital and mobile app and website.

Given below are the key marketing campaigns launched during the FY 2023/24 with a strategic focus of penetrating the market and serving a diverse customer base.

CDB FD

The primary objective of this campaign is to penetrate the banking segment, targeting a distinct demographic of depositors who represent a substantial portion of the market. Our overarching campaign concept aimed to convey the message - "Deposit Like No Other." Through aggressive sales initiatives and ground breaking communication campaigns, we effectively met our business targets, solidifying our position in the industry. Furthermore, this project served as a pivotal brand-building endeavour for CDB, enhancing our visibility and reputation within the market.

Aspire Leasing

We strategically executed Aspire leasing targeted communication campaigns to attain our business objectives effectively. Through planning and precise execution, we harnessed the power of tactical communication to achieve our desired metrics and propel our business forward.

Hybrid Leasing

As part of our ongoing sustainability agenda, we introduced hybrid leasing as our latest product offering. This innovative solution not only aligns with our commitment to environmental responsibility but also underscores our dedication to offering cutting-edge products that meet evolving market needs and to drive business numbers.

Gold Loan

In response to market rate revisions, we implemented ATL communication strategies to highlight the competitive advantages of our offerings. Our focus was on promoting the attractiveness of our advance amounts and showcasing the lowest interest rates available in the market. Through these targeted efforts, we aimed to effectively communicate our value proposition and solidify our position as a preferred choice among consumers.

CDB follows transparent and ethical marketing practices, providing comprehensive product and service information in English, Sinhala, and Tamil languages. The digital marketing efforts have yielded positive results including expanded reach, increased web traffic, and greater awareness of its offerings. Successful campaigns promoting CDB Advance Roof

In today's competitive landscape, customer satisfaction is of paramount importance.

Solar and the digital fixed deposit feature of CDB Self have effectively encouraged sustainable living and youth savings. Leveraging platforms like Instagram and Facebook, these campaigns strategically target specific demographics aligning with their lifestyles and preferences.

CUSTOMER SATISFACTION

In today's competitive landscape, customer satisfaction is of paramount importance. In line with our strategic ambitions, we continue to streamline internal processes and optimise operational efficiency to deliver fast, reliable, and hassle-free services to enhance the overall customer experience. Regardless of the channel our customers choose, we focus on ensuring that customers can access their accounts and perform transactions conveniently. Our frontline staff is trained to provide empathetic and knowledgeable customer support, whether through phone, chat, or in-person interactions and we empower our employees to resolve customer issues promptly and courteously, thereby fostering a culture of customer-centricity throughout the organisation.

We aim to provide timely and transparent communication, and keep customers informed regarding any updates, promotions, or changes to their products or services. We also solicit feedback from customers through surveys, reviews, and feedback channels to gain insights into their satisfaction levels and identify areas for improvement.

HOW WE MEASURE CUSTOMER SATISFACTION

Mystery customer survey

The mystery customer market research technique is adopted to evaluate customer service, quality, and consistency extended by the front office, call centre and marketing team members across the branch network. This qualitative research approach involves conducting observations and tracking evaluations for each branch. Individual team member performance is assessed based on criteria such as customer care, selling skills, knowledge, and interpersonal skills, etc. Additionally, Company performance is evaluated based on factors like facilities, documentation, branch ambience, and overall aspects of CDB.

Throughout the year, separate mystery surveys were conducted at all branches and the contact centre. The results were promptly updated to an online dashboard within 24 hours, facilitating employee education, training and swift decision-making. This campaign was executed with the help of an external agency to ensure accuracy and impartiality.

The survey results across the branches demonstrated improved service quality recording 87.41% in 2023/24, compared to 79.29% of the previous year. Based on the findings of the surveys, training programmes were conducted for staff with the engagement of renowned human skill development trainers in Sri Lanka, in order to further improve the service quality.

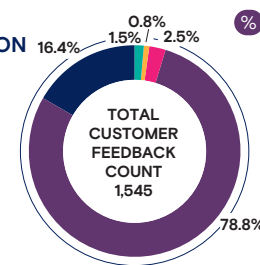
Contactless Feedback Method (QR Code)

The contactless customer feedback process implemented in April 2023 is a simple mechanism of collecting customer feedback by allowing users to scan a QR code with their smart phones and share their experience of the customer service received. Not only are they easy to create, but they can be placed anywhere—both physically and digitally—for customers to answer the survey anonymously.

This initiative was launched to assess customer satisfaction utilising the CSAT model and measure customer loyalty using the Net Promoter Score (NPS) model.

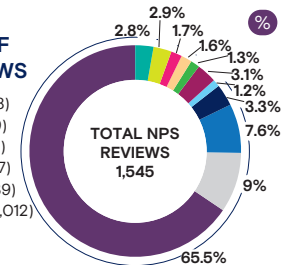
CUSTOMER SATISFACTION INDEX

- Very poor (39)
- Poor (12)
- Average (23)
- Good (254)
- Excellent (1,217)



RATE WISE NUMBER OF NPS REVIEWS

- 0 (43)
- 1 (45)
- 2 (27)
- 3 (24)
- 4 (20)
- 5 (48)
- 6 (19)
- 7 (51)
- 8 (117)
- 9 (139)
- 10 (1,012)



CSAT Score 95.46%

Net Promoter Score 60.0%



CSI Rating

The CSI is calculated through a telephone survey which gauges customer satisfaction related to a specific officer. This mechanism is used to improve customer satisfaction by measuring the service quality of the sales staff who are rated from 1 to 5. Through this we are able to identify staff members who gain the highest star rewards and arrange trainings for lowest star rewarding staff to improve their service standards.

FEEDBACK MANAGEMENT

GRI 2-25

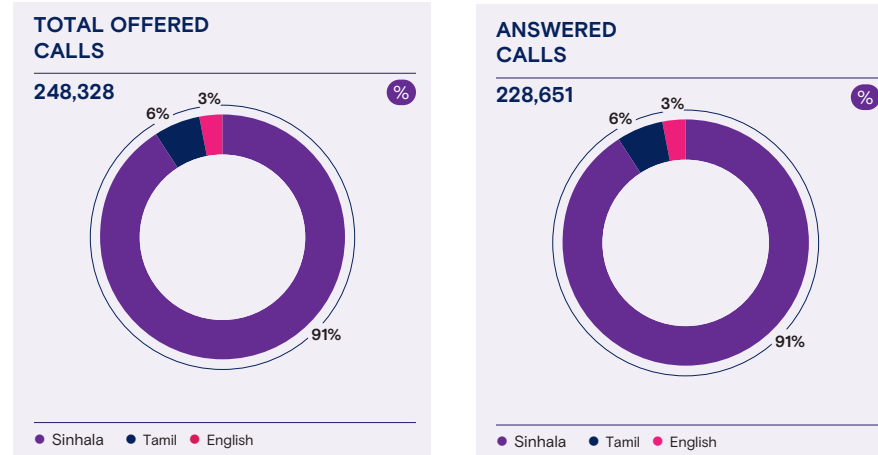
Managing customer feedback effectively is crucial for maintaining customer satisfaction, loyalty, and reputation. At CDB, we focus on listening actively and acting promptly to manage customer concerns and turn negative experiences into positive ones. Customers can lodge their grievances or concerns via multiple channels including the contact centre, in person or via our digital channels. We adhere to a systematic process to handle, resolve and respond to customer complaints and a feedback loop is created to improve products, services and processes.

CDB receives feedback from several sources including phone calls, walk-in customers, emails, CBSL, social media, QR codes, customer feedback registry, etc. This will be reviewed by the Customer Feedback Reviewing Committee on a monthly basis to provide solutions and evaluate further actions. The high-verified concerns identified at this point will be directed to the monthly Customer Steering Committee Meeting comprising of members of the senior management and other relevant stakeholders.

Contact centre

CDB's contact centre serves as a vital customer service hub, providing assistance and resolving queries efficiently on a trilingual 24x7 basis. A team of supervisors constantly oversees the performance of the team to confirm they are providing high quality service. Customers can reach the contact centre through a designated phone line, where a team of trained professionals offers personalised support, handling various inquiries, such as account related questions, product information, transaction assistance, and issue resolution. The contact centre agents possess comprehensive knowledge of the Company's offerings and procedures, allowing them to provide accurate and timely assistance to customers. Dedicated agents appointed specifically to cater to the needs of high net-worth segments, who expect a higher level of specialized service. When there is a gap between offered and answered calls, we reach each and every customer through our call back service.

Contact centre performance during 2023/24



	Overall				Premier			
	Sinhala	Tamil	English	Total	Sinhala	Tamil	English	Total
ABN	7	9	11	7	4	5	11	5
Answered	92	90	88	92	95	94	89	95

	2023/24
Missed call - Lending	57,973
Missed call - Credit card	90,615



Comparing with past two years we noted a considerable reduction in total offered calls, mainly as a result of the below developments.

Missed call service	Priority queue for premier customers
<p>As customers can inquire about the arrears of lending facilities and billing information of credit cards through a simple missed call we have experienced a reduction in call traffic as well as traffic in other touch points.</p> <p>Furthermore, this has also eliminated the need for customers to physically visit branches and provided greater convenience to customers.</p>	<p>In 2018, CDB introduced the specific hotline number (0117678200) for premier elite and premier customers. Once a premier elite customer contacts the CDB hotline with their registered number, they are automatically directed to the premier line, which is handled by a well-trained dedicated contact centre staff and the call is accepted within 10 seconds.</p> <p>Previously that opportunity was provided to only premier elite level customers and now it is expanded to the premier level.</p>

The answered rate for overall customers stood at 92% while the answered rate for priority queue premier customers was 95%.

Service Management Unit

In addition to the contact centre, the Service Management Unit is a centralised section that handles all customer complaints and inquiries, which it directs through multiple channels. The Unit is tasked with redirecting complaints and inquiries to the appropriate department or branch, and ensuring their resolution within the stipulated Service-Level Agreements (SLAs).

COMPLIANCE AND CUSTOMER SAFETY

GRI 2-27, 206-1, 417-1,2, 3, 418-1

The CDB customer charter ensures the protection of our customers’ rights. Throughout the review period, there were no instances of non-compliance with product and service labelling or marketing communication guidelines. Where relevant, the CDB makes its communications in all three languages of Sinhala, Tamil and English on products, services and other relevant announcements.

Additionally, there were no incidents of non-compliance related to anti-competitive behaviour, anti-trust issues, or monopoly practices. Furthermore, there were no substantiated complaints regarding breaches of customer privacy or losses of customer data. No recorded incidents of non-compliance were found concerning the health and safety impacts of CDB’s products and services. The Company remain committed to upholding these standards and maintaining a high level of compliance in all areas affecting its customers.



**FUTURE
OUTLOOK**

Short term

- Enhance promotional offerings to retain valuable customers and increase sustainability.
- Strengthen the corporate brand and build brand equity as we move towards our 30th anniversary

Medium to long term

- Optimise the use of Affinity 360 degree to obtain a detailed view of customers on one interface.
- Use AI technology to analyse customer patterns and make accurate predictions.
- Establish CDB as a smarter and more sustainable brand, leading the way with sustainable and tech initiatives

PROGRESSIVE PARTNERSHIPS

GRI 2-6, 3-3

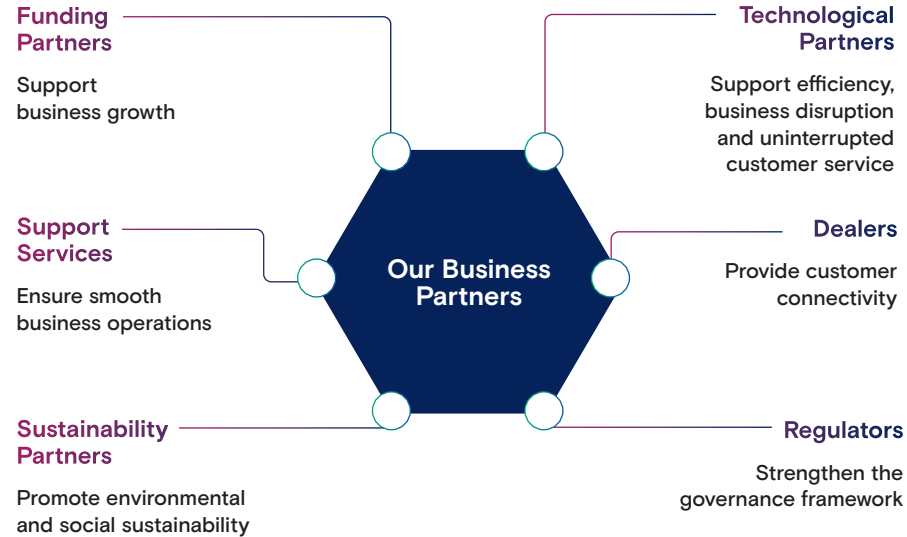
OVERVIEW

We understand the power of partnerships in driving innovation, expanding market reach, and achieving sustainable growth. In the pursuit of our mission, we have dedicated ourselves to fostering strong relationships with key business partners, laying the foundation for mutual success. We prioritise long-term relationships built on trust, transparency, and shared values and through strategic alliances with industry leaders, innovative startups, and community organisations, we leverage complementary strengths to unlock new opportunities and deliver greater value to our customers.

By embracing technology and sustainability, the Company supports partners in navigating a dynamic business landscape while contributing to a sustainable future. Together, we strive to create a harmonious ecosystem that enhances performance, fosters innovation, and ensures long-term success.

Key highlights of 2023/24

- Obtained a USD 30 million funding facility from US International Development Finance Corporation
- Collaboration with Vega Innovations, a subsidiary of CodeGen International (Pvt) Ltd for the eShift initiative aimed at advancing the green economy in Sri Lanka by promoting electric vehicles
- In collaboration with the International Finance Corporation (IFC), inaugurated capacity-building sessions focused on key aspects of entrepreneurial success for women within the Wings ecosystem
- CDB partnered with the Asian Development Bank (ADB) for a credit guarantee scheme



A SUSTAINABLE SUPPLY CHAIN AND SMOOTH SUPPORT SERVICES

GRI 204-1, 308-1, 414-1, 2

Through close collaboration with our business partners, we strive to optimise quality, cost, and delivery, while also promoting ethical and sustainable practices. Our commitment to fair and transparent dealings fosters trust and creates a win-win environment for all parties involved. To ensure the resilience of its supply chain, CDB has implemented several measures

which enable it to maintain a smooth supply flow without delays or interruptions.

A sustainable supply chain begins with the careful selection of suppliers who share our commitment to environmental stewardship, ethical labour practices, and social responsibility. We conduct rigorous assessments to evaluate potential partners based on criteria such as carbon footprint, waste management practices, diversity and inclusion initiatives, and adherence to fair labour standards. Once onboarded, we engage in ongoing dialogue with our

Capitals impacted



Material matters



Reducing carbon footprint



Contribution to SDGs



Good governance and compliance



Ethical sourcing

suppliers, providing guidance, resources, and incentives to promote continuous improvement and compliance with our sustainability standards.

Suppliers and business partner evaluation criteria:

Compliance with applicable laws and regulations	Compliance with relevant certifications and standards	Adherence to environmental and social specifications
Quality standards	Cost competitiveness	Reliability
On-time delivery	Past performance	Customer reviews

The Company's Purchasing Committee is responsible to review and validate all suppliers based on the transaction authority limits which have been assigned.

equipment and machinery. To maintain the efficiency of these services, CDB has outsourced them to specialised companies.

To ensure seamless operations, CDB relies on a range of support services provided by both local and international business partners. These services include security, janitorial, logistics, courier, waste management, and maintenance of office

TECHNOLOGY PARTNERS

CDB has continued to nurture strong and longstanding relationships with its technological partners to provide an uninterrupted service and meet the increasing demand for digital services. These partnerships have enabled CDB to advance its disruptive processes while effectively implementing robust governance and cybersecurity. CDB also collaborates with technology companies to support the development and deployment of cutting-edge solutions for environmental challenges, accelerating progress towards environmental sustainability goals.

Infrastructure























Network and data








Information security

Assurance and advisor







Business





FUNDING PARTNERS

CDB's funding partners provide the required finances to expand its business, grow the balance sheet and help meet obligations towards its stakeholders. CDB has built durable relationships with both local and international funding partners by maintaining their trust through the delivery of obligations on respective due dates on time.

Local funding partners:

- These include banks and intermediary fund arrangers who ensure the availability of funds as per CDB requirements. Over 70% of the Company's total borrowings are raised through local banks.

Foreign funding partners:

- Stringent compliance, commitment to transparency, discharging of debt obligations in a timely manner and following ethical business practices have enabled CDB to build trust and confidence of its foreign funding partners. The Company has channelled funds in keeping with the respective mandates, contributing towards green financing that combats climate change, empowering women, rural and SME development, and expansion of agriculture. CDB continued to strengthen its relationships with foreign funding partners. The long-lasting relationships we have built and progress we have made are a testament to the business strategy which complements the development goals of the foreign funding partners.

During the year, CDB was able to secure a USD 30 million funding facility from U.S. International Development Finance Corporation (DFC) to support women entrepreneurs, green financing, and micro-, small and medium enterprises (MSMEs). For the first time, CDB has received a funding facility of this significant value, reaffirming the organisation's robust commitment to corporate stewardship. Despite Sri Lanka's economic challenges, this loan exemplifies the confidence placed in CDB by funding agencies and recognises the Company's contributions to stability, governance, and sustainability.

Foreign Lender	Amount Borrowed Mn	Currency	Date Borrowed	Maturity Date	Status
BIO	6	USD	Sep 2013	Sep 2018	Fully Settled
BIO	10	USD	Jul 2018	Jul 2023	Fully Settled
FMO	25	USD	Dec 2018	Dec 2023	Fully Settled
BlueOrchard	25	USD	Feb 2019	Feb 2024	Fully Settled
TRIODOS FAIR SHARE FUND	5	EURO	Mar 2021	Feb 2026	Active
US DFC	30	USD	Dec 2023	Dec 2030	Active



Credit guarantee scheme with ADB

ADB is expanding its guarantee offerings to aid financial institutions in transferring risks they struggle to absorb or manage independently to ADB. Credit guarantee programmes insure thorough coverage against loan non repayments, fostering improved access to finance and enhanced resource mobilisation to collaboration. During the year we signed up with ADB for credit guarantee scheme.

REGULATORS

We view regulators as partners in our mission to create value for society while operating responsibly and sustainably. We adhere to all relevant laws, regulations,

and industry standards, prioritising ethical conduct, transparency, and accountability in all our dealings. Through robust compliance mechanisms, regular audits, and internal controls, we ensure that our operations meet the highest standards of integrity, safeguarding the interests of our stakeholders and the public trust.

We maintain open lines of communication with regulatory authorities, seeking their guidance and input on emerging regulatory trends, changes in legislation, and industry best practices. By participating in industry forums, advisory committees, and regulatory consultations, we contribute our

expertise and perspectives to inform the development of policies and regulations that balance regulatory objectives with business realities.

We provide regulators with timely, accurate, and comprehensive information about our business activities, performance metrics, and risk management practices. We are committed to full disclosure of material information, including financial reports, environmental impact assessments, and product safety data, to enable regulators to make informed decisions that protect the public interest. We also hold ourselves accountable for our actions, promptly addressing any compliance issues or regulatory concerns that may arise.



SUSTAINABILITY PARTNERS

Central to our partnerships with sustainability organisations and stakeholders is a shared commitment to advancing environmental stewardship, social equity, and economic prosperity. We seek out partners who align with our values and share our vision for a more sustainable future. These collaborations include working with energy providers and relevant companies to promote the adoption of renewable energy, expand its supply and demand, and establish district energy systems. CDB also engage with suppliers to procure clean energy, increase the proportion of renewable energy sources, and support innovative business models that prioritise sustainability.

In 2020, CDB joined the Global Compact, with the commitment to uphold its 10 universally recognised principles based on

UN standards. To ensure the integration of these principles into its business operations, CDB is currently in the process of developing comprehensive guidelines, policies, and action plans that encompass all aspects of its business.

Project	Partner
Sisu Diri Scholarship Programme	
Environment Conservation Efforts	
Mangrove Conservation Efforts	
Paper and E-waste Recycling	
ISO 14064-1 2018 GHG Verification	
Act Early for Autism Project	
CDB Advance Roof Solar	
eShift	
Climate Transition Plan	
Gender Smart Opportunity Assessment	

DEALERS

CDB's business heavily relies on motor vehicle leasing, which constitutes a significant portion of our lending portfolio. However, the vehicle leasing market has faced challenges due to restrictions on vehicle imports imposed by the government in recent years. Nonetheless, CDB has cultivated strong and amicable relationships with various vehicle suppliers throughout the country, who continue to be crucial strategic partners for the Company.

MEMBERSHIPS AND ASSOCIATIONS

GRI 2-28

CDB was affiliated with various industry-based associations and national as well as international advocacy organisations. These associations aim to foster enduring relationships with stakeholders and actively contribute to the advancement of both the industry and the nation.

- Ceylon Chamber of Commerce
- National Chamber of Commerce
- Mercantile Cricket Association
- Mercantile Badminton

FUTURE OUTLOOK

Our future plans with respect to strategic partnerships may evolve based on changing market dynamics, organisational priorities and stakeholder expectations. We remain committed to pursuing partnerships that align with our strategic goals and contribute to long-term value creation for our stakeholders.

STRONGER COMMUNITIES

GRI 3-3, 203-1, 203-2, 413-1

OVERVIEW

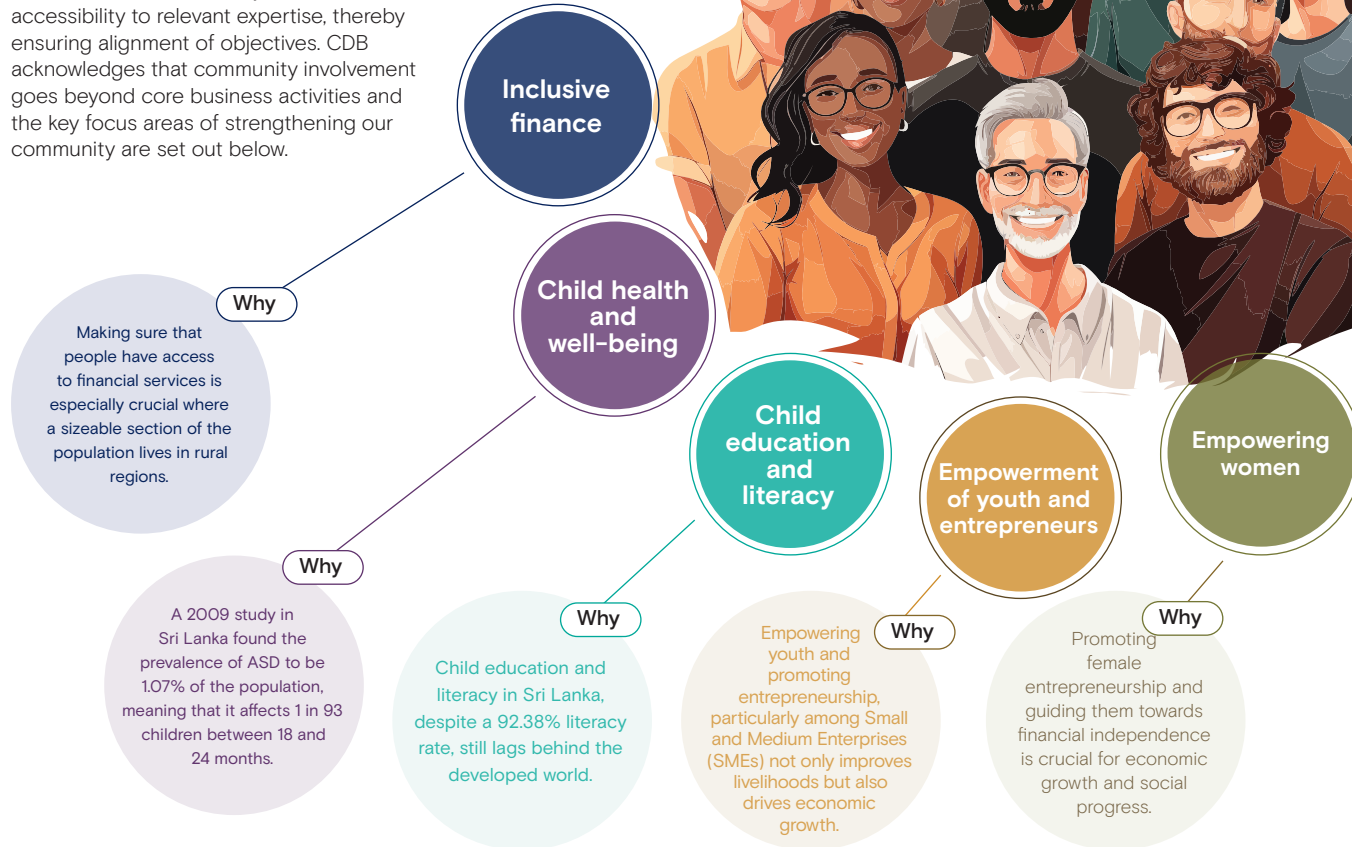
Our community investment strategy aligns with both CDB priorities and local priorities. We aspire to be recognised as an organisation that makes a meaningful impact and positive difference in our communities. Recognising that our long-term success is intertwined with the well-being of the communities we serve, we are committed to uplifting marginalised communities, particularly in rural areas. Our outreach community development projects extend beyond inclusive finance and include initiatives such as child health and well-being, child education and literacy and empowerment of youth, women, and entrepreneurs.

Key highlights of 2023/24

- Opening of the “Pragathi” Southern Provincial Autism and Neurodevelopmental Intervention Centre attached to Karapitiya Teaching Hospital
- Concluding Season 15 of the Sisudiri Scholarship Programme and awarding 150 scholarships
- Launch of the first phase of ‘Wings Ecosystem’ which focuses on enhancing woman entrepreneurs and guiding them towards financial independence

PRIORITY AREAS

CDB’s Sustainability Agenda provides oversight on the community initiatives of the Company which are prioritised and selected based on community needs, resource availability and accessibility to relevant expertise, thereby ensuring alignment of objectives. CDB acknowledges that community involvement goes beyond core business activities and the key focus areas of strengthening our community are set out below.



Capitals impacted



Financial Capital



Social and Relationship Capital

Material matters



Responsible and sustainable financing solutions



Contribution to SDGs



Community development and social investments

GRI 413-2

There were no significant negative impacts on local communities through our operations during the year.

INCLUSIVE FINANCE

CDB prioritises financial literacy and inclusion, empowering communities, and reducing poverty while fostering inclusive and sustainable development. Its business model combines sustainable practices, urban funding, and rural lending. With a substantial net lending position in the rural economy, we emerge as a conscientious and influential leader in the financial services sector. Our impact is particularly pronounced in thickly populated rural areas, where we focus on enriching the lives of the poorest and most marginalized individuals and by leveraging digital capabilities, CDB drives community-led sustainability, rural

entrepreneurship, and resilience. With virtual operations, CDB reaches remote communities, providing digital financial services, and empowering team members to serve customers effectively. The net lending focus of CDB enriches lives in rural areas and addresses regional development imbalances, ensuring equitable growth.

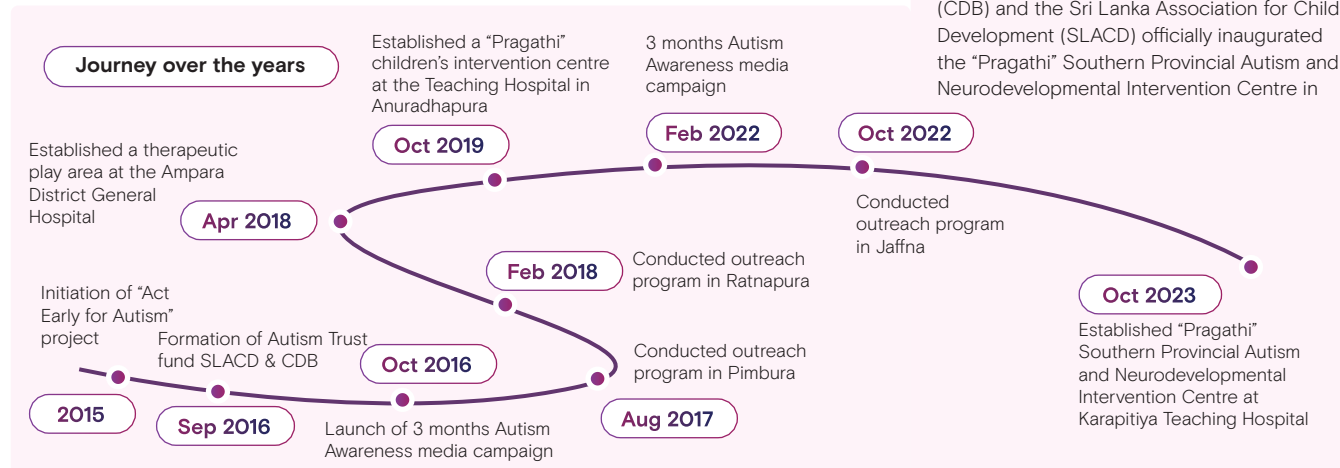
We extend financial access to those often overlooked by the formal banking system and this rural development initiative, aims to catalyse positive change in the socio-economic and cultural fabric of rural communities.

Net lending position of CDB outside the Western Province

Rs. Mn	2019/20	2020/21	2021/22	2022/23	2023/24
Lending portfolio	28,744	31,286	37,489	37,658	45,011
Deposit portfolio	10,931	10,119	14,586	18,039	22,919
Net lending	17,813	21,167	22,903	19,619	22,092

CHILD HEALTH AND WELL-BEING

Child health and wellbeing are fundamental components of a thriving society, and we aim to create a supportive environment where every child has the opportunity to reach their full potential, contributing to a healthier, more equitable, and prosperous society.



Act Early for Autism

Commemorating CDB's 20th anniversary, the "Act Early for Autism" project was initiated in 2015 in collaboration with Sri Lanka Association for Child Development (SLACD), in response to a 2009 Sri Lankan study that revealed 1 in 93 children aged 18 to 24 months are affected by Autism Spectrum Disorder (ASD). The project is dedicated to raising ASD awareness, promoting early detection, and ensuring timely intervention. By focusing on early identification and swift support, the initiative aims to bring children with ASD closer to near normalcy, thereby minimising the long-term negative impacts on their lives.

An Autism Trust Fund was set up allocating LKR 10 million and a dedicated hotline at the CDB Customer Care Centre was established to create a holistic support framework for families to obtain information and assistance. Additionally, placing autism under the spotlight, we launched a mass media campaign, a trilingual poster campaign and conducted a number of outreach programmes across the country to spread awareness on ASD.

State-of-the-Art Autism Intervention Centre

Citizens Development Business Finance PLC (CDB) and the Sri Lanka Association for Child Development (SLACD) officially inaugurated the "Pragathi" Southern Provincial Autism and Neurodevelopmental Intervention Centre in

October 2023, marking a significant milestone in their joint project "Act Early for Autism". This is the third intervention centre established by CDB, following the two previous centres established in the Ampara District Hospital and the Teaching Hospital in Anuradhapura.

The state-of-the-art facility, located at the Karapitiya Teaching Hospital, embodies their commitment to providing comprehensive support and hope to children with Autism Spectrum Disorder (ASD) and their families in the Southern Province of Sri Lanka, with a substantial investment exceeding Rs. 45 million.

The Pragathi Intervention Centre is designed to cater to a diverse range of needs for children with ASD and includes a Therapy Room, Observation Room, Sensory gym and Multi-Disciplinary Team. The dedicated team at the Pragathi Centre comprises highly trained therapists with several years of experience, ensuring the delivery of the highest level of care and support for the children.



CHILD EDUCATION AND LITERACY

CDB aims to recognise and nurture the talents of schoolchildren by helping them to access proper education and acquire the skills they need to strengthen their employability and also reduce the school dropout rate due to financial difficulties. Further we strive to support the human capital development needs of Sri Lanka and create an equitable society.

CDB Sisudiri scholarship programme

The scholarship programme which was initiated in 2008, recognises the high achievers of Grade Five Scholarship Examination and the GCE Ordinary Level Examinations. The programme was held for the 15th consecutive year and selected scholarship winners of Grade Five Scholarship Examination receive an annual cash grant of Rs. 62,500



until completion of their Ordinary Level Examination. High achievers of the GCE Ordinary Level Examination are granted Rs. 35,0000 until the completion of their GCE Advanced Level Examination.

Scholarship recipients are the children from low-income families covering all 25 districts, who are selected through a transparent and unbiased selection process. A total of 1,009 scholarships have been granted to children hailing from deserving family backgrounds from the inception of the project with an investment of over Rs. 45Mn.

CDB Smart Computer Lab

We believe IT is a great enabler to empower our young generation to optimise on opportunities in the world around them. Through our 'Smart Computer Lab' project we aim to create access to state-of-the-art IT facilities to schools in remote areas. Since the inception of this project in 2007 we have completed 14 computer labs.

In celebration of our 25th anniversary, CDB pledged to fast-track and develop 20 additional smart computer labs across the island with the ambition of providing the younger generation with the essential IT skills and knowledge required to be successful in today's digital developing world.



EMPOWERMENT OF YOUTH AND ENTREPRENEURS

Empowering rural youth and promoting their employability is a crucial aspect of them for their personal and community development. CDB recognises the significance of enhancing their skills and providing employment opportunities, enabling them to contribute to their local economies and break the cycle of poverty. This not only improves their livelihoods but also drives economic growth in rural areas. Additionally, by focusing on employability, CDB plays a crucial role in bridging the urban-rural divide, curbing migration to cities, and fostering sustainable development in rural communities. We strongly believe that investing in the employability of rural youth is an investment in their future, the prosperity of their communities, and the overall well-being of society.

CDB's recruitment policy focuses on selecting youth from disadvantaged backgrounds at the grassroots level and nurturing their potential for higher positions within the Company. Internship and management trainee programmes are offered to passionate and ambitious young individuals, providing learning and career development opportunities. During the year under review, CDB expanded these programmes to reach youth beyond the Western Province, and 46% of the hires were from outside that region. Through these initiatives, CDB aims to empower talented young individuals from diverse backgrounds and regions, fostering their growth and advancement within the organisation.

CDB also focuses on promoting entrepreneurship, particularly among Small and Medium Enterprises which drive innovation, create jobs, and stimulate the economy. By providing resources, mentorship, and opportunities, CDB enables them to thrive and challenge traditional norms which in turn leads to job creation, poverty reduction, and sustainable development.

EMPOWERING WOMEN

Despite the high literacy rate among women in Sri Lanka, only 32% are in the workforce and only 25% are SMEs. Empowering women entrepreneurs is of paramount importance as it promotes gender equality and women's economic empowerment, enabling them to overcome socio-economic barriers and achieve financial independence. By fostering women's entrepreneurship, CDB works towards unlocking their potential, creativity, and innovation, contributing to economic growth and development. Moreover, empowering women entrepreneurs leads to job creation, as women-owned businesses often generate employment opportunities for others in their communities. Additionally, women entrepreneurs bring diverse perspectives and ideas to the business world, driving innovation and enhancing competitiveness.

CDB empowers and provides support to women entrepreneurs through its core business activities, offering financial services such as new business start-up loans, expansion of ventures, and reinvesting profits to drive the growth of small businesses. CDB has collaborated with patpat.lk to introduce CDB SMB Friday and the "patpat" marketplace specifically for women entrepreneurs associated with the Sri Lanka Army Corps for Agriculture and Livestock Development. The "Virus Liya" web page on the 'Patpat' website enables women entrepreneurs to access a digital marketplace and effectively reach their target market.

During the period under review, 32% of our lending was extended to women

Wings Eco System

The aim of this initiative is to empower women to be financially literate and provide financial inclusion. Linked to the verticals of financial inclusion and empowering women entrepreneurs of CDB's sustainability Agenda, a capacity building session for women entrepreneurs and women looking to start their own business was successfully concluded as the first phase of the launch of Wings Ecosystem. In collaboration with the International Finance Corporation (IFC), our inaugural capacity-building session focused on key aspects of entrepreneurial success. During this session, the participants were educated mainly on the topics of financial management and marketing business digitally. This event went beyond a typical workshop, fostering networking and collaboration among attendees. We believe in the power of a supportive community, and through these interactions, women shared experiences, insights, and forged valuable connections. As we celebrate the success of our first session, CDB is committed to providing ongoing support, resources, and opportunities for women entrepreneurs.



SMB Friday

This is a platform created to help small businesses and entrepreneurs to increase their visibility through our social media channels and our corporate website. Every Friday, a business is featured in our channels which includes a summary of their unique story, special features of their products or services and contact information which is presented in an attractive manner.

This project contributes towards micro, small and medium start-ups and entrepreneurs within the community, to showcase their business, products and services, giving them an opportunity to expand their reach and in tandem gain market inroads. Women entrepreneurs have been placed in focus as an extension of this initiative, aligned to our primary social sustainability goal of social inclusivity.

Through the CDB SMB Friday initiative we have promoted small and medium scale businesses by featuring them in our social media platforms in addition to providing them a digital marketplace via patpat marketplace. Since the inception of CDB SMB Friday in 2018, we have featured more than 100 Small and Medium Entrepreneurs engaged in different business areas.

The platform which draws an average of 35,000 views for a video, helps to increase the visibility of entrepreneurs through social media and our corporate website. As the second phase of CDB SMB Friday, SMB Friday 2.0 was launched in FY 2020/21 to support entrepreneurs especially outside the Western Province, by promoting them on social media to enhance their digital visibility whilst providing a physical as well as a digital marketplace through patpat marketplace.



EMPLOYEE VOLUNTEERISM

We aim to inculcate a spirit of volunteerism and empathy in our team members towards the needy people in our communities by promoting community development and deploying social sustainability representatives across the island through CDB Hithawathkam. The involvement of our employees across several community initiatives has seen a significant number of staff involved and a broad range of positive impacts.



Additionally, CDB's Welfare Club is actively engaged in organising and incentivising employee volunteer engagement activities within the company and ensuring the well-being of the entire team. An appointed committee annually plans the welfare agenda of the Company, initiating activities for the calendar year. On an individual basis, financial assistance is extended to any team member who requires it in emergency situations and for sports activities.

During the year, the Welfare Club organised a blood donation campaign with the intention of working towards the greater good of the health of our citizens. 118 staff joined in to support the cause and it is notable that this is the fifth time CDB arranged such a campaign, together with the support of doctors, nurses and other support staff from the National Blood Centre.



FUTURE OUTLOOK

Short term

- Continue to spread awareness and make progress in terms of conducting outreach programs island-wide.
- Organize the 16th and 17th seasons with the participation of 200 scholars each from the 2022 and 2023 Grade 5 Scholarship and G.C.E. Ordinary Level examinations.
- Opening of smart computer labs in the Eastern Province

Medium to long term

- Construction of an Autism Intervention Centre in Colombo
- Collaboration with the Chittrasena Dance Foundation for a dance scholarship
- Fulfil the pledge made on our 25th Anniversary to complete the targeted number of smart computer labs across the country

ENVIRONMENTAL STEWARDSHIP

OVERVIEW

We consider sustainability as a responsibility rather than a choice, especially in an era of growing environmental challenges and social disparities. As a key player in the financial services industry, we understand the pivotal role we play in shaping a more sustainable future by integrating sustainable practices in decision-making processes, investment strategies, and operations.

At the heart of our corporate strategy lies a robust sustainability framework spanning across every aspect of our business. In our journey towards reaching a quarter trillion asset base, we are committed to achieving net-zero status and we collaborate with our stakeholders including team members, customers, business partners and private/public institutions to achieve sustainable development and safeguard the environment. Our tech disruption strategy complements our holistic sustainability agenda by addressing both social and environmental aspects and enables us to be a more resource-efficient organisation. We have moved away from traditional paper-based operational workflows to an ERP-based integrated workflow with no paper usage. All our internal approval documents have transitioned to digital with the introduction of the Digi App, which

has enabled paperless, efficient decision-making across our operations.

At CDB, environmental stewardship involves taking responsibility for the protection, preservation, and sustainable management of the environment. It encompasses a range of actions and practices aimed at minimising negative impacts on ecosystems, promoting conservation efforts, and fostering sustainable development.

We strategically allocate resources to educate employees, raise green awareness, manage our carbon footprint, optimise energy, water, and waste management, preserve biodiversity, foster collaboration with business partners, and engage in community projects. Towards this end, CDB has defined specific sustainability goals, integrated sustainability into all operations, developed sustainable financial products, disclosed ESG performance, collaborated with stakeholders, and promoted team member awareness. Through such initiatives, CDB has been able to drive positive change, align with ESG principles, and contribute to a more sustainable future for the country, its people, and the environment.

CDB'S CONSERVATION WHEEL

GRI 306-2

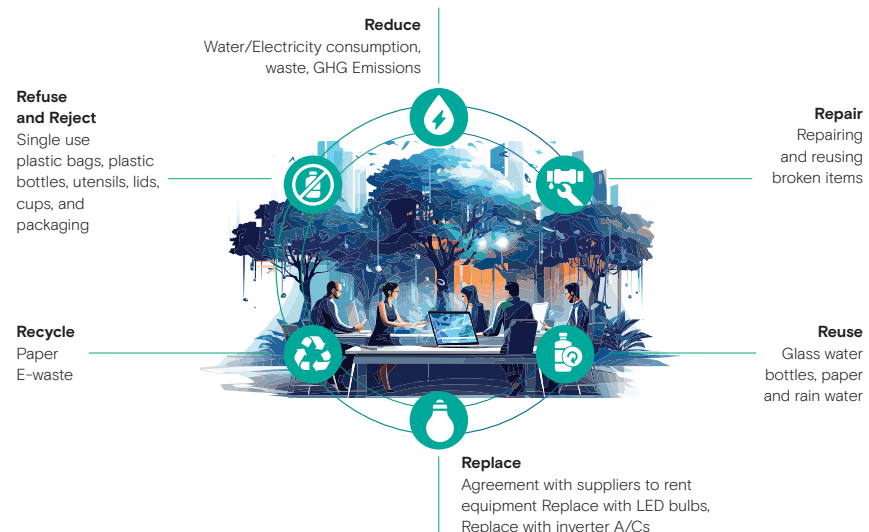
The CDB Conservation Wheel is a comprehensive framework encompassing key concepts involving preserving natural resources. It emphasises on the 7R



Key highlights of 2023/24

- Launch of the eShift initiative aimed at accelerating sustainable mobility in Sri Lanka by promoting electric vehicles (EVs), charging infrastructure, and creating more knowledge on EV-centric mobility solutions
- Collaborating with the hospitality sector to advance the country's green economy by promoting a comprehensive ecosystem for EVs
- Re-activation of the CDB Advance Roof Solar product to accelerate household renewable energy adoption

principles (Reduce, Repair, Reuse, Replace, Recycle, and Refuse/Reject) to promote a circular economy and minimise adverse impacts on the environment. It also serves as a guide to foster responsible choices, encouraging individuals and entire organisations to create a more sustainable future.



Capitals impacted



Financial Capital



Natural Capital

Material matters



M8 Reducing carbon footprint



M9 Contribution to SDGs



M2 Good governance and compliance



M11 Ethical sourcing



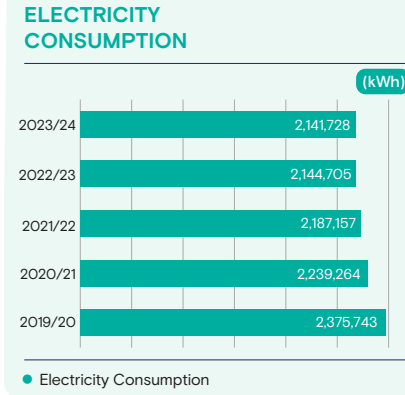
Energy management

GRI 302-1,4,5

We continue to focus on improving energy efficiency across our operations. As per the annual carbon footprint analysis, we continued to monitor and report the amount of energy produced, purchased and consumed according to the source.

Measures taken to conserve energy:

- Reducing energy consumption by collaborating with suppliers and peers, setting energy efficiency standards, adopting cost-effective technologies and promoting energy efficiency through regular energy audits.
- Tracking and reporting energy consumption, reduction and intensity over time and reducing energy consumption in our operations, including using efficient lighting and electrical appliances as a compulsory requirement under the annual CDB GHG emission analysis process.
- Creating employee awareness on energy reduction and improving energy efficiency in households through competitions.
- Introducing the Green branch concept and installing solar power system in our branches.
- Integrating the investment and promotion of household renewable energy and renewable energy consumption into our medium-term business strategy.



Emissions management

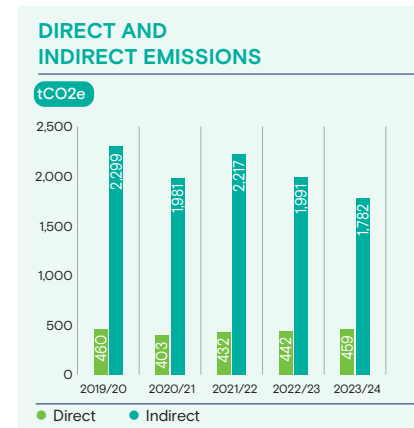
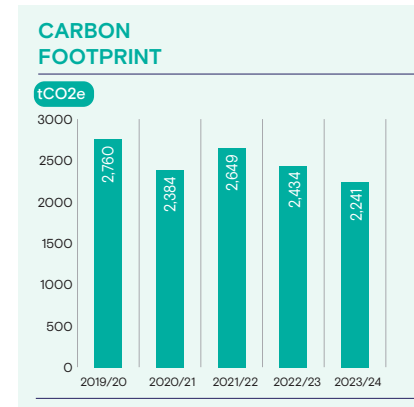
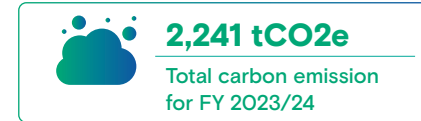
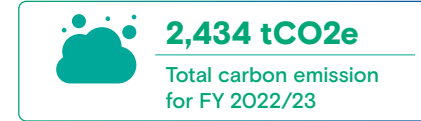
GRI 3-3, 305-1,2,3,4,5

Since 2015, CDB has actively measured its carbon footprint and has partnered with the Sri Lanka Climate Fund, to effectively carry out this critical task. As a part of its ongoing commitment, the Company intends to transparently disclose its carbon footprint information.

CDB firmly upholds its goal of attaining net-zero status by 2030, demonstrating its dedication to mitigating environmental impact and promoting sustainable practices.

- 2015/16** Recognised as the first ISO 14064-1 carbon verified financial institution in South Asia by the Sri Lanka Carbon Fund
- 2022/23** Became a carbon verified entity for the 9th consecutive year

Carbon reporting enables CDB to analyse, assess and manage all resulting greenhouse gas (GHG) emissions emanating from its business operations, track the progress of energy reduction schemes, and optimise its energy consumption



Direct emissions

Direct emissions occur from sources that are controllable by our organization. They made the least contribution of 458.55 (tCO₂ e) which amounts to 20.47% of the total emissions. These emissions include emissions from onsite diesel generators, refrigerant leakage, fire extinguishers, company-owned vehicles fuel paid by the Company and employee transport paid by the Company.

Total distribution of carbon footprint by direct sources (2023/24)

	GHG emissions tCO ₂ e	%
Onsite Diesel Generators	30.64	1.37
Refrigerant Leakage	13.09	0.58
Fire Extinguishers	0.01	0
Company Owned Vehicles	138.46	6.18
Employee Commuting-fuel paid by the company	276.35	12.34
Total Direct Emissions	458.55	20.47

During the past few years, CDB has committed to accelerating its transitioning to digital platforms. Concurrently, efforts are underway to automate internal processes and workflow systems. The primary objective of these efforts is to achieve a substantial reduction in paper usage in day-to-day operations, thereby decreasing energy consumption and related emissions.

Indirect emissions

Indirect emissions occur from sources owned or controlled by another entity and make the highest contribution to our total GHG emissions, compared to direct emissions. The highest contributor to indirect emissions is electricity generated from the grid. We have implemented measures to save energy across our Company to reduce GHG emissions.

Total distribution of carbon footprint by Indirect sources (2023/24)

	GHG emissions tCO ₂ e	%
Grid Connected		
Electricity	877.63	39.17
Business Air Travels	4.66	0.21
Employee		
Commuting- fuel not paid by the company	810.59	36.18
Municipal Water	3.77	0.17
Waste Disposal	0.19	0.01
T & D Loss	84.69	3.78
Waste		
Transportation	0.06	0
Transport of locally purchased items	0.18	0.01
Total Indirect Emissions	1,781.77	79.53

Water management

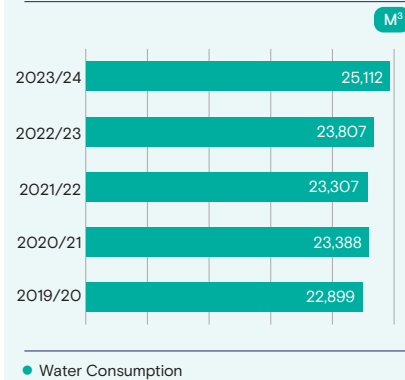
GRI 303-1,2,5

Water is primarily withdrawn by staff for utility and sanitation purposes. These requirements are met through water drawn from municipal water lines. Since water used for utility and sanitation purposes is devoid of any harmful substances or contaminants, it is subsequently discharged back into the municipal sewage lines.

Measures taken to conserve water:

- Improving water performance, by promoting reuse through a rainwater harvesting system for gardening.
- Sharing smart solutions with peers and creating awareness of water conservation among team members.
- Providing safe and hygienic gender separate washroom facilities to team members.
- Responsible disposal of sanitary products and medical waste, storage of cleaning equipment, and providing sanitation and hygiene training to team members.

WATER CONSUMPTION



Waste management

GRI 301-1,2, 306-1,2,3,4,5

In alignment with our sustainability goals, we have integrated comprehensive waste management strategies across our operations, striving to uphold the highest standards of environmental stewardship. We continue to conduct awareness campaigns to empower our workforce with the knowledge and skills necessary to champion waste reduction, segregation, and recycling initiatives within our organisation.

Measures taken to minimise waste:

- Upholding the commitment of all team members to the CDB Single-Use Plastic-Free Pledge. As a result, we have eliminated the use of plastic water bottles and plastic food containers at all CDB events, and the use of plastic decorations across the network for any cultural or religious festival or event. As the next phase, CDB is actively exploring alternatives to plastic items used within the organisation.
- CDB “e-waste” and “paper waste” recycling programmes are in place to recycle waste generated in our operations responsibly.
- Continuity of the waste segregation system with colour-coded bins.
- Maintain comprehensive waste disposal records at our head office to enhance waste management practices.
- Encourage team members to minimise food waste and actively contribute to a sustainable environment.

Type of waste	Disposal frequency	Weight (kg)	Disposal Method
Paper waste	As and when required	7,240	Waste collected from the head office is stored in the basement and sent for recycling through our recycling partners
E-waste	As and when required	0	Collected as an when required and disposed of through our recycling partner
Food waste	Once in two days	6,180	Collected by the owner of a farm
Damaged office equipment	Upon requested by the respective division/ branch	Not weighed	Collected at a single location in the head office and disposed of through a registered supplier

Impact through recycling paper waste



38,966
gallons
of water
conserved



8,482 kg
of wood
preserved



14,485 kWh
of energy saved



726 kg
GHG
reduced



5,213 kg
of landfill
avoided

SUSTAINABLE DEVELOPMENT

GRI 201-2

The Company drives environmental sustainability through its core business by incorporating environmentally friendly practices and initiatives. Additionally, the Company encourages responsible and sustainable business practices among its clients and stakeholders. By aligning its operations with environmental goals, CDB contributes to the preservation of the environment and the transition towards a greener economy.

Responsible lending

Responsible lending is one of the most impactful means through which CDB aims to contribute towards minimising the risks of climate change and avoid biodiversity damages due to the lending activities. Supporting this endeavour is the Company's Environmental and Social Risk Management System (ESMS) which sets out the framework to identify and manage exposure to the environmental and social risks within its lending portfolio. All credit files are inspected through the ESMS system and reviewed annually by a committee comprising representatives from Sustainability, Risk Management, Credit Operation and Evaluations, Finance, and Corporate Finance.

Refer page 41 or further details of the ESMS.

Key practices adopted by CDB in promoting responsible finance:

- Developing a comprehensive portfolio of sustainable financial products and loans for renewable energy projects, energy-efficient initiatives, and sustainable businesses.
- Collaborating with industry stakeholders, including government agencies, development organisations, and private sector partners, to foster a supportive

ecosystem for sustainable financing and promote industry-wide best practices.

- Developing and enforcing responsible lending policies and guidelines within the Company to ensure adherence to ethical lending practices.
- Strengthening its risk assessment capabilities to effectively evaluate and manage environmental and social risks associated with sustainable projects.
- Enhancing transparency and reporting by disclosing the environmental and social impact of its sustainable financing activities, instilling confidence in stakeholders, and attracting more investors to support sustainable initiatives.
- Providing clear and accurate information about loan terms, conditions, and associated risks, and, more broadly, promoting financial literacy and education, enabling customers to make more informed decisions.

Green financing

CDB's green financing programme acts as a key catalyst in its endeavour to combat climate change. The programme focuses mainly on supporting Sri Lanka's transition to Non-Conventional Renewable Energy (NCRE). Accordingly, CDB promotes clean transportation and roof solar energy to reduce carbon emissions, improve air quality and provide cost savings to customers.

CDB has partnered with leading corporations to rejuvenate the renewable energy sector and seeks further collaborations to provide customers with cost-efficient and competitive solutions in this field.

FY 2022/23:

Energy efficient vehicle portfolio: 24% of the total vehicle lending portfolio

Target for 2025:

50%

CDB Advance Roof Solar

During the financial year 2020/21 CDB launched the CDB Advance Roof Solar product designed to make the adoption of solar energy more accessible and affordable for homeowners and businesses. With this product, CDB ramps up efforts to incentivize customers to switch to a more sustainable approach, with the goal of increasing the adoption of sustainable practices in life.

During 2023/24, we further strengthened this commitment by onboarding five solar suppliers who are registered with Sri Lanka Sustainable Energy Authority (SLSEA).

CDB Advance Roof Solar provides customers with an easy way to upgrade to a smarter, self-sustaining energy source with an additional income and no electricity bills. Customers will receive a comprehensive

solution inclusive of the latest solar technology and aftercare, a convenient financing facility from CDB and access to a special portal to track earnings. In addition, CDB Advance Roof Solar, promotes a more intelligent and self-sufficient lifestyle. CDB's well-trained team members are also ready to walk customers through the process of obtaining a convenient financing option from CDB specially tailored for CDB Advance Roof Solar customers.

This product aligns with the 7th UN Sustainable Development Goal of Clean Energy and contributes to Sri Lanka's aim of achieving 70% renewable energy sources by 2030. The project envisions 1000 Mw of solar power generation capacity by 2025 – all from the rooftops of homes and businesses.

eShift ecosystem

CDB in collaboration with its technology partner Vega Innovations launched the eShift initiative, a landmark project aimed at accelerating sustainable mobility in Sri Lanka by promoting a comprehensive ecosystem for EVs with a focus on knowledge sharing, EV charging and EV conversion. This initiative focuses on creating a comprehensive ecosystem to speed up the adoption of electric-powered vehicles and reduce dependence on fossil fuels.

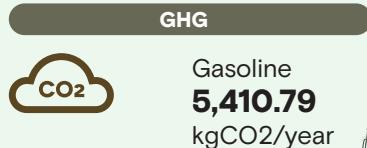
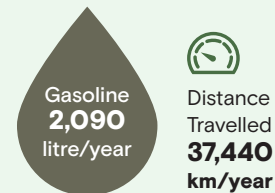
The key purpose of the eShift initiative is the conversion of conventional fossil fuel-powered three wheelers (3W) into fully electric vehicles. Our eShift Concept Centre, a dynamic educational hub launched in October 2023, serves to inform and ignite interest in electric-powered vehicles across Sri Lanka. Through our recently established concept centre we have dedicated to expand the EV charging infrastructure through the country's pioneering fast charging stations for the three wheelers. The centre itself is powered by solar energy and has two conversion bays and seven charging stations with two of these being fast charging stations solely for three wheelers, marking a first for Sri Lanka.

Considering the importance of the hospitality sector's contribution to the economy, we have taken initiatives to collaborate with several resorts to promote and encourage the use of electric vehicles. This will help to build a greener and more eco conscious nation.

It is estimated that there are over 1.3 million three wheelers on Sri Lankan roads, powered by fossil fuel. The use of EVs in Sri Lanka will in the long term reduce the impact on climate emergency and contribute towards the Company's journey towards net zero. The conversion of a fossil fuel-powered three-wheeler to an electric three-wheeler is expected to contribute positively by reducing greenhouse gas emissions by 3.24 tCO₂ per annum. This computation is based on the following details:

GHG calculation comparison - fossil powered vs eShift Electric Vehicle

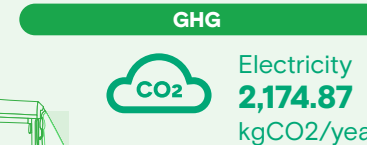
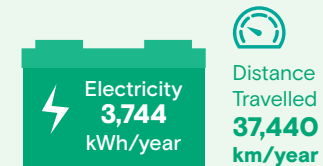
Pre Conversion GHG Emission Estimation



GHG Emission before conversion **5.41** tCO₂/year



Post Conversion Energy Consumption



GHG Emission after conversion **2.17** tCO₂/year



Assumptions:

6.7
Daily Consumption (litres)

120
Daily distance travelled (km)

6
Number of days run per week

52
Number of weeks

12
Electricity usage for charging (per charge/ kWh)

* Impact calculated using the methodology and tool developed in collaboration with IFC

ECO SYSTEM RESTORATION

GRI 3-3, 304-1,2,3

CDB remains deeply committed to protecting and nurturing the environment and continues to support a range of biodiversity conservation and natural ecosystem preservation projects. Our premises are not located in proximity to conserved areas of biodiversity and our direct business operations are free from the negative impact on such areas. A key component of our environmental stewardship involves restoring degraded ecosystems by valuing and protecting.

LIFE PROJECT

This is a landmark public-private initiative to restore a 12ha block of degraded land in the Halgahawala – Opatha region, which is adjacent to the Kanneliya rain forest. The site had been cleared for cultivation and later abandoned, which subsequently resulted in the site being colonized by the pioneer fern species, *Dicranopteris linearis*. This project will act as a model for the restoration of degraded forests in the wet zone of Sri Lanka. Further, it aims to develop a biodiversity credit accrual system on par with the international standards. Hence, it will enable biodiversity conservation project owners to generate accruable non-carbon credits.

Achievements

- 100% replantation has been completed with more than 22,000 plants introduced to the site.
- As opposed to 43 total recorded species in 2017, 107 faunal species have been recorded by the end of phase 1. Further, endemic faunal species count has risen from 6 to 37 by the end of phase 1.
- Finalisation of the Field Verification Standard with NEPCon, an international accreditation agency, to establish the biodiversity credit accrual system.
- The site has been listed in the national restoration database by the Forest Department as a part of Sri Lanka's 200,000-ha Bonn Challenge commitment.
- The Forest Department has selected the entire Opatha-Kanneliya landscape as one of the three Forest Landscape Restoration (FLR) pilot sites of Sri Lanka under the Sri Lanka FLR mentorship programme.
- The Kanneliya restoration project contributes to achieving several global and national environmental and development targets including SDGs, Bonn Challenge at the global level and NBSAP and NEAP at the national level.

Future plans

- Scaling up the restoration efforts and continuing the project
- Integrating the site with the main forest for biodiversity and ecosystem connectivity
- Upon integration, handing over the site to the Forest Department for its long-term management and supervision.
- Documenting the 10-year restoration efforts of the site for research and scientific purposes.
- Self-sustenance of the project after it attains the natural ecosystem equilibrium.

This project will act as a model for the restoration of degraded forests in the wet zone of Sri Lanka. Further, it aims to develop a biodiversity credit accrual system on par with the international standards.



LIFE TO OUR MANGROVES

A mangrove restoration project as a means of Nature-based Solution (NbS) that will generate multiple environmental and socio-economic benefits. Overall, the intervention will enhance the resilience of the mangrove ecosystem, its capacity for sustenance, and the provision of ecosystem services, whilst contributing to the socio-economic development of the local community. The project also seeks to promote community preparedness and build partnerships to reduce Sri Lanka's vulnerability to climate change. The main area of focus will be the conservation of 10ha of land within the Anawilundawa wetland sanctuary, which is one of six identified RAMSAR wetland sites in Sri Lanka. The wetland health is deteriorated owing to abandoned shrimp aquaculture ponds.

Ground preparation and re-planting

- Hydrological plans developed separately for each plot to decide whether the plots should be irrigated by lagoon water or Dutch canal.
- Dredging has commenced in these plots to remove excess sediment and debris
- On-going restoration of mangroves, mangrove associates and dry zone plants.
- Special focus on Accelerated Natural Regeneration of Mangroves (ANRM) and mangrove associates. About 2,700 true mangroves have been planted in plot 7.

Plant nursery

- On-going construction of the plant nursery to raise mangroves, mangrove associates and dry zone plants on-site and to acclimatize them to their natural habitat.
- Seeds and mangrove saplings for the nursery were collected from the adjacent wetland to maintain the genetic diversity.
- Nursery is operated by local community to draw in community engagement and to tap into their knowledge.
- More than 3,500 plant saplings are currently managed.

Baseline survey and biodiversity assessment

- Baseline survey conducted with soil and water quality analysis.
- On-going field surveys - Water quality, soil C estimation, birds, butterflies, mangrove gastropods and mangrove survey

- Completing the field nursery establishment
- Completing the floral assessment and baseline survey
- Conducting total Ecosystem Carbon Assessment
- Establishing a visitor centre
- Constructing a road network and a sales outlet to sell mangrove products operated by the local community

Achievements

Future plans

ITTAPANA MANGROVE CONSERVATION PROJECT

This project aims to conserve mangrove wetland and establish a mangrove research centre for mangrove ecosystem studies. Further, the project intends to establish a rural economic development centre to help the local community to capitalize on new sustainable mangrove-related businesses. The project will conserve 2 acres of Ittapana-Horawala mangrove wetland, bordered by the Bentota river which is one of the most threatened landscapes in Sri Lanka.

Achievements

- A wooden deck and a walkway were erected to easily access the wetland.
- Opened a state-of-the-art Mangrove Resource Centre titled the 'Dr Suren Batagoda Centre for Mangrove Conservation and Climate Resilience'. This centre serves as an eye-opening educational and research hub for university students, researchers and local community.
- Conducting awareness programs to the local and international university students, researchers, local communities and foreign delegates to create awareness on the project significance whilst sparking their interest for mangrove conservation.
- On-going ground preparation and mangrove restoration
- Establishment of an on-site mangrove plant nursery
- Conducting baseline surveys for water quality, soil quality, mangrove vegetation and fauna

Future plans

- To reforest and maintain 0.5 acres of the land
- To further expand the mangrove resource centre
- To empower the local community, especially the women for entrepreneurship
- Installing a tube well and a water distribution system for drinking purposes.



LIFE TO OUR BEACHES

A partnership between the public and private sectors and the community, which not only aims to ensure preservation and conservation of Sri Lanka’s coastal environment, but also to sustain the underprivileged communities residing in the vicinity. The project will maintain a 350m stretch in the Modara-Polwatte beach.

Achievements

- A beach cleanup was organised at the Modara beach, Moratuwa with the participation of more than 120 team members along with their families
- Waste accounting to approximately 900kg was collected and recycled during phase 1.
- Apart from the monthly allowance, an annual amount of Rs. 25,000 was earned by the beach caretaker by selling recyclable material to a recyclable centre.
- Recognition of the beach caretaker by the Moratuwa Municipal Council and the USAID-funded Clean Cities Blue Ocean Project for her service.

Future plans

- Signing the agreement for phase 2, to continue CDB’s conservation and maintenance efforts in the Modara beach stretch.
- Training the beach caretaker to improve her skills and knowledge to maintain the beach stretch
- Expanding the project extent to conserve 10km of beach stretches.

EDUCATION AND OUTREACH

Improving environmental literacy among team members is a critical element of fostering a culture of sustainability within the organisation and promoting responsible environmental stewardship. CDB has established team member engagement programmes that foster awareness and education about sustainability. This includes spearheading the effort through sustainability champions, training sessions, workshops, and information campaigns that focused on topics such as environmental conservation, responsible lending practices, and social impact.

We also incorporate environmental sustainability into onboarding and orientation programs to align new recruits with our sustainability initiatives. Through this, we foster a culture of sustainability from the very beginning.

We have also established a CDB Advance Green Club which holds the responsibility of spearheading the CDB Advance internalisation strategy. Over the years the club has successfully carried out several campaigns including the CDB Advance Green Challenge, CDB Green family event, and the single-use plastic free pledge. The club members, in their role as Green Ambassadors of CDB, act as catalysts of positive environmental change, educating their colleagues, family members and associates about environmental consciousness.

The CDB Advance Green Challenge was a key internal event hosted during the year for CDB team members, inclusive of a quiz, debates and short film competitions, reflecting our commitment towards promoting sustainability awareness and green practices among team members. Emphasizing individual and collective

actions, it aimed to instill a mindset geared towards climate action and showcased CDB’s commitment to social progress and environmental well-being. Over 400 CDB team members from branches across the island participated in various competitions showcasing the dedication and ingenuity of our passionate team, which plays a pivotal role in driving positive change within the organisation and beyond.

COLLABORATION

CDB has established partnerships with various local and global institutions to facilitate capacity building and harness collective action, shared resources, and collaborative solutions to address pressing environmental challenges and promote sustainable development.

In April 2024 CDB entered into a partnership with the International Finance Corporation (IFC) in an effort to bolster sustainable and inclusive growth and combat climate change by enhancing its green portfolio. The IFC will support CDB to expand its climate finance product offerings and devise a carbon credit aggregation business model, aligning it with the country’s climate commitments. Furthermore, it will support CDB to review and strengthen its environmental and social management system, in line with the IFC’s Performance Standards.

Refer page 91 to 94 for further details on the strategic partnerships.



**FUTURE
OUTLOOK**

Short term

- Focus on increasing EV conversions and expanding charging infrastructure, while setting measurable KPIs. We will also look at the possibility of calculating carbon emission savings through these conversions
- Commit to clean and maintain selected beach stretches of 10km extending our efforts towards the project
- Conduct the 2nd season of CDB Advance Green Challenge
- Reactivate the CDB Green Family event, to connect our team members and their families to nature and create the “Green Family” Concept

Medium to long term

- Expand the Company’s climate finance offerings and strengthen its environmental and social management systems in partnership with IFC
- Extend the commitment to the LIFE project for a further 5 years to restore the degraded fern land in Halgahawala, Opatha and the associated development of a biodiversity credit accrual system for Sri Lanka



RESPONSIVE
**LEADERSHIP
AND RISK
MANAGEMENT**

RISK LANDSCAPE

While FY 2023/24 has been a complex and challenging year, both in the global and local macro context, we foresee many of these challenges to continue into the short and medium term. At CDB we monitor the external environment and respond appropriately to both the risks and opportunities it presents. In our quest to create and protect value for all our stakeholders, we responsibly allocate our capitals to opportunities that will yield sustainable risk-adjusted growth and returns. The business of financing remains fundamentally about the management of risk, and we always strive to be best in the industry, with a strong risk culture, sound governance and a robust enterprise wide risk management framework. The overall status, outcomes and effectiveness of our risk management have remained favourable and duly stress tested by the various crises and shock events throughout the past couple of years. The overall state of CDB's risk management, balance sheet management, internal control environment, compliance, governance and risk culture has been highly effective, and remains sound and robust and has comfortably withstood the stress test of these unprecedented times in all material aspects. Increased focus on our sustainability framework helped CDB to identify and account for new risks in areas such as diversity, equity, and climate change including many environment, social, and governance (ESG) issues and ensure our commitment towards adding and protecting stakeholder value as a responsible corporate citizen.

Our significant/ emerging risks in 2023/24**Macroeconomic environment**

The unfavourable economic condition of the country presented a high level of threat to the banking and finance sector which was as result of political instability, contraction in GDP, currency depreciation, high inflation and massive swing in interest rates though these challenges were easing away during the latter part of the financial year creating ample opportunities to improve competitive position and strengthen our financial position.

Higher interest rates and deterioration of disposable income

Despite the gradual decline in interest rates of the economy, rates remained high compared to the previous period prior economic crisis. Along with adverse macro-economic conditions prevailed during previous periods, a significant stress on loan payment and default levels continued during the financial year as borrowers struggle to repay loans amidst this economic backdrop and its impact on real disposable income levels. However, reduction in interest rates during the year eased out some part of the stress helping to improve the delinquency. Yet CDB managed to improve default levels significantly during the financial year as a result of timely and effective post disbursement follow up actions offering optimum solutions to our valuable customers. Further CDB was able to improve the balance sheet in terms of consumer lending due to competitive interest rates offered in line with the market interest rate movement.

Country credit rating

Default country rating assigned by rating agencies was result in hindering CDBs' desired credit rating level which was rated as BBB (lka)/RWN initially and subsequent upgrading of outlook to stable. Despite CDB was able to secure foreign funding line amounting 30Mn USD due to increase confidence over CDB's resilience and financial stability during the year under review.

Evolving cyber security threats

Cyber-attacks reached previously unheard of heights in 2023, both in terms of sophistication and severity and such attackers are more likely to target financial institutions who handle a lot of sensitive data and customer finances. As a leading financial institution, more focus and attention were extended towards refining and enhancing company's Cyber security measures and protocol to combat security threats partnering with specialized external tech institutes within the financial year and these initiatives will be further strengthened in 2024/25 to counter any possible Cyber-attack.

Skill retention

Staff turnover increased due to several reasons such as migrating due to adverse economic condition and headhunting by other institutions losing important and specialized skills to the organization. CDBs succession plan in place was effective ensuring that responsibility and accountability transfers were took place in a smooth manner.



INTEGRATED APPROACH OF MANAGING RISK

GRI 2-25, 3-3

Risk management in CDB adopts a top-down approach, with the Board driving risk appetite setting and overall risk strategy. The Board fulfils its risk management function through the Board Integrated Risk Management Committee (BIRMC). The BIRMC defines risk appetite statements at functional and enterprise levels, oversees and reviews risk management structures,









metrics, limits, and issues across CDB. The BIRMC guides our risk strategy framework, emphasizing sound risk management governance, value enhancing and business enabling risk methods and processes. It ensures oversight on risks, monitors regulatory and internal capital adequacy vis-à-vis risk exposures, and promotes a strong risk culture across CDB. Operating on the “Three Lines of Defence” model, we manage risks through clearly delineated functions to ensure effective risk management governance and control processes across the Company.

This model defines the risk management responsibilities of each unit owning and managing the risk (1st line), overseeing the risk management and compliance function (2nd line), or providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line). Management-level Committees are also established to strengthen CDBs’ risk management by aligning strategies with organizational goals and improving decision-making in specific business areas. With transparent reporting, they cultivate a risk-aware culture, enhancing operational resilience, crisis preparedness, and strategic alignment.

RISK CULTURE

Risk culture is a principle of our enterprise wide risk management that deals with the thinking, behaviour and actions around risk management that shape our ability to identify, understand, openly discuss, escalate and act on the CDB’s current and future challenges and risks. Risk culture creates an awareness, recognition and understanding of the value of risk and its identification, measurement, management, monitoring and reporting as part of daily business activities. It is embedded in people’s thoughts, beliefs, and values, which in turn influence their behaviours and actions.

OUR RISK RESPONSES AND STRATEGIC FOCUS

	Impact on CDB	CDB’s strategic response	Future focus	
 <p>R1 Business and strategic execution risk</p>	<p>Losses or reduced profits arising from the Company’s strategic direction and execution or external environment (such as competition and adverse economic conditions).</p> <p>This could result in the inability to provide investors and shareholders with adequate returns.</p>	<p>The macroeconomic factors impacting execution against financial targets eased in 2023, given the positive impact of the economic recovery that has begun.</p> <p>Expanded our product offering focusing on different market segments such as agri, fisheries, MSME, and improved our digital presence in generating leads.</p> <p>Continued to invest in latest technology such as BOT, API, AI and ML with objective of improving efficiency and quality of credit decision making.</p> <p>Ongoing monitoring over KRIs covering strategic risk and performance at ALCO and BIRMC meetings ensuring CDB is on the track in achieving set strategic objectives.</p>	<p>Continue to use big data and data analytics, leveraging AI, ML technologies to support obtaining sound decisions</p> <p>Ongoing monitoring of market developments and immediately respond to maintain and improve our competitive position</p> <p>Improve risk dashboards and monitoring tools to measure and monitor the strategic risk status of the Company</p>	
	<p>Year on year trend</p>	<p>STABLE</p>	<p>Related material matters:</p> 	<p>Related capitals:</p>     
	<p>Anticipated short term trend</p>	<p>STABLE</p>		<p>Related stakeholders</p>  <p>Investors</p>
<p>CDB’s level of control</p>	<p>MEDIUM</p>			



Impact on CDB	CDB's strategic response/ Our treatment in 2023/24	Future focus
<p>This includes concentration, credit default, counterparty/ settlement and securitisation risk. Improper credit risk management reduces the company's profitability, affects the quality of its assets and increases credit losses and non-performing loans, which may eventually lead to financial distress. This could result in the inability to provide investors and shareholders with adequate returns.</p>	<p>Implemented automated credit decision for all the vehicle related facilities to enhance the accuracy of the credit decisions.</p> <p>Portfolio diversification to different asset classes such as Gold loans, credit cards, green products, and different sectors such as agri, fisheries etc.</p> <p>NPL ratios were monitored closely and NPL ratio was able to reduce significantly via successful recovery initiatives.</p> <p>Improved credit quality monitoring dashboards developed by BI team supported CDB to establish optimum follow up strategies.</p> <p>Further enhancement of credit risk management processes, primarily more robust monitoring of loans to detect doubtful loans early and actively manage them to prevent non-performance.</p> <p>Maintained strong client relationships and reliable insights into their financial positions.</p> <p>Ongoing monitoring over market gold prices and revised gold loan advance levels based on risk appetite maintaining the portfolio LTV levels at an acceptable level.</p>	<p>Implement credit underwriting processes/systems for new product verticals (Agri, fisheries, EV etc.)</p> <p>Continuous revision and review of credit evaluation criteria based on evolving external market environment variables and in line with the risk appetite of the company</p> <p>Portfolio NPL levels and age movement to be closely monitored giving special focus to special products, sectors, geographical areas etc. to identify contracts which are vulnerable to default</p> <p>Credit risk management framework to be further strengthen ensuring alignment with the newly issued Finance business Act direction No. 02 of 2024.</p> <p>Credit and concentration risk monitoring framework to be further improved establishing clearly defined quantitative risk appetite levels.</p>

Year on year trend	STABLE
Anticipated short term trend	STABLE
CDB's level of control	HIGH



Related capitals:

Financial Capital, Intellectual Capital, Human Capital, Social and Relationship Capital, Natural Capital

Related stakeholders:

Investors, Customers



Operational risk

Financial loss resulting from inadequacy or failure of internal processes, systems, human error, or from external events. It is important to manage these well because the impact of such failures can be material, unexpected and pervasive.

Impact on CDB

CDB's strategic response/ Our treatment in 2023

Future focus

Continuously improve the internal control structure and promote a risk reporting culture via appointing risk representatives for each division.

Successfully renewed the company wide insurance policy for the calendar year 2024 with a comprehensive analysis of business requirements and adjusting insurance coverage appropriately and reviewing insurance warranties consulting a specialized insurance broker.

Improved BCP and DR planning to ensure our operational resilience against unforeseen incidents.

Improved incident response process by adopting a centralized method of recording all the risk incidents and following up required mitigation action plans to ensure that materialized risks were effectively managed.

Automated controls were introduced to key operational areas to fully avoid manual processing errors and to eliminate continuous monitoring requirements.

Initiated developing comprehensive operational risk reporting dashboards based on international best practices.

Increased focus on complying with the requirements defined under the personal data protection act and took several steps towards the journey of overall compliance such as appointing data protection officer (DPO), creating awareness among top management and BOD, putting required frameworks in place at respective lines of defence etc.

Continue to replicate the operational risk reporting dashboard to all the operational functions across the Company.

To adopt to Risk Control self-assessment (RCSA) framework based in international best practices in recording operational risk scenarios/ events.

Continue to enhance our team awareness in identifying and proactively responding to operational risks via ongoing trainings.

Operational risk loss events recording process to be streamlined establishing a cross functional team representing all 3 lines of defence.

Year on year trend

STABLE

Anticipated short term trend

STABLE

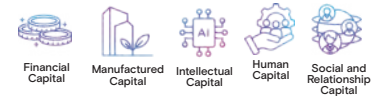
CDB's level of control

HIGH

Related material matters:



Related capitals:



Related stakeholders





Impact on CDB

The risk that the Company may not have, or is unable to generate, sufficient funding or cash resources to meet its short- and long-term obligations immediately as they fall due. Funding and liquidity risk has been the key principle risk during all historical financial system crises.

CDB's strategic response/ Our treatment in 2023

Build a diversified funding portfolio with a appropriate mix of local and foreign funding and maturity profiles and concentration.
Secured a foreign funding line worth of 30Mn USD from DFC a concessionary borrowing rate.
Continued to perform stress testing on liquidity risk to prudently manage liquidity position ahead of a liquidity crisis.
Maturity mismatch position was improved significantly within the year under review due to improved liquidity position.
Cash flow forecasts were maintained and reviewed on a weekly basis to ensure that the liquidity position is maintained at an acceptable level determining optimum strategies.
Pre-approved facilities with the banks were maintained throughout the year ensuring that sufficient funds are available in a contingency scenario.

Future focus

Contingency funding plan to be improved defining thresholds and authorities
Adopt to international best practices in analysing and managing the liquidity position such as Fund transfer pricing, BASEL 3 scenario analysis
Stress testing practices to be further improved considering both internal and external risk scenarios

Year on year trend

STABLE

Related material matters:



Related capitals:



Related stakeholders



Investors Customers Regulators

Anticipated short term trend

STABLE

CDB's level of control

HIGH



Impact on CDB

Market risk is the risk of loss arising from movements in market variables, such as foreign exchange rates, interest rates, equity prices, commodity prices, property prices, credit spreads and implied volatilities. Market risk arises in both the banking and trading book. Trading book positions are financial instruments (primary and derivative instruments) typically held with the intention of short-term trading, market-making or to hedge other positions in the trading book and are free of trade restrictions. Any instrument not held for trading purposes is assigned to the banking book.

CDB's strategic response/ Our treatment in 2023

Increased focus on shifting the portfolio composition in terms of fixed and variable interest rates with the objective of minimizing the impact from repricing risk due to unfavorable fluctuation in the market.
Diversified the portfolio into different segments following the risk based pricing approach to ensure adequate returns are generated.
All foreign currency related exposures (borrowings) were fully hedged to avoid probable financial impact due to LKR depreciation.
Ongoing stress testing analysis was carried out measuring financial implications from market risks and ensuring adequate risk mitigation strategies are in place
Continuously carried out forecast based analyses on weighted average rates and impact on spread and Nil under different market interest stress levels.

Future focus

Further improve our stress testing framework covering market risks based on global best practices on capital risk management
Continue to diversify our portfolio with the objective of minimizing probable financial implications from adverse market interest rate movements

Year on year trend

REDUCED

Related material matters:



Related capitals:



Related stakeholders



Investors Customers Regulators

Anticipated short term trend

STABLE

CDB's level of control

MEDIUM

Impact on CDB
CDB's strategic response/ Our treatment in 2023
Future focus



R6
Capital risk

Capital adequacy may be affected by earnings, asset growth and quality, changes in exchange rates, regulatory requirements and strategic decisions – including acquisitions, divestments, investments and changes in capital-intensive businesses. Adequate capital ensures the financial institution can embrace strategic opportunities, cover exposures and withstand losses from extreme events.

Maintained capital adequacy in line with CDB's capital plan with the ALCO routinely monitoring capital adequacy

Forecasting and stress testing of various scenarios were performed to inform capital planning and management

Dividend management processes ensure dividend levels are sustainable, taking into account the outlook for profitability, capital requirements and the broader economic environment.

Improve internal capital generation through robust earning profile and risk management practices.

Capital securities to be issued to satisfy regulatory capital requirements and provide flexibility for future growth.

Further improve our capital stress testing framework applying international best practices and in line with BASEL

Year on year trend STABLE

Anticipated short term trend STABLE

CDB's level of control HIGH

Related material matters:



Related capitals:




Related stakeholders:



Investors Regulators

Impact on CDB
CDB's strategic response/ Our treatment in 2023
Future focus



R7
IT and cyber risk

Inadequate system controls, system failures and cyber-attacks may result in financial and reputational losses to the company.

Invest in latest available technologies and resources such as firewalls and virus guards. Deploy professional specialists to ensure adequate measures have been taken to safeguard against threats.

Staff members were continuously made aware about various cyber-attacks and how to identify such via cyber drills and comprehensive trainings.

Improved incident management process with established lines of reporting and responsibilities.

Risk assessments, security testing, internal and external audits were conducted in scheduled intervals.

Comprehensive review on the requirements under the Personal data protection act and detailed analysis over internal business processes to identify the gaps.

Cyber drills were carried out to enhance awareness among team members to safeguard our assets and data from possible phishing attacks/ ransomware.

Continue to monitor new developments and adequacy of resources and specialist knowledge to ensure proper management of IT and cyber risk.

Continuous effort to address the identified gaps related to personal data protection act ensuring maximum safety and due diligence in handling customers' data.

Continue to monitor controls and implementation of leading and lagging Key Risk Indicators (KRIs) to provide early warning before risks materialize. Additionally, establish a Security Operations Centre (SOC) and implement the ISACA Risk IT Framework.


Continue staff training to address emerging threats.

Year on year trend STABLE


Anticipated short term trend INCREASING

CDB's level of control HIGH


Related material matters:



Related capitals:



Related stakeholders:



Customers Employees Regulators



Regulatory and compliance risk

Impact on CDB	CDB's strategic response/ Our treatment in 2023	Future focus
<p>The risks of legal or regulatory sanctions, penalties, financial loss, or loss to reputation that the institution may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and prescribed standards of good practice including the regulatory framework for anti-money laundering and countering terrorist financing and the products and services offered by the institution been used to facilitate money laundering and terrorist financing.</p>	<p>Improved our training initiatives and continue to refine and invest in our compliance systems and processes.</p> <p>CDBs' strategic response to compliance and ML/TF risks is multifaceted, incorporating strong governance, a robust compliance framework, continuous risk assessment, advanced monitoring systems, comprehensive training, proactive regulatory engagement, and effective issue resolution.</p> <p>The CDD process has been strengthened with API supported screening solution from Lexis Nexis Risk Solutions which is then integrated to the ERP based CDD module which facilitates, risk profiling, KYC completion, verification, approval and digital archival.</p> <p>Real time automated alert generating tool is finalised and is in implementation in addition to existing mechanism.</p>	<p>Continue to conduct dynamic, comprehensive and ongoing risk assessments to identify, evaluate, and mitigate compliance and ML/TF Risks.</p> <p>Internal controls are continuing to be evaluated and designed to address identified deficiencies and enhance our ability to prevent, detect, and respond to compliance breaches.</p> <p>Continue to streamline the compliance processes by strategically integrating external compliance solutions where necessary with systems and processes developed in house.</p>

Year on year trend	STABLE
Anticipated short term trend	STABLE
CDB's level of control	HIGH

Related material matters:

Related capitals:

Financial Capital Social and Relationship Capital

Related stakeholders

Investors Regulators



Environmental, social and governance (ESG) risk

GRI 201-2

Impact on CDB

Since the concept of sustainability was introduced into the financial sector, a new type of risk has been emerging: sustainability risks, also referred to as environmental, social or governance (ESG) risks. These focus on the potential effect an organization's stakeholders (such as customers, outsourcing suppliers, employees, or the environment) may exert and in reverse, the impact that the organization may have on its stakeholders and the environment due to its activities. When occurring, ESG risks will have or may have negative impacts on assets, the financial and earnings situation, or the reputation of a NBFI.

CDB's strategic response/ Our treatment in 2023

Our ESMS is designed to systematically address and mitigate exposure to environmental and social risks. By embedding ESG factors into our credit assessment, we ensure that our lending practices support long-term environmental stewardship and social responsibility.

Our internal sustainability team continues to develop methodologies to assess climate risk exposures across key portfolios.

We continue to report on our approach to climate governance, strategy, risk, and metrics and targets in line with the recommendations of IFC.

CDB team was participated in many training and awareness sessions conducted by local and international organizations on ESG risk to gather necessary and important knowledge on ESG risk management.

CDB's established Sustainable Purchasing Policy aimed at minimizing our environmental impact and promoting community benefits. This policy guides the responsible selection of products and services, ensuring that our procurement decisions reflect our commitment to sustainability

Our green financing portfolio is a cornerstone of our strategy to achieve Net Zero status, with key lending products including 3W EV conversion and CDB Advance Roof Solar.

Our commitment on environment and social aspects under sustainability agenda was continued along with many projects namely Kanneliya restoration, Ittapana mangrove conservation, Act early for Autism, Sisudiri scholarship and SMB Friday. Ref page 40 to 44 for details

Future focus

Our Environmental and Social Risk Management System (ESMS) will be updated based on IFC Performance Standard 1, ensuring our practices remain aligned with global standards and best practices.

Tools and approaches to manage E&S risk exposures across our lending and supplier processes continue to be enhanced.

Define a policy guideline related to ESG risk management and refine existing credit policies including CDBs risk appetite related to ESG risk management.

Consideration of ESG in product pricing and risk management.

To further improve ESG data management capabilities.

Continue promoting sustainable financing solutions in the Sri Lankan market by developing new products for Green Homes and Energy Efficient Equipment lending

Year on year trend

INCREASED

Anticipated short term trend

INCREASING

CDB's level of control

MEDIUM

Related material matters:



Related capitals:



Related stakeholders



Our quest towards new frontiers symbolises a holistic approach to progress where integrity, transparency and accountability converge to build a strong foundation of growth and prosperity. We strive to balance the aspirations of all stakeholders by creating balance and harmony.



Robust risk management and corporate governance practices (Yin) ensures a cautious approach focusing on compliance and regulatory adherence. Our dynamic leadership (Yang) drives the strategic pathway towards new opportunities by embracing technological advancements.

BOARD OF DIRECTORS

GRI 2-17







Alastair Corera
Chairperson/ Non-Executive
Independent Director

Date of appointment to the Board	16-May-2019
Skills and Experience	<p>Serves as the Executive Director of Orion Fund Management (Pvt) Ltd. Prior to this role, he has held several positions at Fitch Ratings Lanka Ltd., where he led the rating team for Financial Institutions and served as the Country Head from 2004 to 2006. He also worked as the General Manager at Forbes ABN AMRO Securities (Pvt) Ltd.</p> <p>He is a Chartered Financial Analyst, USA, and a Fellow of the Chartered Institute of Management Accountants, UK.</p>
Membership of Board Subcommittees : BIRMC BNGC	




Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

Date of appointment to the Board	03-Feb-2005
Skills and Experience	<p>Mahesh Nanayakkara joined CDB in 2001 and possesses over 30 years of experience in the field of financial services. Over the past two decades, he led a vibrant team of young professionals who played a pivotal role in transforming CDB from a company with negative net worth to the thriving entity it is today. He played a significant role in establishing the Autism Trust Fund, a collaborative effort between CDB and the Sri Lanka Association for Child Development (SLACD), with a primary focus on raising awareness, early detection, and intervention for autism in Sri Lanka.</p> <p>He holds a BSc. in Business Administration, as well as a Masters degree (PIM) from the University of Sri Jayawardenepura. He is a Fellow of the Chartered Institute of Management Accountants (UK) and has also completed an Executive Development Programme at the Harvard Business School, Boston.</p>
Membership of Board Subcommittees : BIRMC BCC	



Senior Professor Sampath Amaratunge
Non-Executive Independent Director

Date of appointment to the Board	20-Oct-2016
Skills and Experience	<p>Prof. Amaratunge has served as a distinguished academic in Sri Lanka for over three decades. He currently holds the esteemed position of Chairperson at the University Grants Commission (UGC). Additionally, he serves as a Director in various organisations including Laugfs Gas PLC, Laughs Power PLC, Raigam Wayamba Salterns PLC, Southern Salt Company (Pvt) Ltd., and Raigam Wayamba Cereals (Pvt) Ltd. He previously served as the Vice-Chancellor of the University of Sri Jayawardenepura and as the Chairperson of the Federation of University Teachers Association (FUTA).</p> <p>His contributions to research are notable with over 75 articles published in international and national refereed journals and proceedings. He has received numerous local and international awards, including the prestigious Research Excellence Award in 2002 from the Kyushu Society of Rural Economics, Japan, the highest ordinary conferred order to a foreign national. In 2021, he was honoured with "The Order of the Rising Sun" by His Majesty the Emperor of Japan, recognising his distinguished contributions to fostering friendly relations with Japan.</p> <p>He holds a BA (Hons.) in Economics from the University of Sri Jayawardenepura, an MA in Economics from the University of Colombo, an MSc in Economics of Rural Development from Saga National University, and a PhD from Kogoshima National University in Japan.</p>
Membership of Board Subcommittees : BNGC BHRRC	

	<p>Damith Tennakoon Deputy CEO/ Executive Director</p>
Date of appointment to the Board	01-Apr-2011
Skills and Experience	<p>Damith Tennakoon possesses over 30 years of experience across a wide range of fields including Finance Treasury, Risk Management, Compliance, Recovery, and Strategic Planning.</p> <p>He is a Fellow at the Chartered Institute of Management Accountants, UK, and a Chartered Global Management Accountant (CGMA).</p>
Membership of Board Subcommittees : BIRMC BRPTRC BCC	

	<p>Sasindra Munasinghe Executive Director – Sales and Business Development</p>
Date of appointment to the Board	01-Apr-2011
Skills and Experience	<p>With over 30 years of experience in the leasing industry Sasindra Munasinghe has played a pivotal role in establishing and developing the leasing operations at CDB, overseeing crucial aspects such as credit evaluations, recoveries, operations, and marketing.</p> <p>He holds an MBA from the Federation University of Australia.</p>
Membership of Board Subcommittees : BIRMC BCC	

	<p>Roshan Abeygoonewardena Executive Director – Corporate Finance</p>
Date of appointment to the Board	01-Apr-2011
Skills and Experience	<p>He possesses a wealth of experience exceeding 30 years in the financial services industry and three years in the manufacturing sector. He has served as the Chairperson of the Finance Houses Association of Sri Lanka (FHASL).</p> <p>He is a Fellow of the Chartered Institute of Management Accountants, (UK), Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and Fellow of Sri Lanka Institute of Credit Management.</p>
Membership of Board Subcommittees : BIRMC BRPTRC BCC	

	<p>Dave De Silva Executive Director – Business Operations</p>
Date of appointment to the Board	01-Jan-2012
Skills and Experience	<p>He holds over 23 years of experience in the financial services sector and carries a wealth of knowledge of the industry. Additionally, he has experience in other sectors including oil and gas, pharmaceuticals and telecommunications.</p> <p>He holds a BSc degree in Business Administration (Honors) from the University of Sri Jayewardenepura and is also an Associate Member of the Chartered Institute of Management Accountants, UK.</p>
Membership of Board Subcommittees : BIRMC BCC	

BHRRC – Board Human Resources and Remuneration Committee, **BNGC** – Board Nomination and Governance Committee, **BAC** – Board Audit Committee, **BRPTRC** – Board Related Party Transaction Review Committee, **BIRMC** – Board Integrated Risk Management Committee, **BCC** – Board Credit Committee (Voluntary Committee)



Jagath Abhayaratne
Non-Executive Director

Date of appointment to the Board 01-Jan-2020

Skills and Experience With a career spanning over 30 years, he possesses extensive experience in the life insurance industry for the past 19 years. Currently he hold the position of General Manager – Operations at Ceylinco Life Insurance PLC.

He holds an MBA from the UK, a Bachelor's degree in Business Administration from the USA, a Certificate in Insurance from the Chartered Insurance Institute (UK), and a Diploma in Business Administration from the UK

Membership of Board Subcommittees : **BAC**



Ms. Rajitha Perera
Non-Executive Independent Director

Date of appointment to the Board 16-Aug-2020

Skills and Experience Rajitha Perera is a partner at Gomes & Company, Chartered Accountants. Having previously served as a Senior Manager in the Assurance Division at Ernst & Young, Chartered Accountants, as well as the Chief Financial Officer (CFO) of a diversified group of companies, she brings a wealth of expertise to her role. She also held the position of an Independent Non-Executive Director of Unisons Capital Leasing Limited (UCL), a subsidiary of CDB until UCL merged with CDB.

She is a Fellow of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

Membership of Board Subcommittees : **BAC BHRC**



Samitha Hemachandra
Non-Executive Director

Date of appointment to the Board 31-Dec-2020

Skills and Experience With a career spanning over 23 years, he brings a wealth of experience in various fields, including Brand Management, Customer Relationship Management, Marketing Management, and Strategic Planning. He currently holds the position of Deputy Chief Operating Officer at Ceylinco Life. He has also served as the Chairperson of the Marketing and Sales Forum of the Insurance Association of Sri Lanka and has been a valued member of the judging panel for the SLIM Brand Excellence awards for several years. Additionally, he serves as a Director for Ceylinco Healthcare Services Ltd., a wholly-owned subsidiary of Ceylinco Life.

He is a Fellow (FCIM) and Chartered Marketer of the Chartered Institute of Marketing, UK, and a Certified Management Accountant (CMA) of Australia. Furthermore, he holds an MBA from the University of Western Sydney in Australia.

Membership of Board Subcommittees : **BHRC BNGC BRPTRC**



Sujeewa Kumarapperuma

Non-Executive Independent Director

Date of
appointment to
the Board

25-Oct-2020

Skills and
Experience

Sujeewa Kumarapperuma has amassed extensive expertise in the actuarial field with a career spanning over 28 years. He is also a founder member of the Actuarial Association of Sri Lanka. Additionally, he holds a life membership in the MBA Alumni Association of the University of Colombo.

He holds a BSc degree in Physical Science with a Second Class Upper from the University of Colombo, along with an MBA from the same institution. Furthermore, he has earned a Postgraduate Diploma in Actuarial Science from the City University, UK

Membership of Board Subcommittees : **BIRMC** **BNGC**



Senior Professor Prasadini Gamage

Non-Executive Independent Director

Date of
appointment to
the Board

31-Jan-2021

Skills and
Experience

Prof. Prasadini Gamage is currently affiliated with the Department of Human Resource Management at the University of Kelaniya. With over 25 years of experience as a lecturer, she has made significant contributions to her field. Her extensive research work includes the publication of more than 100 research papers in both local and international journals, as well as authoring several textbooks. She is also an Attorney-at-Law of the Supreme Court of Sri Lanka.

She completed her PhD in HRM at the Management and Science University (MSU) in Malaysia. She holds a first-class honours BSc in Business Administration and an MSc in Management from the University of Sri Jayawardenepura.

Membership of Board Subcommittees : **BAC** **BRPTRC**



Ms. Jayomi Lokuliyana

Non-Executive Independent Director

Date of
appointment to
the Board

01 Apr 2024

Skills and
Experience

She is the Founder and CEO of zMessenger – Sri Lanka's leading marketing technology solutions company providing a broad range of solutions in omni channel engagement and digital advertising technology to serve connected customers. She pioneered the concept of mobile marketing in 2003 and played a pivotal role in shaping the mobile marketing industry in the country. .

Jayomi was recognised as Ernst & Young Entrepreneurial Winning Women Asia Pacific 2019, Campaign Asia 2020 Women to Watch and she was honored with the Entrepreneur of the Year at Top 50 Professional and Businesswomen Awards 2018, Women Icon Award Asia in Singapore 2017. In 2015, Jayomi was honored under the large-scale enterprise - Woman Entrepreneur of the Year by Women Chamber of Industry and Commerce Sri Lanka and in 2016 as South Asia's Best Female Entrepreneur of the Year by South Asian Business Partnership Awards.

She served as the Chairperson for the Women's Chamber for Digital Sri Lanka, Ministry of Digital Infrastructure and Information Technology, Core Committee member of National Agenda Committee for Digital Economy and Women Advisory Council Member for Skill Development Council.

She is an alumna of the Singapore Management University, Melbourne Business School and Postgraduate institute of Management, University of Sri Jayawardenepura.

Membership of Board Subcommittees : appointed to BIRMC w.e.f. 1st May 2024

BHRRC – Board Human Resources and Remuneration Committee, **BNGC** – Board Nomination and Governance Committee **BAC** – Board Audit Committee, **BRPTRC** – Board Related Party Transaction Review Committee **BIRMC** – Board Integrated Risk Management Committee
BCC – Board Credit Committee (Voluntary Committee)

EXECUTIVE COMMITTEE



Mahesh Nanayakkara
Managing Director/Chief Executive Officer



Damith Tennakoon
Deputy CEO/ Executive Director



Roshan Abeygoonewardena
Executive Director – Corporate Finance



Sasindra Munasinghe
Executive Director – Sales and Business
Development



Dave De Silva
Executive Director – Business Operations



Hasitha Dassanayake
Chief Sales and Digital Business Officer (Director
Designated)



Nayanthi Kodagoda
Chief Support Services Officer



Ruwan Chandrajith
Chief Financial Officer



Senaka Attygalle
Chief Information Officer



Isanka Kotigala
General Manager – Sales & Business Development



Ranjith Gunasinghe
General Manager – Post Disbursement Follow-Up



Sudath Fernando
General Manager – Credit Evaluation

CORPORATE MANAGEMENT TEAM



01

Hasitha Dassanayake

Chief Sales and Digital Business Officer
(Director Designated)



02

Nyanthi Kodagoda

Chief Support Services Officer



03

Ruwan Chandrajith

Chief Financial Officer



04

Senaka Attygalle

Chief Information Officer



05

Isanka Kotigala

General Manager - Sales & Business Development



06

Ranjith Gunasinghe

General Manager - Post Disbursement Follow-Up



07

Sudath Fernando

General Manager - Credit Evaluation



08

Aruni Panagoda

Deputy General Manager - Business Operations



09

Herath Dharmadasa

Deputy General Manager -
Agri, Fishery & MSME Business Development



10

Nadee Silva

Deputy General Manager - Gold Loan



11

Sanjeewa Ranathunga

Deputy General Manager - Post
Disbursement Follow-Up



12

Lalith Peiris

Deputy General Manager - Lending Asset
Portfolio Sales



13

Rizvi Kareem
Deputy General Manager - Information Systems



14

Sarath Kumara
Deputy General Manager - Branch Operations



15

Darshana Amarasinghe
Deputy General Manager - Compliance



16

Dassana Chandrananda
Deputy General Manager - Liability Portfolio Sales



17

Mahesh Pathmalal
Deputy General Manager - Internal Audit

01

Hasitha DassanayakeChief Sales and Digital Business Officer
(Director Designated)

Hasitha Dassanayake holds a Bachelor of Commerce (Honours) degree from the University of Colombo and an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is an Associate Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant (CGMA). He counts over 18 years of experience at CDB and brings a wealth of knowledge and expertise to the organisation.

02

Nayanthi Kodagoda

Chief Support Services Officer

Nayanthi Kodagoda holds an Executive MBA from the University of Colombo and she is an Associate Member of the Sri Lanka Institute of Credit Management. She counts over 27 years of experience in the finance business industry and is an expert in the operational aspects of finance, human resources, credit administration and branch operations. Ms Kodagoda has served CDB for 27 years.

03

Ruwan Chandrajith

Chief Financial Officer

Ruwan Chandrajith holds a BSc (Accountancy) (Sp) from the University of Sri Jayawardenepura as well as a MSc in Business and Innovation from the University of Southern Queensland (USQ). He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka. With an extensive background in financial management and auditing, he has accumulated 20 years of professional experience, which includes his association with CDB for more than 14 years.

04

Senaka Attygalle

Chief Information Officer

Senaka Attygalle holds an MBA from the University of Lincoln (UK). He is a Member of the British Computer Society (UK), Member of the Institute of Management Information Systems (UK) and a Member of the Australian Computer Society. With a remarkable career spanning over 37 years, Senaka has amassed extensive experience in the field of information technology, demonstrating his expertise and proficiency in the industry.

05

Isanka Kotigala

General Manager – Sales and Business Development

Isanka Kotigala holds an MBA from the University of Wales. Prior to joining CDB, he has accumulated valuable experience both locally and internationally. With over 8 years of experience in prominent multinational companies, Isanka has brought valuable expertise to CDB, where he has served for over 18 years.

06

Ranjith Gunasinghe

General Manager – Post Disbursements Follow-up

Ranjith Gunasinghe holds a Master of Financial Economics (MFE) from the University of Colombo, an MBA from the University of Southern Queensland (Australia), and a Postgraduate Diploma in Business and Financial Administration from The Institute of Chartered Accountants of Sri Lanka. He is a Certified Professional Marketer of the Asia Marketing Federation and holds a Postgraduate Diploma in Marketing from Sri Lanka Institute of

Marketing (SLIM). With a remarkable career spanning over 25 years in the finance business industry, Ranjith has dedicated over 22 years of his professional career to CDB.

07

Sudath Fernando

General Manager – Leasing/Credit

With a remarkable career spanning 33 years, Sudath Fernando has established himself as a seasoned professional in the banking and finance industry. His expertise and knowledge have been honed through his dedicated service of over 15 years at CDB.

08

Aruni Panagoda

Deputy General Manager – Business Operations

Aruni Panagoda holds an MBA from the Cardiff Metropolitan University (UK) and is an Associate Member of the Sri Lanka Institute of Credit Management. With a career spanning over 24 years, she has garnered valuable expertise in the areas of credit operations, insurance operations, and deposit operations while working at CDB.

09

Herath Dharmadasa

Deputy General Manager – Agri, Fishery & MSME Business Development

Herath Dharmadasa holds an MBA from Cardiff Metropolitan University UK and a Bachelor of Arts degree from the University of Peradeniya. With a vast experience spanning over 28 years, he has worked extensively in the fields of sales, marketing, and the financial services industry.

10

Nadee Silva

Deputy General Manager – Gold Loan

Nadee Silva has been a dedicated member of CDB since 1998 and counts over 26 years of experience in sales and marketing in the financial services industry and over 13 years of experience in business development management and gold loan sales. She was awarded the “Best Female Sales Person of the Year” and the “Territory Manager” Silver award in the Finance Sector category at the SLIM- NASCO 2013 Awards. She emerged as the “National Champion” of the Sales and Marketing category of the Corporate and Professional Sector at the Sri Lanka Vanithabhimana Awards 2021.

11

Sanjeewa Ranathunga

Deputy General Manager – Post Disbursement Follow-up

Sanjeewa Ranathunga is an Associate Member of the Sri Lanka Institute of Credit Management, the Institute of Certified Professional Managers and the United Kingdom Association of Professionals. He holds a Diploma in Agriculture from Aquinas College of Higher Education. Sanjeewa has been a part of CDB since 1998, accumulating a wealth of experience spanning 25 years in the field of post disbursement follow-up.

12

Lalith Peiris

Deputy General Manager – Lending Asset Portfolio

Lalith Peiris holds an MBA in Marketing (Special) from Cardiff Metropolitan University, UK. He holds memberships in the Chartered Institute of Marketing (CIM, UK) and the Sri Lanka Institute of Marketing (SLIM). He counts over 18 years experience in sales and marketing and liability sales strategy in the financial service industry.

He currently plays a critical role in shaping the overall lending strategies and activities within the context of CDB. In recognition of his exceptional performance, he clinched the Gold award in the Territory Manager category of Financial Services and Products at the NASCO Awards in 2017, organised by the Sri Lanka Institute of Marketing. Lalith has been an integral part of CDB since joining as a sales trainee in 2005, accumulating 18 years of valuable experience within the organisation.

13

Rizvi Kareem**Deputy General Manager – Information Systems**

Rizvi Kareem holds an PGD in Information Systems from the Sri Lanka Institute of Information Technology (SLIIT). He is a member of the British Computer Society. He counts over 24 years in the financial services and information technology industries. Rizvi has extensive experience in digital banking and e-commerce platforms, management information systems, software engineering and project management.

14

Sarath Kumara**Deputy General Manager – Branch Operations**

Sarath Kumara holds a specialised B.B. Management degree in Accounting from the University of Kelaniya. He possesses extensive expertise in branch operations and brings a wealth of knowledge and experience to his role. Sarath has been a dedicated member of the CDB team since March 2000, demonstrating a strong commitment to the organisation's success.

15

Darshana Amerasinghe**Deputy General Manager – Compliance**

Darshana Amerasinghe is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

He counts over 15 years of experience in financial reporting, auditing, tax planning, and compliance. Prior to joining CDB in 2014, he worked with Ernst & Young Sri Lanka, where he had gathered his external audit experience in diversified sectors. Prior to being appointed to the Corporate Management as Deputy General Manager – Compliance, he functioned as Senior Assistant General Manager – Compliance of CDB.

16

Dassana Chandrananda**Deputy General Manager – Liability Portfolio Sales**

Dassana Chandrananda holds an MBA (UK) and is an Associate Member of the Sri Lanka Institute of Marketing. He has been an integral part of CDB over the past 19 years and further possesses 8 years of experience in the insurance industry. He has received a Gold Award in the supervisor category of financial services and products at the NASCO awards 2013.

17

Mahesh Pathmalal**Deputy General Manager – Internal Audit**

He holds a BSc. Degree in Public Administration from the University of Sri Jayewardenapura. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). He has accumulated over 18 years of professional experience in the banking and finance industry.

MANAGEMENT TEAM

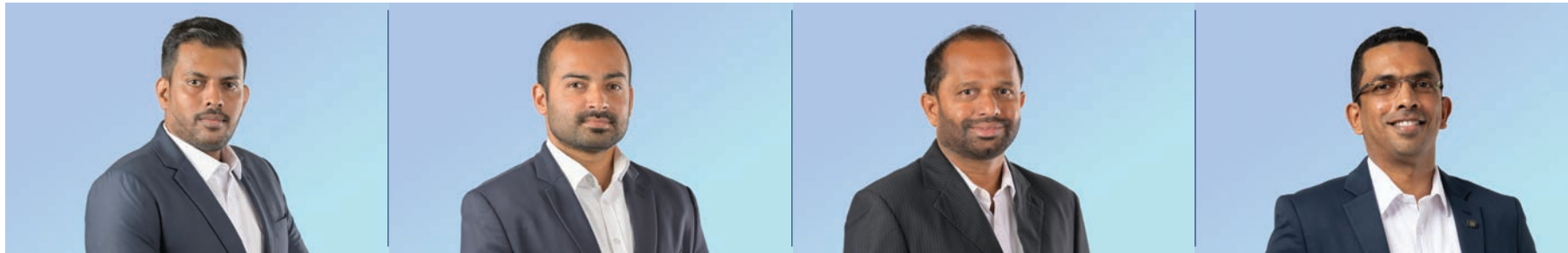


Aravinda Perera
Senior Assistant General Manager – Savings
Portfolio Sales

Chamath Siriwardana
Senior Assistant General Manager- Finance

Bandula Kumara
Assistant General Manager – Business Development
(Region 4)

Chamil Silva
Assistant General Manager – Business
Development (Region 1)



Chamith Samarasena
Assistant General Manager - Corporate
Finance

Dhanushka De Silva
Head of Risk

Dilruk Abeydiwakara
Head of Operations - IT

Garry Reith
Assistant General Manager – Business
Development (Region 3)



Kathiravel Sivagar
Assistant General Manager - Credit

Laavanya Paheerathan
Company Secretary / Head of Legal

Lahiru Thrikawala
Assistant General Manager – Post Disbursements
Follow-up

Ravindra Subashkumar
Assistant General Manager – Business
Development



Shavindra Fernando
Chief Information Security Officer



Steve Gabriel
Assistant General Manager – Card Sales



Suneth Senadheera
Assistant General Manager – Marketing and Sustainability



Tharanga Udawaththa
Head of Network and Security



Tharindu De Silva
Assistant General Manager – Oracle Infrastructure



Yenara Udayanga
Assistant General Manager – Business Development (Region 2)



Asanka Suraweera
Senior Manager – IT Governance



Asantha Algama
Senior Manager – Business Development (Region 5)



Dhammika Nawarathna
Senior Manager – Finance Reporting



Hansika Nawarathna
Senior Manager – Branch Operation



Jagath Dissanayake
Senior Manager – Credit



Janani Philip
Head of Card Centre



Janendra Bandara
Head of CRM and Contact Centre



Nadun Sooriyaarachchi
Senior Manager - Operations



Narmadha Malwatte
Senior Manager - Human Resources



Pandaram Pradeepkumar
Senior Manager - Credit



Priyantha Kumara
Senior Manager - Finance



Rangana Pragharathna
Head of Home & Personal Loans



Sajith Sanjeewa
Head of Business Intelligence



Shabni Mohideen
Senior Manager - Operations



Tharanga Suraweera
Head of Green Products

CORPORATE GOVERNANCE

GRI 2-9

CDB is dedicated to continuously enhancing its governance practices, ensuring coherence with our business objectives and stakeholders’ needs. Effective corporate governance is essential for the Company to fulfil its purpose and execute its strategy.

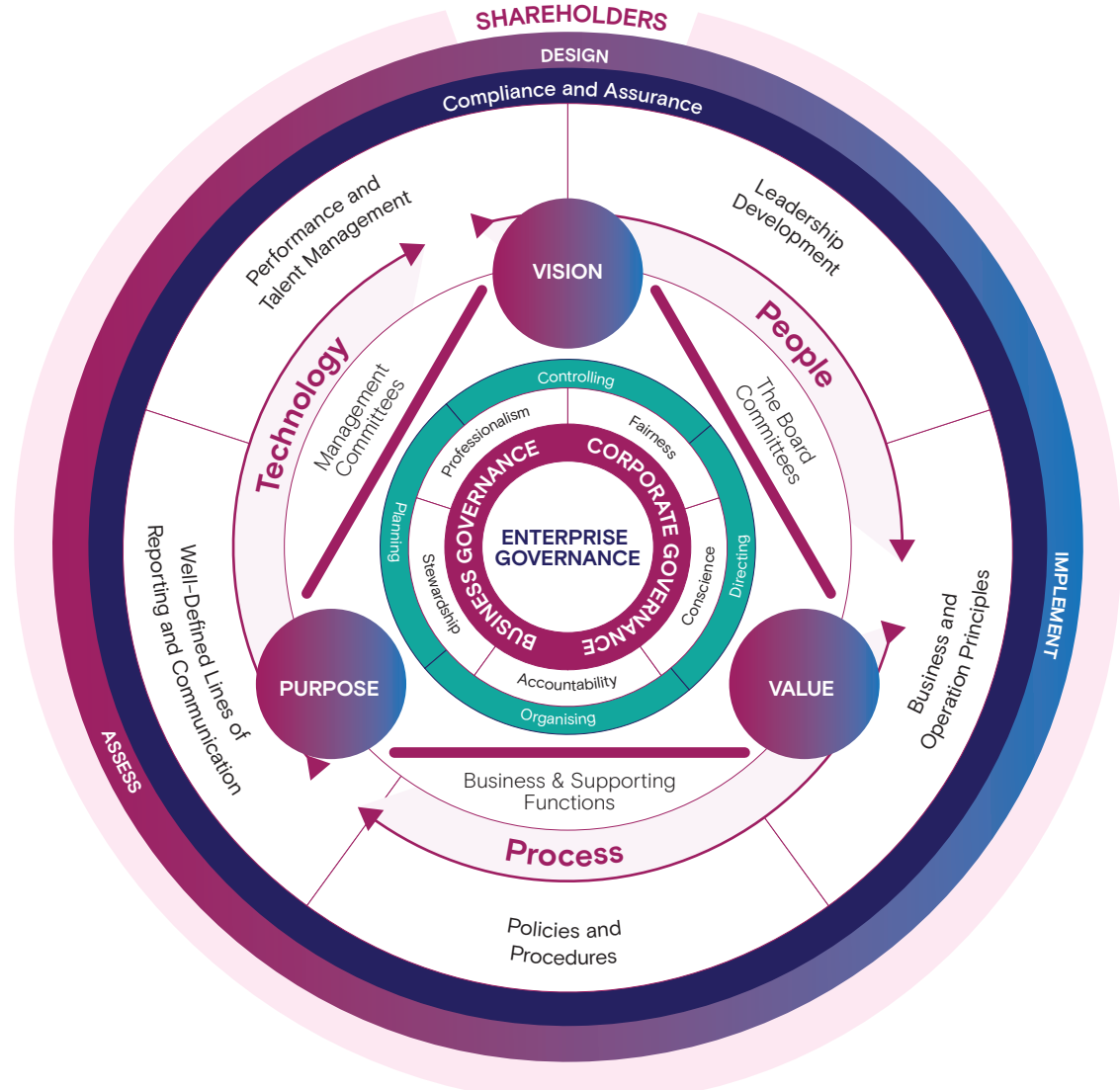
The Board routinely reviews and refines its corporate governance arrangements and practices in response to new laws and regulations, evolving stakeholder expectations, and the dynamic environment in which the Company operates.

The Corporate Governance section outlines the key governance arrangements and practices of the Company as of March 31st, 2024.

ENTERPRISE GOVERNANCE MODEL

Our enterprise governance model illustrated here, is essentially the operating model that bridges the strategy and execution. It is built on strong corporate governance infrastructure which consists of policies and procedures, business and operation principles, leadership development, performance and talent management, as well as well-defined lines of reporting and communication. Furthermore, it adheres to the principles of fairness, conscience, accountability, stewardship and professionalism.

Business units are structured in our Enterprise Governance Model in a manner that creates the right operating rhythm, which in turn facilitates the end-to-end governance between the management and the Board.



GOVERNANCE STRUCTURE

CDB's well-defined governance oversight structure, exemplifies the commitment on governance and supports the Company's strategy and decision-making processes, ensuring business continuity, driving growth, and achieving stakeholder value creation goals.



Board of Directors

Provides strategic direction, reviews and monitors its implementation; Manages principal business risks and ensures effective monitoring systems; Regularly reviews internal controls for current and emerging risks; Oversees governance framework; Provides for the effective compliance function; Monitors financial performance and reviews funding requirements; Ensures effective communication with shareholders and stakeholders.

Board Integrated Risk Management Committee (BIRMC)

Oversight responsibility for all areas of risk management including credit, market, operational, liquidity, cyber/IT and strategic risks and ensures the effective compliance function

Board Audit Committee (BAC)

Identifying and addressing deficiencies in financial statements, risk management, internal controls, and legal and regulatory frameworks

Board Related Party Transactions Review Committee (BRPTRC)

Monitors, evaluates and resolves remuneration related matters

Board Nominations and Governance Committee (BNGC)

Handles the Board appointment process, provides recommendations to the Board.

Board Human Resource and Remuneration Committee (BHRRC)

Provides for, monitors, evaluates and resolves remuneration related matters

Board Credit Committee (BCC) (Voluntary Board Sub Committee)

Develops, reviews, and updates policies and procedures for granting credit facilities, submits them for the Board, ensures compliance with all statutory and regulatory requirements.

Responsibilities of the Chairperson

- Promotes the highest levels of corporate governance standards, and offers the Board, effective leadership.
- Sets the Board's agenda, culture, and values while exercising strong strategic oversight on the Board.
- Leads the Board by challenging the propositions and proposals of the management and promotes candid and fruitful discussion among Directors.
- Assesses recommends and makes arrangements to the Board, annually, on the effectiveness and performance of the Board, the Committees of the Board and individual Directors.
- Ensures appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.

Responsibilities of the CEO/MD

- Leads and guides the implementation of CDB business strategy, ensuring that the organisation's culture and values are upheld.
- Leads the management team of CDB with responsibility for the day-to-day operations of the Company, under authority delegated to him by the Board
- Monitors and reports to the Board on the performance of CDB and its compliance with applicable legal and regulatory obligations.
- Maintains relationships with key internal and external stakeholders, such as the Board, the Chairperson, the regulators, the government, and the investors.
- Ensures proper succession planning of the Executive Team and assesses their performance

Corporate Management Committee

Functioning as the highest management level committee in CDB, it reviews the entire performance of CDB, with a view to supporting the formulation of strategies and management of deviations.

Risk and Compliance Committee

Reviews overall risk and compliance functions at CDB.

Asset-Liability Management Committee

Assessing the funding approach, handling liquidity, balancing assets and liabilities, monitoring market risks, and effectively managing liquidity and interest rate risks are key priorities

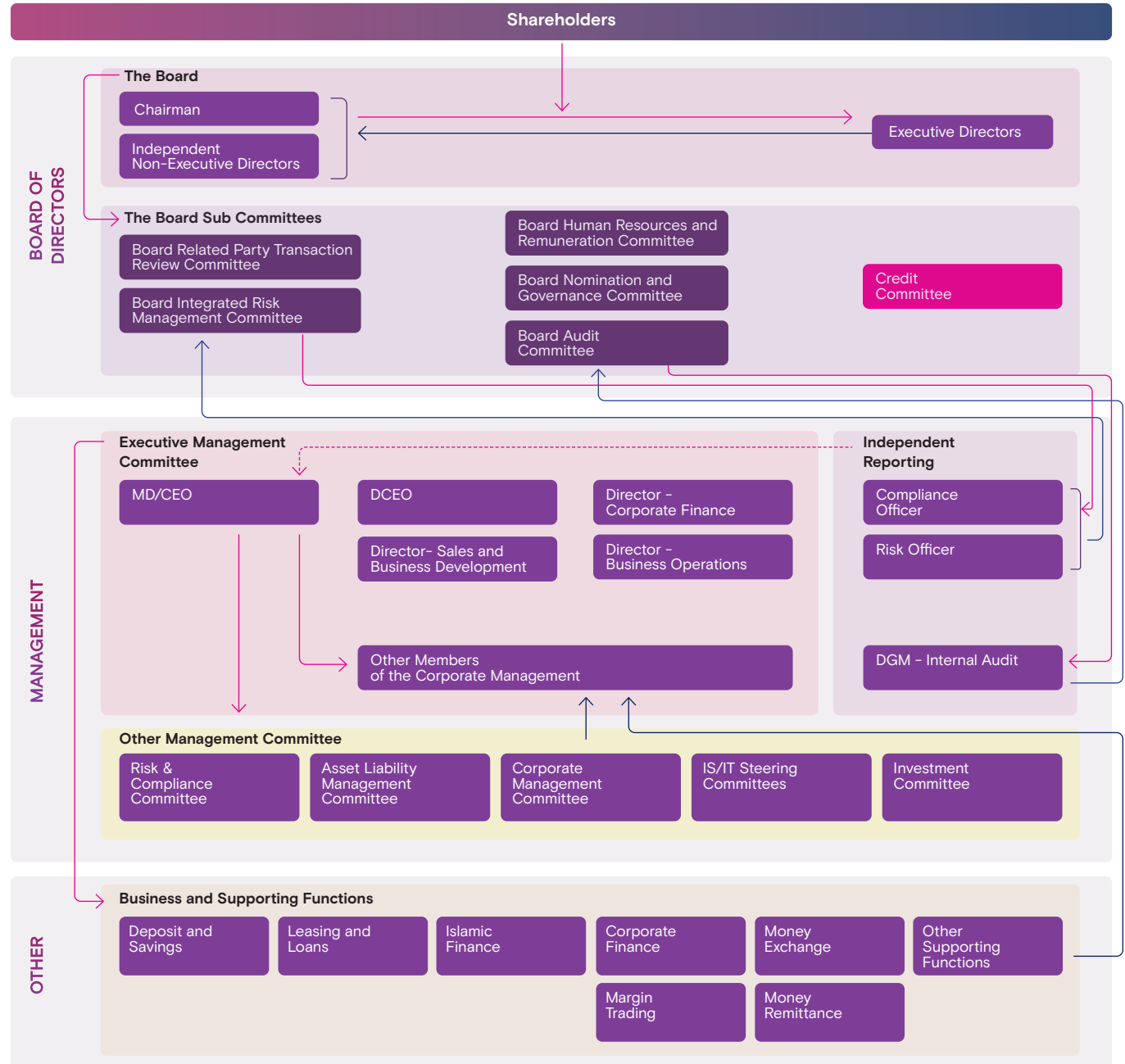
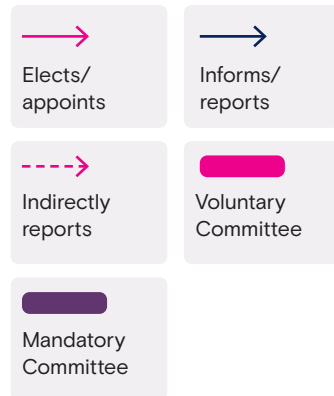
IT Steering Committees

Directs, reviews and approves IT strategic plans and maintains regular oversight.

Investment Committee

Assists the Board to discharge its statutory duties and its oversight responsibilities in relation to investment activities.

CDB GOVERNANCE FRAMEWORK

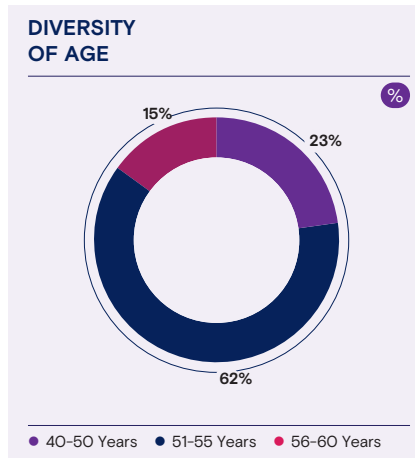
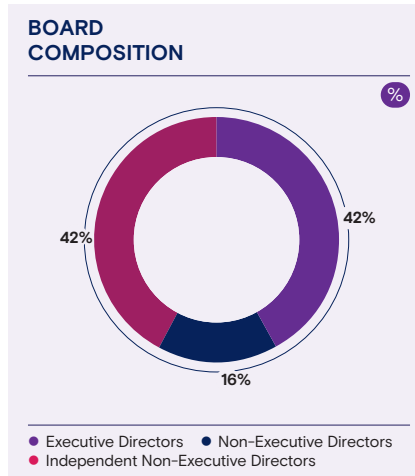


THE BOARD

The Board consists of 12 members, of whom 42% are INEDs which reflects CDB's commitment to governance practices that prioritise independence and objectivity. This also brings about, diverse perspectives to the Board decision-making process. Furthermore, the Board considers diversity from a number of different aspects, including gender, age, professional experience, technical knowhow, skills, knowledge and length of service, taking a proactive stance towards fostering an inclusive environment within the organisation.

	No
Independent Directors	5
Non-Independent Directors	7

*Ms. Jayomi Lokuliyana - Non Executive Independent Director appointed to the Board w.e.f. 1st April 2024.

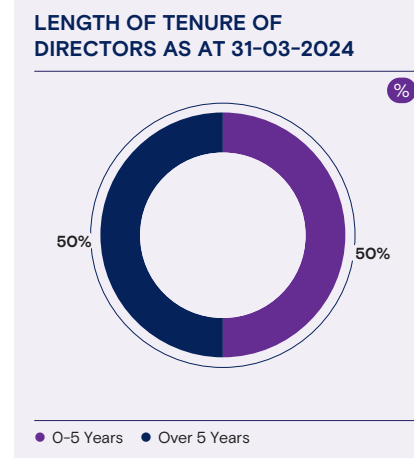
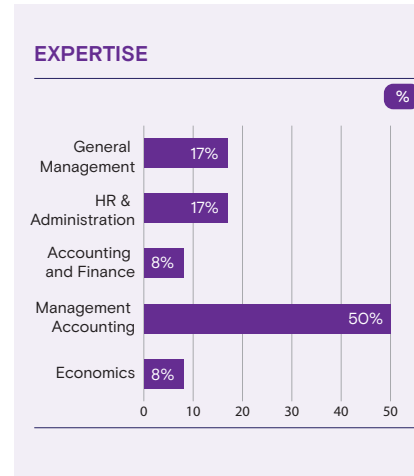


DELEGATION OF AUTHORITY

GRI 2-13

Board Sub-committees

Six (6) Board sub-committees have been established by the Board to dedicate additional time and resources to specific areas of focus. This includes five (05) mandatory sub-committees and one (01) voluntary sub-committee, aligned to



CDB's strategic aspirations and regulatory requirements. The Terms of Reference (TOR) for each sub-committee delineates their respective scope and responsibilities. Please refer to the Reports of the Board Sub-committees from page 156 to page 167 for further information.

Corporate management

The Corporate Management Team

BOARD REFRESHMENT

Appointments

Ms. Jayomi Lokuliyana - Non Executive Independent Director appointed to the Board w.e.f. 1st April 2024.

Re-election/Re-appointments

Re-election of following directors as per articles of association section 24(6) and 24(7);

Mr. Alastair Corera - Non Executive Independent Director

Mr. Samitha Hemachandra - Non Executive Director

Snr. Prof. Prasadini Gamage - Non Executive Independent Director

Retirement/Resignation

Mr. Elangovan Karthik - Executive Director resigned from the Board w.e.f. 30th September 2023.

derives its authority from the Board and is responsible for executing the objectives, strategies, and policies delineated by the Board, thereby ensuring the efficient functioning of the Company. The Management Committees consisting the Managing Director (MD) and Senior Management convenes regularly to manage the administration of business and operational affairs.

MEETINGS AND ATTENDANCE

No.	Name of the Director	Executive	Non-Executive Non-independent	Independent	Alternate	Attendance at Board meetings (held within monthly intervals)											
						Date:25/04/2023	Date:23/05/2023	Date:27/06/2023	Date:18/07/2023	Date:18/08/2023	Date:22/08/2023	Date:19/09/2023	Date:31/10/2023	Date:21/11/2023	Date:19/12/2023	Date:23/01/2024	Date:27/02/2024
1	J.R.A. Corera			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	C.M. Nanayakkara	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	T.M.D.P. Tennakoon	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	S.P.P. Amaratunge			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	P.R.W. Perera			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6	S. Kumarapperuma			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	E.R.S.G.S. Hemachandra		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	J.P. Abhayaratne		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	S.V. Munasinghe	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	D A De Silva	✓				✓	✓	✓	No	✓	✓	✓	✓	✓	✓	✓	✓
11	R.H. Abeygoonewardena	✓				✓	✓	✓	✓	✓	No	No	✓	✓	✓	✓	✓
12	P. N. Gamage			✓		✓	✓	✓	✓	✓	✓	✓	✓	No	✓	No	✓
13	E. Karthik	✓				✓	No	✓	No	No	No	No		Resigned			

DIRECTORS' TRAINING

On appointment, Directors are given an induction programme to familiarise them with the Company's business operation and internal control system. Additionally, in recognition of the need for continuous professional development all Directors are encouraged to engage in appropriate trainings considered beneficial towards carrying out their duties as Directors.

Some of the key areas in which Board Members, collectively or individually, have gained additional understanding include the Personal Data Protection Act, No. 9 of 2022 and its implementation, the Financial Consumer Protection Framework, the upcoming mutual evaluation of Sri Lanka's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework, Corporate Governance, disaster management, and sustainable finance.

Additionally, the Compliance Unit briefs the Board on regulatory developments, with support from other departments as necessary, through detailed presentations and discussions, as well as summary Board papers. Similarly, the Risk and IT Governance teams keep the Board informed about trends and developments specific to their areas.

INDEPENDENT JUDGMENT

Directors exercise independent judgment on aspects relating to strategy, resource allocation, performance, key appointments as well as standards of business conduct. The Board composition and representation ensures that there is a sufficient balance of power within the Board, minimising the likelihood of one or few members dominating decision making. The Board collectively and the Directors individually act in accordance with the regulatory framework applicable to the business

enterprise. The Board of Directors also ensures that procedures and processes are in place in order to comply with all applicable laws and regulations.

Directors also have unrestricted access to the management team, corporate information as well as other resources required to effectively execute their responsibilities. Further access to external professional advice is available to Directors at the Company's expense.

BOARD EVALUATION

GRI 2-18

At CDB, the annual evaluation process entails a multi-faceted approach to assess the performance of the Board. Directors collectively evaluate the Chairperson, Board, and Sub-committees against predetermined criteria, aligning with the Board charter and responsibilities whereas, the Chairperson and the Human Resources and Remuneration Committee conduct evaluations of each Director individually. These assessments are crucial for ensuring adherence to performance standards and contribution levels. Evaluation results are utilized constructively to identify areas for improvement and to ensure that each Director remains qualified for office. Additionally, in compliance with the regulatory requirements each Director undergoes an annual self-evaluation further contributing to this process. All of the above evaluations culminate in discussions at Board meetings, where any necessary improvements are addressed. All related records are meticulously maintained by the Company Secretary, ensuring transparency and accountability of the evaluation process.

STATEMENT OF COMPLIANCE ON THE FIT AND PROPER ASSESSMENT CRITERIA

The Board of Directors of CDB affirms that all current Directors, the Chief Executive Officer (CEO) and Key Responsible Persons (KRPs) meet the Fit and Proper Assessment Criteria as stipulated by the regulatory authorities and internal governance policies. This assessment encompasses evaluations of honesty, integrity, reputation, competence and capability, experience, financial soundness and level of performance and contribution to the success of the Company ensuring that the leadership of CDB adheres to the highest standards of professionalism and ethical conduct. All new appointments considered by the Nomination Committee also encompasses the regulatory Fit and Proper Criteria.

COMPANY SECRETARY

In terms of the Company's Act Laavanya Paheerathan, appointed at the senior management level acts as the Company Secretary of the Company and provides guidance to the Board and oversees compliance with the Companies Act, Board processes, and other relevant laws and regulations. By the Board Charter and procedures, all Directors are provided access to the counsel and services of the Company Secretary and to guarantee that all Board procedures, applicable laws, rules, instructions, and regulations are followed. The Company Secretary is responsible for preparing agenda of the Board Meetings in cooperation with the Chairperson. The minutes of the Board Meetings are kept by the Company Secretary and are sufficiently detailed. Any Director may review the minutes upon request which along with other Board submissions, are kept filed for a minimum of six years.

COMPLIANCE

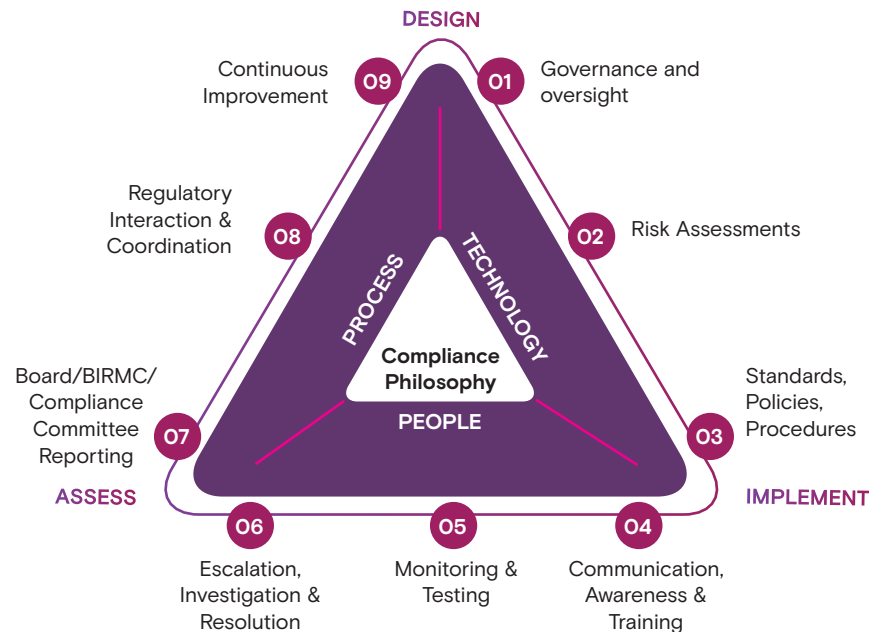
GRI 2-25

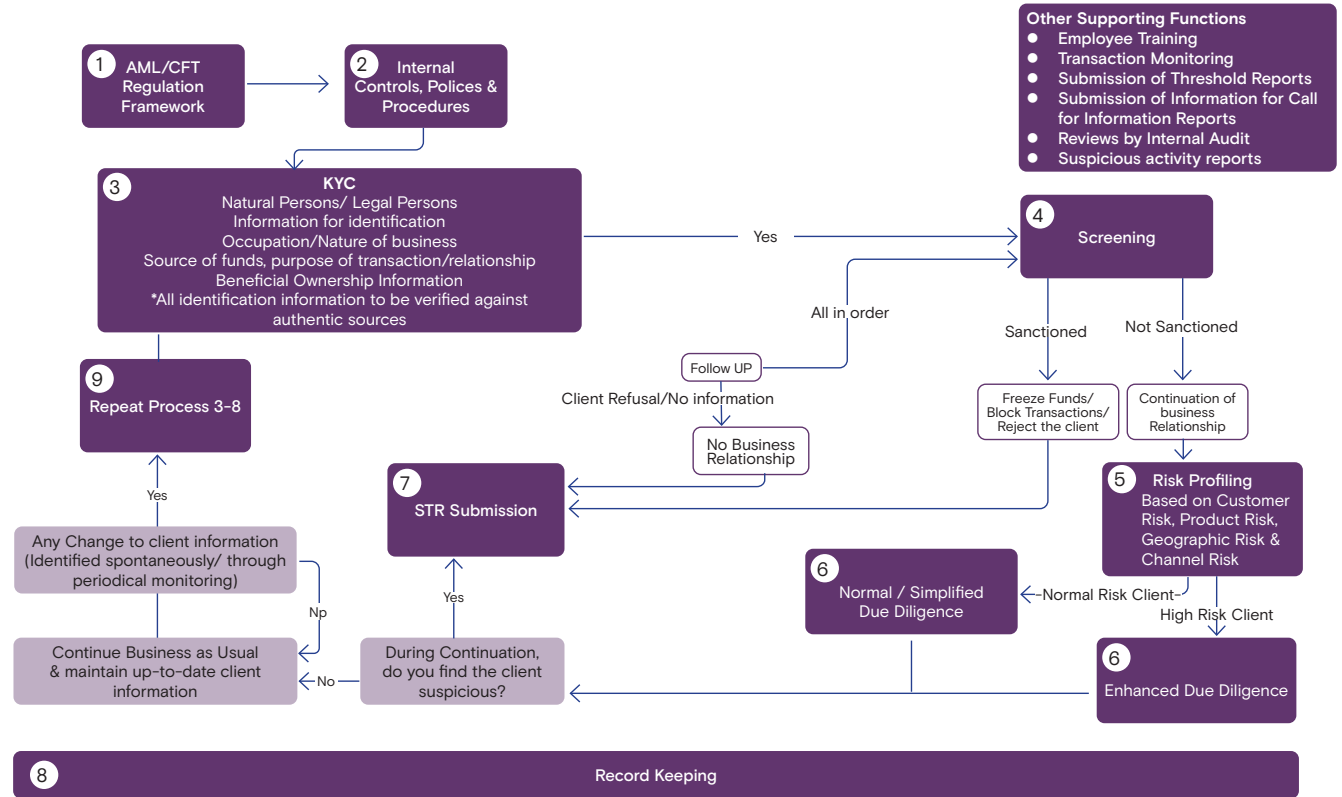
At CDB the compliance function operates as a dedicated unit within the second line of defence, as directed by the Board of Directors.

This unit is tasked with promoting and overseeing measures to uphold the highest standards of integrity in the company's business activities. Operating independently and objectively, it focuses on mitigating Non-compliance Risk and Money Laundering and Terrorist Financing (ML/TF) Risk. The compliance framework adopted by the company is structured to ensure thorough adherence to regulatory requirements and internal policies.

The governance and oversight of compliance are primarily managed by the Board of Directors, ensuring effective

control of non-compliance risks and the comprehensive implementation of the compliance framework across the organisation. Emphasis on shared compliance responsibility, ownership principles and independence of the compliance function has strengthened its governance structure. The Compliance Policy Manual and Anti-Money Laundering and Combating the Financing of Terrorism policies form the backbone of this framework, with procedures being clearly communicated to all stakeholders to outline their compliance obligations. Collaborative risk assessments with Risk, Audit, and other departments, address both ongoing and emerging risks. Advanced monitoring and testing mechanisms, including robotic process automation and proprietary platforms, ensure adherence to regulatory requirements and facilitate the efficient investigation and resolution of non-compliance issues.





establishing validation points with different product platforms and monitored through available reports and accuracy reviews by the Compliance Unit and Internal Audit teams.

The ongoing CDD process is further enhanced by the transaction alert generation tool, Forestpin, which flags transactions for closer scrutiny, enabling the staff to take appropriate actions based on the available information.

The combination of in-house developments, tailored training initiatives, and strategic utilisation of external vendors has significantly strengthened our compliance program. This approach empowers our employees with the necessary skills and capabilities, to maintain compliance excellence across the organisation. In light of evolving regulatory requirements, and Sri Lanka's 3rd Mutual Evaluation on the AML/CFT framework, CDB is committed to ongoing improvements in CDD and other requirements under AML/CFT Framework such as Central Bank Reporting, ML/TF Risk assessments and etc.

ETHICS AND INTEGRITY

The Board sets the tone from the top for promoting the highest standards of ethics and integrity in all business activities.

Towards this end, the Board approved Code of Conduct seeks to instill the values of perseverance, empathy, and reliability, to enable employees to counter corruption at a more personal level. Every member of CDB including new recruits and Directors are required to abide by our Code of Conduct.

To foster a robust compliance culture communication and training initiatives are in place, promoting continuous learning through internal and external training sessions. The compliance team also maintains proactive regulatory interactions, staying abreast of regulatory developments and ensuring compliance with reporting requirements and regulatory demands.

At CDB, in-house compliance solutions are strategically developed, tailored to our specific needs and regulatory requirements. By leveraging our internal expertise and resources, we have created robust systems and platforms to enhance our compliance capabilities. For instance,

on managing the money laundering and terrorist financing risk, the entire customer due diligence process illustrated here has been streamlined improving efficiency, and ensuring adherence to regulatory standards with the use of well-established solutions such as the Lexis Nexis Risk Solutions (LNRS) with API connectivity for customer screening.

The Customer Due Diligence (CDD) process at CDB is seamlessly integrated with the ERP system, utilizing the API results obtained through LNRS and for comprehensive risk profiling, KYC completion, verification, and approvals. All staff members receive extensive

training tailored to their roles, including onsite training, live demonstrations, online sessions, refresher courses, and detailed process guidelines. This well-structured CDD process, developed after feedback and analysis of previous mechanisms, has led to smoother implementation across branches.

At all organisational levels, staff are provided with clear procedures and systems to identify, report, and update red flags and CDD information, including customer risk categories. Automated alerts ensure continuous CDD by notifying relevant staff when updates are required. Centrally, the completion of CDD is ensured through

MANAGING CONFLICT OF INTEREST

GRI 2-15

At CDB, we are committed to maintaining the highest standards of corporate governance, including the effective management of conflicts of interest. Recognizing that such conflicts can undermine the integrity of decision-making processes and stakeholder trust, we have established comprehensive policies and procedures to identify, disclose, and mitigate potential conflicts. Conflicts of Interest are covered under the Board Charter and the Code of Business Conduct and Ethics. Related Party Transaction Review Committee is also entrusted under its duties and responsibilities to manage potential conflicts of interest arising on related party transactions.

Once a potential conflict is identified, appropriate measures are taken to mitigate any adverse effects. This may involve recusal from decision-making processes, restructuring responsibilities, or other actions deemed necessary to ensure unbiased and fair outcomes. The Audit Committee plays a pivotal role in reviewing conflict of interest cases and recommending suitable resolutions. All Directors, executives, and employees are required to promptly disclose any situations that may give rise to a conflict of interest. The Compliance Unit, in collaboration with the Internal Audit function, under the oversight of Audit committee ensures adherence to conflict of interest policies and reports any findings directly to the Board. If any significant conflicts are identified, they along with the steps taken to address are disclosed as required and in the annual reports, ensuring accountability and fostering stakeholder confidence.

Further, Directors and / or their close family members do not have any material business relationships with other Directors of the Company.

COMMUNICATION OF CRITICAL CONCERNS TO THE BOARD

GRI 2-16

The Board has set in place a number of mechanisms to facilitate communication of critical concerns to the Board as follows;

- Regular Board Meetings
- Specialised Sub-Committees (BIRMC, BAC) and Management Reports
- Whistleblower Policy
- Direct Access to Board Members
- Crisis Management Protocols
- Internal Audits

COMMUNICATION WITH SHAREHOLDERS

CDB's Communication Policy Manual on Investor Relations recognises the Annual Report of the Company as the key document conveying information of the Company to shareholders and other stakeholders whereas the AGM of the company as an opportunity for the shareholders to engage with the affairs of the company. It also facilitates the arrangement of investor forums as necessary. Shareholders may, at any time, request for information through the Company Secretary. The Company Secretary maintains a record of all correspondence received and delivers as soon as practicable such correspondence to the Board or individual Director/s as applicable, for a response. The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company welcomes any suggestions from the shareholders prior to the AGM and the Board of Directors is prepared to provide comprehensive explanations for queries of shareholders at the AGM.

The AGM conforms to all regulatory requirements. The notice of the AGM, form of proxy and all relevant papers are sent to the shareholders at least 15 working days prior to the date of the AGM as required by the regulators. Separate resolutions are proposed for each significant item on the Agenda.

STAKEHOLDER ENGAGEMENT

The Board assigns high priority to stakeholder engagement. Towards this end a wide range of targeted engagement strategies are adopted in order to maximize the outcomes derived from the engagement process. Refer 'How we engage and create value for our stakeholders' on pages 45 to 48 for comprehensive details on the mechanisms adopted.

IT GOVERNANCE

IT Governance is ultimately the responsibility of CDB's Board of Directors. The Board exercises strict control over IT matters by reviewing the appropriateness of the Company's IT strategy and approving necessary improvements. Board is well supported by the IT Governance Team functioning at the second line of defense as directed by the Board. The implementation of the IT strategy falls under the purview of the Company's IT Department.

SUSTAINABILITY GOVERNANCE AND REPORTING

As the main governing body within the organisation, the Board is charged with overseeing the Company's transition towards sustainable operations. Considering the nature and scale of CDB's operations, the Board provides leadership in framing the Company's Sustainability Agenda, with due consideration to material Environmental, Social and Governance impacts.

ESG principles are embedded in our operations and considered in formulating our business strategy and reported in a holistic manner within this report. For reporting and disclosure of ESG factors Integrated reporting and Global Reporting Initiative Guidelines are followed.

CORPORATE GOVERNANCE DISCLOSURES

GRI 2-10, 2-11, 2-12, 2-19

CDB adheres to the voluntary standards outlined in the Codes on Best Practice, in addition to complying with all mandatory requirements stipulated by the regulatory bodies on Corporate Governance. CDB recognizes Corporate Governance Disclosures not just as a regulatory requirement but a strategic necessity where they play a crucial role in ensuring transparency, building trust, managing risks and etc. so that the operational efficiency is enhanced, the risk of fraud is reduced and sustainable growth is achieved ultimately.

Demonstrating its commitment to excellence, CDB has voluntarily adopted the latest Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), in its inaugural year. Furthermore, CDB has complied with the Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka and the newly issued Corporate Governance related rules under the Listing Rules of Colombo Stock Exchange, ahead of most transitional provisions, underscoring its proactive approach to corporate governance.

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
The Board				
Board meetings	A.11	7.1 – 7.4	Board Meetings are conducted monthly with appropriate notice and arrangements to address various matters and proposals. Board Meetings primarily focus on reviewing the Company's performance and addressing issues referred by the heads of respective divisions, while special Board Meetings are convened whenever necessary. These meetings ensure timely action so that the business processes are consistent with the expectations of all stakeholders. Adequate information is furnished at these meetings to facilitate thorough review and discussion of the Company's performance, encompassing both financial and non-financial targets as well as future projections. Inter-alia, topics such as risk factors, compliance, internal control systems, sustainability, information technology, cyber security and decisions made by the CEO are also covered.	✓
The quorum		7.5	The quorum for Board Meetings is specified in the Board Charter in accordance with the provision and details are available on page 136.	✓
Manner of attendance		7.9	For all scheduled and ad-hoc meetings, members have participated in person unless general or individual circumstances demand otherwise. Participation via audio-visual means is facilitated for ad-hoc meetings on short notices and upon prior notice by a member if he/she wishes to participate to a scheduled meeting virtually.	✓
Governance framework		2	The Board approved governance framework as depicted in 134 which is under strict review addresses all the aspects stated in the provision.	✓
Responsibilities of the Board	A.12	1.1	The Board takes full responsibility for leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enable the Management to execute its responsibilities effectively.	✓
		Business Strategy and Governance Framework 1.2	The Board leads the Company over a three-year strategic plan approved by the Board, monitors the implementation of it by the Management and reviews the Company's strategic direction. The governance framework is set up by the Board Charter, and the Board oversee the implementation of the Company's governance framework periodically reviewing the adequacy and the integrity of the framework to ensure that it remains appropriate to the conditions and the complexities of the Company's operations. Also, Board appoints the Chairperson and CEO with well-defined roles and responsibilities as its agents.	✓
		Corporate Culture and Values 1.3	The Board from the top, sets up a sound corporate culture and values which is then disseminated to all levels of the organisation through shared ownership and responsibility. The Code of Conduct and Policy of Communication with all stakeholders are approved by the Board and serve as a guideline to abide by. Sustainable finance at CDB is derived from the vision and values of the Company itself and implemented as depicted in page 133 to 134.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
		Risk Appetite, Risk Management and Internal Controls 1.4	The Board and the Subcommittees appointed ensure that the risk appetite is consistent with the Company strategies where rigorous oversight and monitoring are carried out on the adequacy and effectiveness of the Company's risk management systems and internal controls at all three lines of defences. A Board-approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place and reviewed continuously.	✓
		Board Commitment and Competency 1.5, 2.1.i & 2.1.j	The Board is comprised of experienced, skilled and knowledgeable professionals, satisfying the regulatory criteria (as depicted in Director profiles at page 118 to 123) and have attended the meetings, in which the deliberations made are properly documented. The Board Charter also enables obtaining external independent professional advice when required. The Board, each Director, and Board Subcommittees are directed to an annual self-assessment of which the records are duly maintained and discussed at Board Meetings. Further, the training opportunities and requirements foster an environment for continuous improvement.	✓
		Oversight of Senior Management 1.6	Key Responsible Persons are identified as per the regulatory requirements and their specific job roles, responsibilities and authority are clearly defined. Senior Management also satisfy the fit and proper criteria and drive the Management committees of the Company in addition to their active engagement at Board Meetings when required, in its deliberations. Further oversight of the Management is ensured through the Managing Director/CEO who then reports to the Board. A Board-approved succession plan is also in place for Senior Management.	✓
		Adherence to the Existing Legal Framework 1.7	Via the governance framework and the Board-approved Communication Policy, the Board ensures that all stakeholders are treated equitably. The Company adheres to all laws, regulations, rules, directions and guidelines issued by CBSL and other regulatory authorities which are monitored by the independent compliance function and the compliance culture promotes the shared ownership and responsibility of all individuals in adhering to the set policies and guidelines.	✓
Compliance with laws and access to independent professional advice	A.1.3	1.5 e), 1.7 & 2.1 h)	The Board collectively and individually abide by the legal framework. A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This will be coordinated through the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board Subcommittees on various matters.	✓
Advice and services of the Company Secretary	A.1.4	2.1 i), 8	Please refer page 137.	✓
Independent judgment of Directors	A.1.5	2.1 e), 3.6 a)	In addition to the Independent Directors that are tasked with bringing in independent judgment, the governance structure, Board culture and values enables all Directors to exercise independent judgments free from any unwanted encumbrances hindering efficiency as depicted in page 136.	✓
Dedication of adequate time and effort for matters of the Board	A.1.6	1.5 a) & 7.4	The Board Members dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the Board Meetings) to ensure that the duties and responsibilities owed to the Company are discharged accordingly. In addition to Board Meetings, they have attended Subcommittee Meetings and also have made decisions via circular resolutions where necessary. Further meetings and additional discussions are held with the Management whenever the need arises.	✓
Resolutions to be presented	A.1.7		One-third of the Directors can call for a resolution to be presented to the Board.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Training for new and existing Directors	A.1.8	1.5 c)	The Board, through the office of the Chairperson and Company Secretary conducts a comprehensive induction program with a review of background material, meetings with senior management and visits to the CDB's facilities. Both new and existing Directors of the Company are provided governance related education and training and development in areas specific to the roles undertaken by the Directors in their capacities within the Board Committees and in general on common regulatory matters. The Board also ensures that Directors and Senior management take part in technical training programs as well as in personal development programs Refer page 136 for further information.	✓
Delegation of Functions by the Board		9	The Board Charter and the approved Governance framework stipulate the delegation of authority limits and provide for the delegated functions. The Board Subcommittees as well as Management Committees function with defined limits, controls and reporting lines as depicted in pages 132 to 135, and the Board's capacity to perform its duties has not been impacted by such delegation. The roles and responsibilities of the Committees and their entire structure is documented and reviewed periodically considering the business conditions and complexities.	✓
Board Subcommittees		2.1.m, 10 & 10.1.d	Board Subcommittees are formed abiding by the regulatory framework and meetings are held sufficiently regularly as stipulated by the provision (Currently BIRMC Meetings occur quarterly) details of which could be found on pages 156 to 167. Performance, duties, and functions of all Subcommittees are disclosed on pages 156 to 167 of the Annual Report. Each Subcommittee has a written term of reference in place that clearly outlines its role, authority and responsibilities. All Board Subcommittees currently consist of a minimum of three Board Members who possess appropriate experience, skills and knowledge. The Chairs and Members of the Board's Subcommittees shall be considered for rotation as needed. The Company Secretary is the Secretary to all Board Sub Committees except BIRMC and BAC, Head of Risk and Internal Audit function as the secretary in line with the provisions. The secretarial functions are discharged under the supervision of the Chairperson of the Subcommittees and the Board receives minutes from each of the aforementioned Committees for evaluation. Company has revised the composition of the Subcommittees effective 1st of May 2024 ahead of the transitional provisions.	✓
Chairperson and Chief Executive Officer (CEO)				
Division of responsibilities of the Chairperson and MD/CEO	A.2.1	6.1 & 2.1.k	The roles of the Chairperson and the MD/CEO are separated and documented. The Chairperson is a Non-Executive Director while the MD/CEO serves as an Executive Director of the Company ensuring a balance of authority in strategic and operational decisions making. The Chairperson is responsible for leading, directing and managing the Board to ensure that it operates effectively, discharging its legal and regulatory responsibilities while the MD/CEO's role is primarily to conduct the business operations of the Company with the support of the Corporate Management as depicted in pages 132 to 135.	✓
Responsibilities of the CEO		6.5	The MD/CEO's duties and obligations approved by the Board are in place. He serves as the apex executive responsible for the day-to-day operations of the Company and functions as the direct link between the Board and Management.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Chairperson's Role				
Role of the Chairperson	A.3	6.4	<p>The Chairperson's main role is to lead and manage the Board and ensure effectiveness in all aspects of its role. The Chairperson of CDB is a Non-Executive Director whose key responsibilities and duties have been approved by the Board ensuring that the Chairperson does not engage in direct supervision of senior management or any other day-to-day operational activities. The Chairperson's role encompasses that;</p> <ul style="list-style-type: none"> • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders • All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company • A balance of power between Executive and Non-Executive Directors is maintained • Annual assessment of the performance and contribution during the past 12 months of the Board and the CEO is conducted. • The views of the Board to the shareholders and public are represented. <p>Moreover, the self-evaluation process ensures that the above are fulfilled.</p> <p>For communication with all stakeholders, including depositors, creditors, shareholders, and borrowers, the Board-approved Communication Policy is in place.</p> <p>The Chairperson has delegated the responsibility of preparing agenda of Board meetings to the Company Secretary in consultation with him.</p>	✓
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4	1.5 (b), 3.1, 3.7b	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields and satisfy the specified regulatory criteria. Directors' profiles are provided on pages 118 to 123.	✓
Balance of the Board				
Presence of Non-Executive Directors	A.5.1	3.6	During the FY 2023/24, seven of the twelve Directors are Non-Executives (NED).	✓
Independent Directors	A.5.2	3.7 a) & b)	During the FY 2023/24, five out of seven Non-Executive Directors are independent as defined by the Code.	✓
Independence evaluation review	A.5.3 & A.5.5	3.7 (c)	All five independent Directors are independent of management and free of any business or other relationship that could impair their independence.	✓
Signed declaration of independence	A.5.4		All Non-Executive Directors of the Company have made written submissions as regards their independence against the specified criteria set out by the Company, which is in line with the Direction and Corporate Governance Code.	✓
Determination of independence of the Directors by the Board	A.5.5	3.7 (d)	The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence annually in line with all situations of independence provided by the Direction and Code. No circumstances have arisen for the determination of independence by the Board, beyond the criteria specified by the Code and CBSL regulations.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Duty on immediate self-disclosure of any change to independence		3.7 e)	No such circumstance transpired during the financial year.	✓
Appointment of Alternative Director	A.5.6	3.8	No such circumstance transpired during the financial year	✓
Senior Independent Director	A.5.7 & A.5.8	6.2 & 6.3	The Chairperson of the Company Mr J R A Corera is a Non-Executive Independent Director hence provisions on Senior Independent Directors are not applicable and required.	✓
Meeting with Non-Executive Directors	A.5.9	7.6	The Chairperson meets with the Non-Executive Directors without the presence of Executive Directors at least twice a year and on a need basis.	✓
Executive Directors		3.5	Five Executive Directors report through the CEO with functional reporting lines as depicted in the governance framework in addition to heading their respective divisions. The position of Managing Director/CEO is held by Mr W P C M Nanayakkara and Company's Executive Directors do not hold any Executive Directorships or senior management positions in any other Company.	✓
Recording of concerns in Board minutes	A.5.10	8.6 & 10.1.d	Minutes of all meetings are duly recorded in sufficient detail and retained by the Company Secretary under the supervision of the Chairperson. The minutes contain the discussions and decisions of the Board, key deliberations and a summary of data and information used along with the explanations and confirmations of relevant parties, rationale for each decision made, and any significant concerns and dissenting views expressed. The minutes also specify if any Director abstained from voting or excused himself from deliberating on a particular matter. Similarly each Sub Committee Secretary adheres to the above, and minutes are kept with the Company Secretary,	✓
Supply of Information				
Information to the Board by the Management	A.6.1	2.1 (h)	The Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board have sought additional information as and when required. Corporate and Senior Management made presentations on issues of importance. The Chairperson has ensured that all Directors were briefed on matters arising from Board Meetings. The Directors have free and open contact with Corporate and Senior Management of the Company.	✓
Facilitation for effective conduct of Board Meetings	A.6.2	7.2,7.3 & 8.7	Board was provided with all relevant information in a timely manner and its members and Management actively engage in deliberation. The Board sought additional information as and when necessary. The Company Secretary prepares the agenda and keeps the minutes of meetings open for inspection at any time for the Directors. Further, refer to page 136 for further information on Board Meetings.	✓
Appointments to the Board				
Procedure for the appointment of Board Directors and establishment of the Nomination Committee	A.7.1, A.7.6 & A. 1.8	2.1 (f), 4.1, 5.1, 10.1 (b) & 10.4 (c)	Board Nomination and Governance Committee established with specific terms of reference ensures the formal and transparent procedure for Board appointments. Selection, nomination, appointment, election, and retirement are subject to the Company policies which are aligned with the Finance Business Act Direction No.06 of 2021, on the Assessment of Fitness and Propriety of Key Responsible Persons and other regulatory requirements. Factors such as responsibilities of the role, time commitment, potential conflicts of interest, and required competencies are considered by the Board Nomination and Governance Committee during the selection process for director appointments and by the candidates when accepting the appointment. During the financial year 2023/24, there were no new appointments to the Board.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Composition of the Nomination Committee	A.7.1	10.4 a) & b)	The Committee is comprised of four Non-Executive Directors of whom three are independent. The Committee is chaired by the Board Chairperson. The Company Secretary functions as the secretary of the Committee.	✓
Assessment of Board Composition by Nomination Committee	A.7.2	10.4 (d) - (f) & 10.4 (i)	An annual assessment of the Board-composition is conducted to ascertain whether the combined knowledge and experience of the Board match the strategic demands of the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election.	✓
Cooling off Periods prior to appointments		3.9	All appointments to the Board as Directors and CEO including being designated as Independent Directors are subject to the cooling off periods and during the financial year, no such circumstance transpired.	✓
Other Duties of the Nomination Committee	A.7.3	10.4 g, i & j	The job descriptions (JDs) for CEO/MD and Senior Management developed in accordance with the Board Charter and appointment policies set out the eligibility criteria. Board approved succession plan is in place and the Committee identifies and recommends suitable candidates for Directors and Senior Management and also regularly reviews the composition and structure in order to identify and recommend additional or new expertise.	✓
Independence of the Committee	A.7.2	10.4 k)	The Committee does not participate in decision-making relating to its own appointment matters and the Chairperson on the appointing of the successor. The Committee is independent of the Management and is totally free from any business, personal or any other relationships that may interfere in making independent judgments.	✓
Common Directorships and limits for Directorships		3.10 & 3.11	No such circumstance/requirement transpired in the financial year 2023/24.	✓
Disclosure of details of new Directors to shareholders	A.7.4	10.4 (h)	When new Directors are appointed to the Board, a brief resume of each such Director including the nature of his/her experience, qualifications and the names of Companies in which the Director holds Directorship, membership, and etc., are presented at shareholder meetings and are forwarded to the Central Bank of Sri Lanka and Colombo Stock Exchange (CSE) in addition to disclosing the information in the annual report.	✓
Disclosures on the Nomination Committee	A.7.5	16.1 Vi	The Report by Board Nomination and Governance Committee on pages 161 to 162 includes its composition and work undertaken	✓
Re-election				
Terms of Appointment of Non-Executive Directors	A.8.1		Articles of Association of the Company require each 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 subjected to prior review by the Board.	✓
Election and Re-election of all Directors by the Shareholders	A.8.2		Refer comments above.	✓
The total period of service of a Director		3.3 & 3.4	The period of service of all current Directors is below nine years except for the CEO and Executive Directors.	✓
Age Limit		4.2 & 4.3	All the Directors of the Company are below the age of 70 years.	✓
Early Resignation of Director	A.8.3	4 (2)/4 (11) & 5 (1)	During the FY, Mr. Elangovan Karthik, Executive Director resigned from his Directorship and the necessary regulatory clearance was obtained from the Central Bank of Sri Lanka for the said resignation.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Non-Attendance of Board Meetings		7.8	Provision is reflected in the company policies and not applicable for financial year 2023/24, since all Directors have attended the meetings as mandated by the regulations.	✓
Appraisal of Board Performance				
Annual appraisal of Board performance and that of its Committees	A.9.1 & A.9.2	1.5(d), 2.1.i 6.4(j),	The Board annually evaluated its performance against the annual objectives set at the beginning of the year. The performance of Board Subcommittees were also evaluated similarly. Refer page 137 for more information	✓
Review process at the time of re-election of a Director	A.9.3	10.4 (e)	The Board has adopted a robust process to review the participation, contribution and engagement of each Director at the time of re-election.	✓
Disclosure of performance evaluations	A.9.4	16.1 iii	Refer pages 163 to 164 of the "Report of the Human Resources and Remuneration Committee" in the Annual Report on page 137 for details of the criteria considered for performance evaluation of the Board.	✓
Disclosure of Information in Respect of Directors				
Information set out in relation to each Director in the annual report	A.10	16.1 ii	Details of Directors are given in this Annual Report. (Refer pages 118 to 123)	✓
Appraisal of CEO				
Financial and non-financial targets for CEO	A.11.1		MD/CEO's performance objectives are aligned with the business sustainability of the Company. The performance targets for the MD/CEO are set at the commencement of every financial year by the Board which are in line with the medium and long-term objectives of the Company.	✓
Annual evaluation of the performance of CEO	A.11.2	6.4 j, 10.5 g	There is an ongoing process to evaluate the performance of MD/CEO against the set financial and non-financial targets as described above which is followed by a formal annual review by the Board at the end of each financial year.	✓
Directors' Remuneration				
Remuneration Committee	B.1., B.2.1, B.2.16	10.1 a) & b), 10.5 c) – h)	The Board Human Resources and Remuneration Committee is responsible for assisting the Board with regard to the Remuneration Policy for the Executive Directors and the Corporate Management, and for making all relevant disclosures. The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the MD/CEO as well. The MD/CEO participates in meetings by invitation in deciding the remuneration of the Corporate Management with a view to recruit, retain and motivate the Corporate Management Team.	✓
Composition of the Remuneration Committee	B.2.2	10.5 a) & b)	The Three member Committee consists of Non-Executive Directors of whom two are Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director, Refer the Board Human Resources and Remuneration Committee Report on pages 163 to 164.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Remuneration of Non-Executive Directors	B.2.13, B.2.14 & B.2.15	10.5 c)	The Board as a whole decides the remuneration of the Non-Executive Directors with strict adherence to company policy reflecting the regulatory framework. The Non-Executive Directors receive a fee considering the time commitment and responsibilities of their role and market practices for being a Director of the Board and additional fee for either chairing or being a member of a Committee and , working on special Committees. Share options are not part of the remuneration. They do not receive any performance-related incentive payments. Non-Executive Directors receive a nominal fee as disclosed in this Annual Report and do not participate in performance-related incentive schemes.	✓
Consultation of the Chairperson and access to professional advice	B.2.3	10.5 e) – g)	Inputs of the Chairperson are obtained regularly and external professional advice is sought by the Board Human Resources and Remuneration Committee, on a need basis through the Board Secretary.	✓
Level and make-up of remuneration	B.2.4 – B.2.8 & B.2.10	10.5 f) & g)	The Board is mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect the expectation of the Company while been sufficient enough to attract and retain the personnel of highest standards. The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance. The Company's remuneration framework is designed to create and enhance value for all of CDB's stakeholders and to ensure that there is strong alignment between the short-term and long-term interests of the Company. Provisions on recovering sums paid or withholding a portion of such performance related remuneration including the circumstances and conditions to be included in the schemes of performance-related remuneration.	✓
Remuneration of the Non-Executive Directors	B.2.13 & B.2.14	10.5 c)	Non-Executive Directors receive a nominal fee as disclosed in this Annual Report and do not participate in performance-related incentive schemes.	✓
Executive share options	B.2.9		Employee share option schemes of CDB are in accordance with the CSE Listing Rules and Executive directors have exercised employee share option as per the CSE Listing Rules during the financial year 23/24.	✓
Compensation and commitments on early termination	B.2.11 & B.2.12		No early termination event has occurred during the financial year. The Board Human Resources and Remuneration Committee to review the Compensation Commitments as per the Code.	✓
Disclosure of remuneration				
Disclosure of Directors' and senior management remuneration	B.3.1 & B.3.2	16.1 iv)	Refer the Human Resources and Remuneration Committee Report on pages 163 to 164 for the relevant disclosures and the remuneration policy of the Company. Also note 11 to the Financial Statement on page 195 provides the aggregate remuneration paid to Executive, Non-Executive Directors and Senior Management.	✓
Composition of the Committee	B.2.15		The details of the Chairperson and members of the Human Resources and Remuneration Committee are listed and the work undertaken are contained on pages 163 to 164.	✓
Relations with Shareholders				
Notice of AGM for shareholders	C.1.1		Company ensures that all the notices relevant to the AGM are disseminated well before the meeting and as per the stipulated regulatory timeline.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Proposing separate resolution	C.1.2		Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter distinctly where separate proxy forms are provided and all mannerisms of voting complied with. This mechanism promotes better stewardship while assuring transparency in all activities of the Company.	✓
Use of proxy votes and records of votes	C.1.3		The Company has an effective mechanism to record all proxy appointments and votes as well as total votes for and against and the number of shares in respect of which the votes were withheld for each resolution. Additionally, if the Board in its opinion recognises a substantial deviation, the reasons for the same are identified and addressed accordingly.	✓
Availability of all Chairpersons of Board Subcommittees at the AGM	C.1.4		The Chairperson of the Company ensures that the Chairpersons of all Board-appointed Subcommittees are present at the AGM to respond to all queries under their purview.	✓
Circulation of a summary of the procedures governing voting	C.1.5		A Form of Proxy and a copy of the Annual Report are dispatched to all shareholders together with the notice of meeting, detailing the summary of the procedure as per the legal requirements. The sufficient and adequate notice presents the opportunity for all shareholders to attend the AGM based on their voting status and obtain clarifications for matters of interest to them.	✓
Communication with shareholders	C.2.1 - C.2.7	1.3 d)	The Company has implemented the relevant communication channels and disclosed the policy and methodology along with other requirements of the Code, for communication with shareholders. For further details refer page 139.	✓
Major and material transactions	C.3.1 & C.3.3	2.1 n), 10.1 a), 12 & 16.1 v)	During the year there were no major transactions as defined by the applicable regulatory provisions which materially affected CDB's net asset base. Transactions, if any, which materially affect the net assets of the Company, will be disclosed in the quarterly/annual financial statements in addition to CSE disclosures. Further, aforementioned transactions and subject to review by the Board-Related Party Transaction Review Committee headed by an Independent Non-Executive Director of CDB.	✓
Financial and Business Reporting				
Reports to public and, regulatory and statutory reporting	D.1.1 - D.1.3	10 (1), 16	CDB has reported a true and fair view of its financial position and performance for the year ended 31st March 2024 and at the end of each quarter of the financial year 2023/24. In the preparation of Financial Statements, CDB had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and Finance Leasing Act, No.56 of 2000 and are in conformity with Sri Lanka Accounting Standards. CDB has also complied with the reporting requirements prescribed by regulatory authorities such as the Central Bank of Sri Lanka, the CSE, and the Securities and the Exchange Commission of Sri Lanka. Financial statements are published in newspapers in all three languages.	✓
Declarations by Directors in the Annual Report	D.1.4	16.1 viii	Refer pages 4 to 5 for the Annual Report of the Board of Directors which covers all aspects under the provision and the Code.	✓
Responsibility of Directors and Auditors and Report/statement on Internal Controls	D.1.5 & D.2.2.4	10.2 d) vii, 16	Addressing the regulatory provision, Annual Report of the company contains Statement of Directors' Responsibility and Directors' Statement On Internal Control Over Financial Reporting along with Auditors' Assurance Report on the Directors' Statement on Internal control and Independent Auditors' report.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Management discussion and analysis	D.1.6	10.1 c), 16	The Management discussion and analysis is adequately provided for by the Annual Report.	✓
Communication with shareholders in the event of net assets falling below the threshold	D.1.7		The likelihood of such an occurrence is remote. However, should the situation arise, an EGM will be called for and all mannerisms will be followed for communication with the shareholders.	✓
Disclosure of Related Party Transactions	D.1.8	12, 15.1 b) v 16.1 v)	Relevant related party transactions are adequately and accurately disclosed in the Annual Report in addition to prompt CSE disclosures. Further, all the related party transactions are reviewed by the RPTR Committee.	✓
Risk Management and Internal Control				
Responsibilities of BOD on risk management	D.2.1 - D.2.1.2 & D.2.2 - D.2.2.1	1.4,10.3. 11.1 & 11.2	Company has implemented a robust risk management framework that enables the identification, assessment, monitoring, and management of risks. This framework includes clearly defined processes and delegated responsibilities to ensure its effectiveness in supporting the company's strategic, operational, and financial objectives. By integrating risk management into its core operations, Company ensures proactive risk mitigation, continuous improvement, and alignment with industry best practices, thereby safeguarding its sustainability and growth. Refer page 109.	✓
Responsibility of all employees		11.3	The Company promotes the Risk management culture and all employees share the responsibility for ensuring effective internal controls.	✓
Directors' confirmation of risk assessment and management	D.2.2	16:1 viii, ix & xii	Statement of The Directors' Responsibility Report, and Management Reports addresses the risk management aspect of the company where Board undertaking is depicted.	✓
Internal audit function	D.2.2.2	10.2 g)	The Company has its own in-house Internal Audit Department, which is responsible for the internal audit function.	✓
Review of risk management and internal control system	D.2.2.1	10.2 d) vi-viii, e), f) & g) i & iii (ii)	The Audit Committee carries out reviews on the process and effectiveness of risk management, internal controls and reports to the Board on a regular basis.	✓
Board Integrated Risk Management Committee				
Establishment of a Risk Committee	D.2.1.3 & D.2.1.4	10.1 a)	Company has established a Board Integrated Risk Management Committee to oversee risk management as per the applicable regulatory framework.	✓
Composition and Secretary of the Committee	D.2.1.5, D.2.1.8 & D.4.1, D.4.3	10.3 a) & b)	The Committee is chaired by an Independent Non-Executive Director and comprised of six other Directors including the Chairperson of the Company. The Head of Risk functions as the secretary of the Committee in consultation with the Chairperson of the Subcommittee. Within the parameters of the authority and responsibility delegated to the Committee, the Committee closely collaborates with Key Responsible Personnel when arriving at their decisions. Further details on the Committee are found in the BIRMC Report in the Annual Report pages 159 to 160.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Duties and responsibilities	D.2.1.6 & D.4.2.	10.3 c) - h)	The Committee through a methodical approach evaluates the impact of all risks on a regular basis using designated risk indicators and management information. The Committee also make recommendations to the Board on risk appetite and risk management. Risk appetite guides the Company in deciding the types and levels of risk on an overall basis as well as on granular levels to meet its strategic business goals. Key risks such as credit, operational, market, liquidity and strategic risks are assessed through the Risk Heat Map and the Risk Dashboard which include both quantitative and qualitative measures. The Committee evaluates the capability and efficiency of management committees to manage risks within quantitative and qualitative risk limitations as part of its duties which includes inter alia, information security matters and sustainability related aspects. Business Continuity and Disaster Recovery Plan and insurance program are reviewed by the Committee which is then updated at the meetings. Also, the Committee assesses the performance of the Head of Compliance and Head of Risk annually.	✓
Compliance function		10.3 i)	An independent compliance function is in place within the approved governance structure and a compliance officer is appointed at the senior management level void of other encumbrances hindering the independence. Board-approved compliance policies and procedures are in place to ensure compliance with all laws, regulations, directions, rules, regulatory guidelines and approved policies. Compliance philosophy and culture at CDB through shared ownership and responsibility enable the function to be more effective. Periodic reviews are carried out to assess and maintain the level of compliance. The compliance function assesses the compliance requirements when a new product, system or any other development takes place and implements all new legal and regulatory developments promptly. Relationships with all regulatory bodies are well maintained while prompt communication and reporting are ensured.	✓
Risk management function	D.4	10.3 j)	An independent risk management function is in place within the approved governance structure where a separate unit of the department is established under the Head of Risk. Department submits its observations and reports to the Committee promptly in line with the Board approved risk management framework and policies The Company has implemented integrated risk management controls in accordance with the direction. A risk heat map is incorporated with stress testing and testing results are regularly communicated and discussed at the Committee level. Continuous reviews are also conducted. The Head of Risk is involved in the strategic planning process. The minutes of BIRMC Meetings and risk reports are presented at the subsequent Board Meeting. The Chairperson of BIRMC provides an overview of significant issues discussed and decisions taken at Committee Meetings to the Board facilitating informed decision-making by the Board.	✓
Access to external professional advice	D.4.4	1.5. e) & 2.1 h)	Committee has authority to seek external professional advice when required through the established channels based on its requirement.	✓
Disclosures of BIRMC	D.2.1.7 & D.4.5	16.1. xii.	Refer the Report by BIRMC on pages 159 to 160.	✓
Audit Committee				
Composition	D.3.1	10.1 a) & e), 10.2 a) & b)	Board Audit Committee consists of three members all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. Details of the members, invitees and the Secretary of the Committee are found in the Audit Committee Report in this Annual Report on pages 156 to 158.	✓
Duties	D.3.2 & D.2.2.3	10.1 b) & 10.2 d)-h)	The Committee maintains an appropriate relationship with the External Auditors, Ernst & Young (Chartered Accountants) to ensure their objectivity and independence. The payments to External Auditors for audit and non-audit services are disclosed in the Directors' Report of the Annual Report. In addition, the Company has established an internal audit function which operates independently and has direct access to the Audit Committee. The External Auditors do not have any relationship (other than that of the auditor) or any interest in the Company.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Disclosures on the Audit Committee	D.3.3	10.1 c) 16.1 vi	Audit Committee Report contained in the Annual Report covers all disclosures under the provision (Pages 156-158).	✓
The secretary to the Committee		10.2 c)	The Head of Internal Audit functions as the secretary of the Committee in consultation with the Chairperson of the Subcommittee.	✓
Meetings of the Committee		10.2 (i)	The Committee held 10 meetings in the financial year which included 02 meetings with the External Auditors without the presence of the Executive Directors and Management with due notice of issues to be discussed after which the conclusions arrived at are duly recorded in discharging its duties and responsibilities. The Committee invited members of the Senior Management as well as External Auditors of the Company to participate in the meetings from time to time on a need basis.	✓
Related Party Transaction Review Committee				
Establishment and composition	D.5.1 & D.5.2	10.1 a) & e), 12.1 a)	The Board Related Party Transactions Review Committee comprises of 1 Independent Non-Executive Director heading the Committee, 1 Non-Executive Director and 2 Executive Directors. Please refer the RPTRC report on pages 165 to 166 for more information.	✓
Duties	D.5.3	12.1 b) & c) , 12.2 & 12.3	The Committee is guided by its Terms of Reference and the Board Charter, Policies and Procedures are in place depicting the mannerisms of reporting and reviewing related party transactions. Please refer the RPTRC report on pages 165 to 166 and the related party transaction disclosures on pages 165 to 166 for more information.	✓
Code of Business Conduct and Ethics				
Code of Business Conduct and Ethics	D.6.1	1.3 b),14.1, 16.1 xi	The Company has developed a Code of Business Conduct and Ethics for all employees, which primarily addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with applicable laws and regulations and the reporting of any illegal or unethical behaviour.	✓
Implementation of the Code and its monitoring	D.6.6	14.2	Records of breaches of code of conduct are maintained and the breaches are addressed as per the set procedure. No waivers and exemptions are provided without Board approval. Human Resources Division with Management Committees and Board oversight ensures its implementation and monitoring mechanism with the assistance of Internal Audit.	✓
Training on Code of Conduct	D.6.5		The Code is made available to all employees and its provisions are included in the training programs. Confirmation on the understanding and adherence to the Code is obtained upon employment and a session is conducted at the induction program. Additionally, Human Resources Division is to implement a process to obtain the confirmation of compliance annually from all employees.	✓
Reporting material, price-sensitive information	D.6.2	12.1 c) 4 & 12.3 e)	The management of related party transactions and conflicts of interest includes material and price-sensitive information and therefore ensures prompt identification and management.	✓
Purchase of shares by Board of Directors, Key Management and employees involved in financial reporting	D.6.3		The management of related party transactions and conflict of interests includes and therefore addresses the purchase of shares by Board of Directors, KRPs and Employees involved in financial reporting enabling prompt identification and management in addition to the disclosure requirements of CSE.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Whistle blowing policy and its implementation	D.6.4	14.3	The Whistle Blowing Policy has been adopted by the Board. All staff are urged to bring up any issue they sincerely believe to be involving prospective or ongoing misconduct, such as a violation of the Company's Code of Conduct. Additionally, the process is evaluated and reviewed via the Audit Committee. The Complaints Handling Policy addresses all complaints received from customers and other parties including resolution, escalation, recording, availability of complaints handling mechanisms, relevant disclosures and etc.	✓
Chairperson's Affirmation and non-violation of the code of conduct and ethics	D.6.7	16.1 xi)	A Board approved Code of Conduct for Directors and for all employees are in place as depicted in the above comments. The Chairperson and the Board verify that all Directors and Key Responsible Persons (KRPs) have affirmed their compliance with this Code. The Chairperson also confirms that there are no known violations of any provisions within this Code.	✓
Conflict of interest		2.1.g, 7.7 & 15	At the Board level, all Directors are well aware and guided by Board Charter and Company Policies where any conflicting interest will be disclosed immediately and is to abstain from any engagement giving rise to conflicts of interest. The Directors are guided by professional conduct. In addition to the monitoring mechanisms that are in place Board cohesively ensures that no Director acts with undue influence and coercion. Managing conflicts of interest is covered under page 139 and addresses the requirements in the provision.	✓
Corporate Governance Disclosures				
Adherence to principles and practices of good corporate governance	D.7.1	16.1 x	The Section on Corporate Governance details the current practices of CDB and the level of compliance with the regulations and adherence to best practices. Refer pages 140 to 153.	✓
Institutional investors				
Shareholder Voting	E.1	1.3 d), 1.7 a), 6.4 i) & 16.1 xiii)	Institutional shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice. Annual General Meeting facilitate having an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. Additionally the Chairperson ensure that shareholder views are represented at the Board, and Company Communication Policy provides for effective participation, whereas the mannerisms followed in line with the regulations on all shareholder engagement that prospers fruitful involvement.	✓
Evaluation of governance disclosures	E.2	1.3 d), 6.4 i) & 16.1 xiii)	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention, especially on the Board structure and composition.	✓
Other investors				
Investing/divesting decision	F.1	1.3 d), 1.7 a), 6.4 i) & 16.1 xiii)	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing or divesting decisions.	✓
Shareholder voting	F.2	1.3 d), 1.7 a), 6.4 i) & 16.1 xiii)	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.	✓

Caption	CASL Reference	CBSL Section	Principle, Compliance and Implementation	Status of Compliance
Internet of Things and Cyber Security				
Cyber security risk management process	G.1 – G.5	10.3 c) & f)	During the financial year, CDB carried out internal and external IT vulnerability tests with the assistance of external parties in order to mitigate cyber security threats. Further, these external parties conducted several Board presentations on the findings along with local/global best practices. Please refer pages 61 to 65 for further information.	✓
Sustainability : ESG Risk and Opportunities				
	H.1	16.1 xii	Please refer Sustainability commitment on pages 40 to 44 and ESG Risk in page 116	✓
	H.2.1	1.3 (c)	Please refer Sustainability commitment on pages 40 to 44 and ESG Risk in page 116	✓
	H 3.1	1.3 (c)	Please refer Sustainability commitment on pages 40 to 44 and ESG Risk in page 116	✓
	H.4.1-4.3	1.3 (c)	Please refer Sustainability commitment on pages 40 to 44 and ESG Risk in page 116	✓
	H.5.1-5.4	1.3 (c)	Please refer Sustainability commitment on pages 40 to 44 and ESG Risk in page 116	✓
Special Considerations For Listed Entities				
Establishment and maintenance of policies	I.1		Complied with the Code please refer below for the CSE Listing Rules Corporate Governance Disclosure Table on Pages 154-155	✓
Policy on matters relating to the Board of Directors	I.2		Complied with the Code please refer below for the CSE Listing Rules Corporate Governance Disclosure Table on Pages 154-155	✓
Group Governance				
Responsibilities as a holding company		13.1, 16.1 vii	Not applicable as of the current financial year.	✓
Responsibilities as a subsidiary		13.2, 16.1 vii	Not applicable as of the current financial year.	✓
Transitional provisions				
Transitional and other general provisions		3.2, 3.5(a), 3.7, 8.1(b) & 10.1 & 12.1 (a)	The Company has complied with transitional provisions when applicable	✓

REPORT ON ADHERENCE WITH THE REQUIREMENTS ON CORPORATE GOVERNANCE ACCORDING TO THE SECTION 9 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) GRI2-23, 2-24

We recognize the critical importance of corporate governance in ensuring transparency, accountability, and sustainability within our organization. As a listed entity, we are committed to upholding the highest standards of corporate governance mandated by CSE. Therefore, we are pleased to confirm that CDB has diligently adhered to the Corporate Governance Rules set forth herein during the reporting period.

Section	Corporate Governance Rule	Response and Section Reference	Status of Compliance
9.2	Disclosures relating to Policies	The required information on the stipulated policies are to be made available on the website as required.	✓
9.4.2	Communication and relations with shareholders and investors	Refer How We Engage and Create Value for Our Stakeholders on pages 45 to 48 and Corporate Governance page 139.	✓
9.5	Policy on matters relating to the Board of Directors	<p>The Board Charter of CDB outlines the principles and requirements for the Company's Board of Directors. Its purpose is to promote the highest standards of corporate governance within the Company by clearly defining the role, composition, and responsibilities of the Board. The Charter serves as a reminder of the Board's duties and responsibilities and as a statement of intent and expectation regarding how the Board will fulfill its obligations. Additionally, the Board Charter recognizes and sets the framework for adopting related best practices and guidance.</p> <p>Trading in securities of the CDB by Directors are carried out according to the rules and regulations of CBSL, SEC and CSE along with adhering to all disclosure requirements. Same is reviewed at the RPTRC meetings. Entire process is subjected to review by the internal audit. The specific procedure currently practiced to be included in the Board Charter in its next revision which is to be completed by July 2024.</p> <p>The maximum number of directorships in Listed Entities that may be held by Directors is to be included in the next revision of the Board Charter. Currently only one non-executive Independent Director holds directorships (04) in listed companies as a non-executive director.</p> <p>Board and Board Committee meetings on the accepted virtual channels are been held, and any Director who wishes to participate to a physical meeting through audio visual means shall be facilitated for the same, upon prior notice by the Director. Participation via audiovisual means is deemed equivalent to physical presence at the meeting and is counted towards the quorum. This is to be documented in the Board Charter in its next revision.</p>	✓
Disclosures relating to Directors			
9.7.5. (a)	A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria	Complied, refer Corporate Governance Section on page 137.	✓
9.7.5. (b)	Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria	No any non-compliance/s, refer Corporate Governance Section on page 137.	✓

Section	Corporate Governance Rule	Response and Section Reference	Status of Compliance
9.8.5 (b), 9.18.3. (a), (b)	Annual determination as to the “independence” or “non-independence” of each Independent Director	An annual determination has been made as to the “independence” or “non-independence” of each Independent Director based on the Directors’ declaration and other information available to it. The details of Independent directors are made available on pages 120 to 123	✓
9.10.4, 9.18.3. (c)	Disclosure of required information on the Directors relating to profile, material business relationships designations and attendance details in the Annual Report.	Refer Pages 120 to 123 for profiles, page 139 for material business relationships, page 136 for Board attendance and pages 156 to 166 for Board Sub Committee attendance.	✓
Sub Committee Disclosures			
9.11.6	A report of the Nominations and Governance Committee signed by its Chairperson including the stipulated information and confirmations	Refer the Nominations and Governance Committee Report on pages 161 to 162.	✓
9.12.8, 9.18.5. (c)	Details of the Chairperson and members of the Remuneration Committee, A statement regarding the remuneration policy and the aggregate remuneration of the Executive and Non-Executive Directors.	Refer the Human Resources and Remuneration Committee Report on 163 to 164 and Notes to Financial Statements on page 195.	✓
9.13.5, 9.18.6. (c)	A Report by the Audit Committee and shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee for the period along with the stipulated information, determinations, statements, opinions and confirmations.	Refer the Board Audit Committee Report on page 156 to 158.	✓
9.14.8 (1), (2)	Recurrent and non-recurrent related party transactions above the stipulated thresholds presented in the respective tabular format provided.	Refer Annual Report of the Board of Directors on page 05.	✓
9.14.8 (3)	A Report by the Related Party Transactions Review Committee including the names of its members, Statement on its review process and communication with the Board and the policies and procedures adopted by the Committee	Refer the Related Party Transactions Review Committee Report on pages 165 to 166.	✓
9.14.8 (4)	An affirmative declaration by the Board of Directors in relation to compliance with rules on related party transactions and if the entity has not entered into any Related Party Transactions, a negative statements on the same.	Refer Annual Report of the Board of Directors on page 05.	✓
Additional Disclosures by the Board of Directors			
9.16 (i)	Disclosure of all material interests in contracts involving in the Entity and status of voting if so.	Refer pages 239 to 240	✓
9.16 (ii)	Status of review of the internal controls and obtaining reasonable assurance	Refer pages 173 to 174	✓
9.16 (iii)	Arrangements to make themselves aware of applicable laws, rules and regulations	Refer page 136	✓
9.16 (iv)	Disclosure of relevant areas of any material non-compliance with law or regulation and any fines imposed by any government or regulatory authority	Refer pages 169 to 170	✓

REPORT OF THE BOARD AUDIT COMMITTEE

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee is appointed by and responsible to the Board of Directors of Citizens Development Business Finance PLC consists of three Non-Executive Directors. All of them are members of recognized professional bodies and possess wide ranging financial, commercial and management experience. The biographical details of the members of the Board Audit Committee are set out in the directors’ profiles section of the Annual Report. Ms. P.R.W. Perera functions as the Chairperson of the Board Audit Committee, is a fellow member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Committee Members as at 31st March 2024

- **Ms. P R W Perera:**
Chairperson/ Independent, Non-Executive Director
- **Snr. Prof. P N Gamage:**
Member/ Independent, Non-Executive Director
- **Mr. J P. Abhayaratne:**
Member/ Non-Executive Director

TERMS OF REFERENCE OF THE COMMITTEE

The scope and responsibilities of the Board Audit Committee emanates from its Terms of Reference which is periodically reviewed and revised with the concurrence of the Board of Directors. The process ensures that new developments relating to the Committee’s functions are adequately addressed. The Terms of Reference of the Committee was last reviewed and approved by the Board in January 2024. The functions of the Committee are structured and regulated in line with the Finance Business Act Direction No. 05 of 2021 – Corporate

Governance, the Rules on Corporate Governance as per revised Section 9 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).

The Committee is responsible to the Board of Directors and reports on its activities regularly. The Board Audit Committee also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

ROLE AND RESPONSIBILITIES

The main objective of the Board Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders. The Committee is empowered by the Board to:

- i. Ensure that the financial reporting system in place is effective and well managed to provide accurate, appropriate and timely information to the Board, Regulatory Authorities and other stakeholders.
- ii. Review the Annual Financial Statements and Interim Financial Statements prior to publication to ensure compliance with statutory and regulatory requirements, Accounting Standards and Accounting Policies which are consistently applied.
- iii. Evaluate the adequacy, effectiveness of Risk Management Systems and Internal Controls of the Company.
- iv. Assess the independence and review adequacy of the scope, functions and resources of the Internal Audit Department.
- v. Review and monitor the External Auditors’ independence, objectivity and effectiveness of the audit process.

- vi. Ensure that sound Corporate Governance practices are upheld within the Company.

MEETINGS

The Board Audit Committee held 10 meetings during the period under review. The quorum for a meeting of the Committee is a minimum of two (2) Independent Directors of the Board Audit Committee or a majority of the members, whichever is higher shall be Independent Directors.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and other Directors attend meetings of the Committee by standing invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time on a need basis. The External Auditors also attend meetings whenever they are invited to be present.

The Head of Internal Audit functions as the Secretary to the Board Audit Committee. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board.

The attendance of the Committee members at the meetings was as follows:

Member	Attendance
Ms P R .W Perera	10/10
Snr. Prof. P N Gamage	10/10
Mr.J P Abhayaratne	10/10

REPORTING TO THE BOARD

The Minutes of the Committee meetings are tabled at Board Meetings at least every quarter, enabling all Board members to have access to them.

ACTIVITIES IN THE FINANCIAL YEAR 2023/2024

The Committee carried out the following activities.

FINANCIAL REPORTING

The Committee reviewed and recommended the interim and annual financial statements prior to submitting to the Board for approval. These reviews facilitated the Committee to monitor compliance with SLFRS/LKAS and the other regulations and also to ensure the integrity of the information provided to the Company's stakeholders. The Committee examined the assumptions and judgments applied in financial reporting. The Committee encourages the continuous strengthening of the processes, internal controls, management information system, risk management and reports required for validation and compliance in line with SLFRS 9 on "Financial Instruments".

The Committee reviewed and assessed the Company's ability to continue as a Going Concern and the adequacy of its resources to be in business for the foreseeable future.

The Committee obtained and reviewed the assurance statement from the MD/CEO and the CFO that the financial records have been properly maintained and the financial statements provide a true and fair view of the Company's operations and finances in line with the requirement of listing rules.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In line with Section 16 (1)(ix) of the Finance Business Act Direction No. 05 of 2021, the Company is required to comply with the said direction and assess the effectiveness of the Internal Control Over Financial Reporting as at 31 March 2024.

The Internal Audit Department of the Company carried out a series of walk through tests to establish the adequacy of documented processes and made appropriate recommendations where necessary. Based on the Internal Auditors' assessments, the Board has concluded that as at 31 March 2024, the Company's Internal Control over Financial Reporting were effective. The Directors' Statement on the Company's Internal Control Over Financial Reporting is provided on pages 169 to 170 of this Annual Report.

The External Auditors have assessed the effectiveness of the existing system of Internal Control Over Financial Reporting. The External Auditors' Assurance Report on the Company's system of the Internal Control Over Financial Reporting is provided on pages 173 to 174 of the Annual Report.

INTERNAL AUDIT

The Committee ensures that the Internal Audit function is independent of the activities it audits and the audits are performed with impartiality, proficiency and due professional care. The Head of Internal Audit reports directly to the Board Audit Committee. The Committee has had sufficient interaction with the Head of Internal Audit throughout the year. The Committee also evaluated the performance of Head of Internal Audit.

The Committee approved the Internal Audit Plan for the financial year and also monitored and reviewed the scope, extent

and effectiveness of the activities of the Internal Audit Department. The Committee also reviewed and monitored the progress of the Internal Audit Plan during the financial year, along with its resource requirements.

During the year the Committee reviewed the internal audit reports covering matters pertaining to Financial Reporting, Regulatory Compliance, Branch operations, Department operations, Credit Risk Reviews, IT General Controls, IT Application Control Reviews, Cyber Security Reviews and Special Investigations, and also followed up on the implementation of audit recommendations. Further, Internal Audit carried out testing and data analytics related to potential fraud risk areas on a continuous basis. Audit findings presented in the reports were prioritized based on the level of risk involved. The Board Audit Committee advised the Corporate Management to take precautionary measures on significant audit findings. Internal Audit reports were made available to the External Auditors as well.

The Committee reviewed the adoption of the CBSL Regulatory Framework on Technology Risk Management and Resilience for strengthening of Information Security. Further, the Committee reviewed Internal Audit Reports on Business Continuity Management System and Information Security Management System (ISMS).

The Committee reviewed and approved the Internal Audit Charter document in January 2024.

EXTERNAL AUDITORS

The Board Audit Committee assisted the Board in engaging the External Auditors for the audit service in compliance with regulatory provisions. The Committee

reviewed and monitored the independence and objectivity of the External Auditor and also assessed the effectiveness of their audit process considering the relevant professional and regulatory requirements. To ensure that the External Auditor had the independence to discuss and express their opinions on the matter, they were granted opportunities to meet the Committee separately, without the presence of the Executive Directors and the Management.

Messrs. Ernst & Young, Chartered Accountants has been appointed as the external auditor of the Company in August 2023.

Prior to the commencement of the annual audit, the Committee discussed with the External Auditors, their audit plan, audit approach, and matters relating to the nature and scope of the audit. The Committee met the External Auditors on two occasions during the financial year without the Executive Directors and the Management being present, to ensure that there was no limitation of scope in relation to the Audit and to allow for full disclosure of any matters, which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no such cause for concern.

The Committee obtained a written assurance from the External Auditor confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant regulatory and professional requirements. The Committee has evaluated the external auditor in line with applicable standards, relevant regulatory requirements and industry best practices, and satisfied with the status of the independence, objectivity and performance of the external auditor.

The Committee also reviewed the non-audit services provided by the External Auditors to ensure that they do not lead to impairment of the External Auditors' independence and objectivity. The non-audit services policy is a Board approved policy that sets out the guidelines for the engagement of External Auditors for non-audit services in line with regulatory requirements. The BAC is satisfied that the independence and objectivity of the External Auditor has not been impaired by the provision of those services.

The Committee also reviewed the audit fees, non audit services fees and expenses for other services paid and payable to them.

The Management Letter issued by the External Auditors in respect of the financial year ended 31 March 2023 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

The Committee has recommended to the Board that Messrs. Ernst & Young, Chartered Accountants, to be re-appointed for the financial year ending 31st March 2025, subject to the approval of shareholders at the forthcoming Annual General Meeting.

STATUTORY AND REGULATORY COMPLIANCE

The Committee reviewed the procedures established by management for compliance with the requirements of the regulatory bodies and also reviewed the compliance status with the Sri Lanka Accounting Standards. The Compliance Officer also submitted a report to the Board Audit Committee on a quarterly basis, indicating the extent to which the Company complied with mandatory statutory requirements. Due compliance with all requirements are monitored through this process. Further, the Internal Audit Department of the Company

performs independent test checks on regulatory compliance requirements.

The Committee reviewed and monitored the progress on implementation of the recommendations made in the Statutory Examination Report of the Central Bank of Sri Lanka (CBSL) through regular follow-up reports submitted to the Committee meetings.

The Committee is satisfied with the status of the compliance with Financial Reporting Requirements, Companies Act No. 07 of 2007, CBSL regulatory requirements, information requirements under CSE Listing Rules, the SEC Act and other relevant financial reporting related regulations and requirements.

WHISTLEBLOWING POLICY

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrongdoings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

BOARD AUDIT COMMITTEE EVALUATION

An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution to the overall performance of the Company, the Committee has been rated as highly effective.

CONCLUSION

Based on the review of reports submitted by the External and Internal auditors, the information obtained by the Committee and after examination of the adequacy and effectiveness of the internal controls which have been designed to provide reasonable assurance to the Board of Directors that the assets of the Company are safeguarded, the Board Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment in which the Company operates.



P R W Perera

Chairperson
Board Audit Committee

26 June 2024
Colombo

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is a board subcommittee which is established in compliance with the Corporate Governance Finance Business Act Direction No 5 of 2021 by the Central Bank of Sri Lanka and is mainly responsible for establishing risk management framework across the organization and overlooking and ensuring adherence to established policy and framework.

COMPOSITION OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board appointed Integrated Risk Management Committee comprises of the following members:

Mr. S Kumarapperuma
Chairperson/ Independent Non-Executive Director

Mr. J R A Corera
Member/ Independent Non-Executive Director

Mr. C M Nanayakkara
Member/ Executive Director /MD/CEO (r.w.e.f. 30th April 2024)

Mr. T M D P Tennakoon
Member/ Executive Director/Deputy CEO (r.w.e.f. 30th April 2024)

Mr. R H Abeygoonewardena
Member/ Executive Director – Corporate Finance (r.w.e.f. 30th April 2024)

Mr. S V Munasinghe
Executive Director – Sales and Business Development (r.w.e.f. 30th April 2024)

Mr. D A De Silva
Member/ Executive Director – Business Operations (r.w.e.f. 30th April 2024)

Ms. J Lokuliyana
Non-Executive Independent Director (Appointed w.e.f. 1st May 2024)

Mr. K A D R Gunasinghe
(GM – Risk/ CRO) functions as Secretary to the Committee (functioned till 31st March 2024)

TERMS OF REFERENCE OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Summarized responsibilities

- To assist in setting risk strategies and policies within the risk tolerance and appetite levels and to assist the BoD in discharging the duties related to risk management and review organizations' risk policies including risk appetite statement on an annual basis.
- To ensure that the impact from key risk areas are assessed via appropriate risk indicators and management information and make recommendation on the risk strategies and the risk appetite to the BoD.
- To monitor external developments relating to the risk landscape and access the impact of specifically associated risks, including emerging and prospective impacts and ensure adequate risk mitigation measures are in place safeguarding the organization.
- To review the adequacy and effectiveness of management level committees such as the Credit Committee and the Asset-Liability Management Committee to address relevant risks and to manage those risks within quantitative and qualitative risk limits.
- To review key risk areas and key risk indicators of the organization, and propose necessary actions to the management in order to mitigate any adverse effects of those risks if such

risks are beyond the tolerance levels formulated based on the policies as well as regulatory and supervisory requirements applicable to the organization.

- To assist the BoD in its responsibility for disclosure in relation to the risk management function in the annual report, and to acknowledge that it is accountable for the risk management function of the organization.
- To establish an independent compliance function to ensure that the organization is complying with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on the business operations.

COMMITTEE MEETINGS AND METHODOLOGY

Four meetings were held during the financial year under review. Both the financial and non-financial risks such as credit, operational, market, liquidity and strategic risks were assessed through the risk heat map and risk dashboard and discussed in detail on a quarterly basis. The risk dashboard, risk heat map together with meeting minutes were referred to the Board on a quarterly basis.

ATTENDANCE

Member	Attendance
Mr. S Kumarapperuma	4/4
Mr. J R A Corera	4/4
Mr. C M Nanayakkara	4/4
Mr. T M D P Tennakoon	2/4
Mr. R H Abeygoonewardena	4/4
Mr. S V Munasinghe	3/4
Mr. D A de Silva	3/4

COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

Trigger points and risk appetite

Actual movement of KRIs were monitored compared with trigger points which were set based on the risk appetite and significant deviations were assessed along with probable implications to CDB and necessary directions were provided to manage KRIs within the set tolerance levels.

REPORTING RISKS

Key risk incidents related to operational aspects including system related and IT security related areas were reported and mitigation plans were reviewed accessing adequacy of control framework. All the other supporting risk data were reported under each of principle risk and effectiveness of risk management strategies were reviewed.

RISK HEAT MAP

Risk matrix applicable to the organization was assessed via the risk heat map which is embedded with stress testing analysis for financial risks to measure their impact and it was reported to the committee and to the Board of Directors to utilize in decision making. Impact from aggregate financial risks was accessed based on the impact on Capital funds and reviewed CDBs' capability to withstand any unexpected adverse risk scenario.

RISK MONITORING

Reviewed the availability and effectiveness of risk monitoring tools to identify frauds,

violation of procedures and guidelines, and suspicious transactions. Ensured the adequacy of credit and liquidity risk monitoring tools which helps to early identify the potential stresses/ threats. Operational risk monitoring framework was improved introducing integrated dashboards to record operational risk data.

BUSINESS CONTINUITY PLAN (BCP) & DISASTER RECOVERY (DR)

Continue to invest in BCP and DR facility requirements ensuring company's capability to continue its key functions amidst any unforeseen external/ internal threats. Business continuity plan was frequently tested to ensure its effectiveness in an emergency situation.

COMPLIANCE RELATED

Continuously reviewed the requirements set out under the Finance Business Act Direction no. 1 of 2022 on Technology Risk Management and Resilience and close attention was given on CDBs' alignment to personal data protection requirements as setout under personal data protection act. Compliance status related to all the other acts and directions were reviewed on a quarterly basis.

UPDATES FROM COMMITTEES

The Committee reviewed the updates from the management level committees namely Asset-Liability Committee, Credit Committee and Information Security Steering Committee who are also involved in the risk management process.

BOARD REPORTING

The Board was updated on a regular basis on the performance of identified risk indicators and prudential limits defined and approved by the Board along with key movement in the risk exposures in the risk heat map.

COMMITTEE EVALUATION

The Committee evaluates its performance annually and is satisfied that it has functioned effectively in the past year.

THE YEAR AHEAD

The Committee will continue to strengthen the risk management process based on the globally accepted best practices related to operational risk management, capital and liquidity risk management along with properly defined risk appetite framework. Expecting to fully adopt to requirements under the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka subject to transitional provision depicted under the direction.



S Kumarapperuma

Chairperson

Board Integrated Risk Management
Committee

26 June 2024

Colombo

REPORT OF THE BOARD NOMINATION AND GOVERNANCE COMMITTEE

GRI 2-10

COMPOSITION OF THE COMMITTEE

The Board-appointed Nomination and Governance Committee consists of a majority of Non-Executive Directors and is chaired by a Non-Executive Independent Director. The members of the Committee have a wide range of experience and knowledge of business acumen.

Committee members are:

Mr J R A Corera

Chairperson/ Independent Non-Executive Director (Functioned as the Chairperson till 30th April 2024)

Senior Prof S P P Amaratunga

Member/ Independent Non-Executive Director (Appointed as the Chairperson from 1st May 2024)

Mr S Kumarapperuma

Member/ Independent Non-Executive Director

Mr E R S G S Hemachandra

Member/ Non-Executive Director

INDEPENDENCE OF THE COMMITTEE

The Committee is independent of the Management and is totally free from any business, personal or any other relationships that may interfere in making independent judgements.

TERMS OF REFERENCE OF THE COMMITTEE

Identify and recommend suitable candidates as Directors to the Board considering succession plan and requirement of the Board and its subsidiary companies. Regularly review the structure, size and composition of the Board. Ensure the Board consists of persons possessing a good

knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board. Review the Charter for the appointment and reappointment of Directors to the Board and recommend amendments wherever necessary.

MEETINGS

Throughout the review period, the committee convened twice with full member participation and put forth the following recommendations.

Member	Attendance
Mr J R A Corera	2/2
Senior Prof S P P Amaratunga	2/2
Mr S Kumarapperuma	2/2
Mr E R S G S Hemachandra	2/2

The appointment of Ms. Jayomi Lokuliyana as an Independent Non-Executive Director with effect from 1st April 2024, was recommended by the Committee based on her extensive experience, expertise and independent perspective that will significantly contribute to the Company's ongoing success. The appointment of Ms. Lokuliyana complies with all regulatory requirements and promotes Company's policies on Board composition and independence. Her addition to the Board reinforces our dedication to maintaining robust governance practices and enhancing Board effectiveness. The selection, appointment and the nomination of the Director conforms to the policies and procedures as well as the corporate governance practices.

In addition to the Induction program, Committee has recommended to ensure that Ms. Lokuliyana is made aware of corporate governance, Listing Rules,

securities market regulations and other applicable laws and regulations.

All Non-Executive Directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years and as per Articles of Association Section 24(6) and 24(7), Re-election of following Directors were considered and recommended by the Committee;

- Mr. Alastair Corera Independent Non-Executive Director
- Mr. Samitha Hemachandra Non-Executive Director
- Snr. Prof. Prasadini Gamage Independent Non-Executive Director

Mr. Alastair Corera and Mr. Samitha Hemachandra did not participate in the Committee's deliberations regarding their re-election, in accordance with regulatory requirements and Company Policies.

The Committee's recommendations, which were duly submitted to the Board of Directors and received the approval for the same.

Committee recognizes that Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance, hence the same is considered at the annual assessment of the Board composition and continues to make recommendations. Additionally, it ascertains whether the combined knowledge and experience of the Board match the strategic demands of the Company.

COMMITTEE UNDERTAKINGS

The Committee acknowledges that the current Directors possess a thorough understanding of Corporate Governance, Listing Rules, securities market regulations,

and other relevant laws and regulations. To support and enhance this knowledge, the Compliance Team and other departments, along with programs organized by regulators and industry experts, are utilized, particularly when there are updates or changes in the regulatory framework.

All six independent Directors (including Ms. Jayomi Lokuliyana, Non Executive Independent Director Joined the Board w.e.f. 1 April 2024) are independent of management and free of any business or other relationship that could impair their independence. The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence annually in line with all situations of independence provided by the Direction and Code. No circumstances have arisen for the determination of independence by the Board, beyond the criteria specified by the regulators.

All Independent Directors are well aware of the matters pertaining to the Company through formal meetings and documented policies and procedures in relation to the same.

Periodic evaluations have been conducted on the performance of the Board of Directors and the CEO as depicted in the Annual Report.

Corporate Governance requirements stipulated under the Listing Rules of the

CSE have been met as depicted in the report on page 168 and as confirmed by the Directors.

THE YEAR AHEAD

The Committee would continue to propose policies and best practices to attract and retain the best talent to the Company by providing them with fair and equal opportunities.



Senior Prof S P P Amaratunga

Chairperson

Nomination and Governance Committee

26 June 2024

Colombo

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

GRI 2-19, 2-20

COMPOSITION OF THE COMMITTEE

The Board-appointed Human Resources and Remuneration Committee consists of a majority of Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

Committee members are:

Senior Prof S P P Amaratunge

Chairperson/ Non-Executive Independent Director

Mrs P R W Perera

Member/ Independent Non-Executive Director

Mr E R S G S Hemachandra

Member/ Non-Executive Director

INDEPENDENCE OF THE COMMITTEE

The Committee is independent of the Management and is totally free from any business, personal or any other relationships that may interfere in making independent judgements.

COMPANY REMUNERATION POLICY

Our Remuneration Policy aims to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career with appropriate professional, managerial and operational expertise required to achieve the Company's short term and long term objectives. The remuneration Policy attempts to guarantee

that the total remuneration package is sufficiently competitive to attract the best individuals to the Company.

In designing competitive compensation packages, the policy is to appreciate and reward high performers while ensuring that what we pay our people is aligned to our business strategy and performance is judged not only on what is achieved over the short and long term but also importantly on how it is achieved, as we believe the latter contributes to the long-term sustainability of the business.

PURPOSE

The Human Resources & Remuneration Committee recommends the adoption of market oriented remuneration policy for its staff to ensure the selection of the best talent and create incentives for staff for their performance and loyalty. The committee also evaluates the performance of the MD/CEO and Key Management Personnel against pre-determined set targets and goals to determine the basis for recommending rewards, increments and other benefits.

The Committee also reviews the recruitment of Key Management Personnel, incentive schemes, bonus policy of the Company, rewards and promotions policy of the Senior Management and Executive Officers of the Company. The succession plan policy in place and its effectiveness are critically evaluated by the Committee.

It considers such other matters relating to remuneration policies or practices as the Board, may from time to time bring to its attention of the Committee.

Further, the Committee consciously evaluates the appropriateness of the current remuneration policy adopted by the Company for its suitability and appropriateness.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- Reviewed and approved the revised Remuneration Policy.
- Reviewed and approved the revised Succession Planning Policy.
- Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms for all employees including Executive Directors.
- Evaluated and recommended the individual remuneration packages of the Managing Director/CEO and Executive Directors and Senior Management.
- Reviwed the proposed Organization structure.

MEETINGS

The Committee held four (04) meetings during the year under review. The Chief Executive Officer and Director of Corporate Finance attend meetings by invitation and assist in thereby providing relevant information. However, they were not involved in their own compensation packages or other matters relating to them being reviewed.

Member	Attendance
Senior Prof S P P Amaratunge	4/4
Mrs P R W Perera	4/4
Mr E R S G S Hemachandra	4/4

THE YEAR AHEAD

The Committee would continue to propose remuneration policies and best practices to attract and retain the best talent for the Company.

Note:

Please refer the related party transaction disclosures on pages 239 to 240 for aggregate remuneration of the Executive and Non Executive Directors.



Senior Prof S P P Amaratunge

Chairperson

Human Resources and Remuneration
Committee

26 June 2024
Colombo

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board established the Board Related Party Transactions Review Committee (BRPTRC) in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules") and the Finance Companies Corporate Governance Direction No. 05 of 2021 (Subject to Transitional Provisions effective from 01st July 2024). The Board Related Party Transactions Review Committee comprises of 1 Independent-Non-Executive Director, 1 Non-Executive Director and 2 Executive Directors. The following Members serve on the Committee.

The Committee as at the end of the financial year 2023/24 consisted of the following members:

Snr. Prof. P N Gamage

Chairperson/ Independent Non-Executive Director

Mr. E R S G S Hemachandra

Member/ Non-Executive Director

Mr. T M D Tennakoon

Member/ Director/ Deputy CEO
(r.w.e.f. 30th April 2024)

Mr. R H Abeygoonewardena

Member/ Director/ Corporate Finance
(r.w.e.f. 30th April 2024)

Mrs P R W Perera

Member/ Independent Non-Executive Director (Appointed w.e.f 1st May 2024)

OBJECTIVES

This Committee's primary objectives are to:

- Consider, review, evaluate and provide oversight of related party transactions of all types and to approve, ratify, disapprove or reject a related party transaction.

- To ensure compliance under Corporate Governance Direction No. 05 of 2021 section 12.
- Determine whether the related party transaction is fair and in the best interest of CDB.
- Review, revise, formulate and approve policies on related party transactions.
- At least once a year conduct a review of all related party transactions concluded during the financial year.

In carrying out its mandate the BRPTRC must at least consider the following matters:

Transaction and Transacting Parties: the nature and scope and identity of all the parties involved in the transaction or relationship in order to determine whether it is a related party transaction or not.

Related Party: a full description of the nature, extent and scope of the related party's interest in the transaction including the related party's position or relationship with, or ownership in, a company, partnership or other legal entity that is party to or has an interest in the transaction.

Terms and Conditions: whether the terms of the transaction or relationship are not less favourable than terms generally offered to an unrelated third party given the same facts and circumstances.

Purpose & Rationale: consideration must be given to the business purpose, timing, rationale and benefits of the transaction or relationship.

Value: the monetary value of the related party's interest in the transaction must be accurately ascertained.

Valuation Method: the method used to determine the value of the transaction.

SCOPE OF THE COMMITTEE INCLUDES:

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures;
- Ensure Compliance under section 12 of Corporate Governance Direction No. 05 of 2021, which comprise of sub section 12.1, 12.2 and 12.3 (Subject to Transitional Provisions)
- Reviewing in advance all proposed related party transactions of the Company.
- Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- If related party transactions are "recurrent in nature" the Committee establishes set of guidelines for senior management as explain in the section 09 to follow in its ongoing dealings with the relevant related party.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including independent consultant if necessary) to review and approve the proposed related party transaction.

- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the regulations are made in a timely and detailed manner.

REVIEW OF TRANSACTIONS FOR THE FINANCIAL YEAR 2023/24

All related party transactions that had taken place during 2023/2024 were reviewed by the BRPTRC except transactions specifically excluded under Section 9.14.10. There were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange and committee further reviewed the compliance requirements under Corporate Governance Direction No. 05 of 2021 section 12 of the said Direction subject to transitional provisions. Further, all the related party transactions which occurred during the financial year are disclosed in the audited financial statements and reported to Board on 25th June 2024. Please refer page 239 for RPTs published in the Note 43 to the Financial Statements.

DECLARATION

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2023/24 is given on page 05 of the Annual Report.

COMMITTEE MEETINGS

The attendance of the members of the Committee was as follows for the FY 2023/24:

Member	Attendance
Snr. Prof. P N Gamage	4/4
Mr. E R S G S. Hemachandra	4/4
Mr. T M D P Tennakoon	4/4
Mr. R H Abeygoonewardena	4/4



Snr. Prof. P N Gamage

Chairperson
Board Related Party Transactions Review
Committee

26 June 2024
Colombo

REPORT OF THE BOARD CREDIT COMMITTEE

The Credit Committee of the Company direct the Company's credit strategy, credit risk management policy and other lending guidelines to achieve the Company's overall corporate strategy.

COMPOSITION OF THE COMMITTEE

The Board-appointed Credit Committee consists of Executive Directors chaired by MD/CEO. The members of the Committee have a wide range of expertise and knowledge in credit management. The Committee consists of the following members.

Mr C M Nanayakkara

Managing Director/Chief Executive Officer

Mr T M D P Tennakoon

Executive Director/Deputy Chief Executive Director

Mr D A De Silva

Executive Director – Business Operations

Mr R H Abeygoonewardena

Executive Director – Corporate Finance

Mr S V Munasinghe

Executive Director – Sales and Business Development

COMPANY CREDIT POLICY

The Board of Directors have approved the credit policy of the Company, where all product guidelines and exposure limits have been highlighted. The credit risk management policy of the Company is the communication tool of the Company's credit strategy and the objective of which is to ensure the credit quality of the Company's credit portfolio is at its highest.

MAIN RESPONSIBILITIES OF THE CREDIT COMMITTEE

- Overseeing the credit management of the Company including reviewing of internal credit policies.
- Analysis and review of credit control techniques and external risks associated with credit policies of the Company.
- Provide credit guidance and conduct a more intensive and comprehensive credit analysis when necessary.
- Review and approve credit proposals in line with Board approved credit policies and standards, where required recommended credit requests for Board approval.
- Ensure compliance of all regulatory and statutory requirements prescribed by regulatory and supervisory authorities.
- Set lending directions based on the current economic environment.
- Ensure post credit monitoring and post reviews are performed where necessary.

ACCOUNTABILITY OF THE CREDIT COMMITTEE

Accountability of Credit Committee can be delivered through the minutes of Credit Committee meeting, circulated decision-memorandum, and periodic Credit Committee reports.

METHODOLOGY USED BY THE CREDIT COMMITTEE

- The Committee approves credit proposals based on limits set by the Board. Credit proposals and other credit reports intended for Board approval are examined.
- Credit proposals are evaluated in line with the Company's risk appetite and credit policies.

- Members of the Corporate Management of the Company are invited to participate at the meetings as and when required.
- Monitor the resulting shifts in the composition and the quality of the portfolio and recommended new exposure limits for each sectors/product lines as appropriate.

COMMITTEE MEETINGS

Meetings are taken up quarterly to review overall credit strategy of the Company. All other meetings were conducted to review and approve credit proposals recommended by the Management.

ACTIVITIES DURING 2023/24

The Committee approved the credit proposals and other specific reports which prerequisite the approval of the Board in line with the credit policies and credit risk appetite of the Company in order to ensure the efficient and effective performance over the credit direction of the Company.

THE YEAR AHEAD

- Maintaining a healthy credit book while enabling the risk appetite.
- Proactive risk management, strengthen internal controls and management information systems with respect to credit aspects of the Company.
- Continuous monitoring on the adherence to Board approved credit risk management policy.



W P C M Nanayakkara

26 June 2024

Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Citizens Development Business Finance PLC (Company) is set out in the following statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on Independent Auditors' report.

These Financial Statements are prepared in compliance with the requirements of the following rules, regulations, and guidelines.

- Companies Act No. 07 of 2007;
- Finance Business Act No. 42 of 2011;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka; and
- Directions, Rules, Determinations, Notices, and Guidelines issued under the Finance Business Act No. 42 of 2011 by the Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.

In preparing these Financial Statements, the Directors are required to ensure that the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained;

The Financial Statements are presented in accordance with;

Sri Lanka Accounting Standards (SLFRSs/LKASs);

Reasonable and prudent judgements and estimates have been used so that the form and substance of transactions are appropriately reflected;

These Financial Statements provide the information required by and otherwise comply with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

In terms of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of accounts and prepare Financial Statements that give true and fair view of the state of affairs of the Company as at the end of each Financial year and of the Statement of Income of the Company for each financial year and place them before the General Meeting.

The Financial Statements comprise the Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements. The Directors have taken reasonable measures to safeguard the assets of the Company to prevent and detect frauds and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit reviews, risk

assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

Further, the Board of Directors wishes to confirm that the Company has met requirements under the Section 7 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

The Company's External Auditors Messrs Ernst & Young were appointed, in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting. They carried out reviews, and sample checks on the system of internal controls as they considered required and appropriate and necessary for expressing an opinion on the Financial Statements and internal controls. They were provided with every opportunity to undertake the inspections they considered appropriate.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant, provided.

The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors, reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board,



J R A Corera
Chairman



W P C M Nanayakkara
Managing Director/CEO

26 June 2024
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REQUIREMENT

In line with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and principle D1.5 of Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this report on Internal Control mechanisms of Citizens Development Business Finance PLC ('the Company') over Financial Reporting.

RESPONSIBILITY

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the Internal Controls in place at Citizens Development Business Finance PLC. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control 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 Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Features of the process adopted in applying 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

- Establishment of Board Subcommittees to assist the Board in ensuring the effectiveness of the Company's day to day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well and the policies and business directions that have been approved by the Board.
- Policies /Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board -approved committees. Such policies and procedures are reviewed and approved periodically.
- Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control system on an on-going basis using samples and rotational procedures and highlights significant findings in respect of any non- compliance. The annual audit plan is reviewed and approved by the Board Audit

Committee. Audits are carried out on all departments, branches including IT General Controls, IT Application Controls and Cyber Security Reviews. Further, offsite audits introduced during the financial year 2020/2021 were continued in the current financial year for selected business operations of the Company. The frequency of these audits are determined by the level of risk assessed. The findings of the audits are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Board Audit Committee reviews the effectiveness of internal audit functions with particular emphasis on the scope of audits and the quality of the same. The Minutes of the Board Audit Committee meetings are forwarded to the Board on a quarterly basis. Further, details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report of this Annual Report.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Company.
- Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of the business operations. These Committees include the Assets and Liability Management

Committee, Credit Committee, Treasury Committee and Information Technology Steering Committee.

In assessing the internal controls over financial reporting, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

The Company has early adopted SLFRS 9 - "Financial Instruments" which issued in 2014 with a date of initial application of 01st April 2017 and made an assessment of the objective of the business model and classification of financial assets as it best reflects the way the business is managed and information is provided to the Management.

With the introduction of Expected Credit Losses under SLFRS 9, the Company developed models to calculate Expected Credit Losses. A number of key assumptions were made by the Company in applying the requirements of SLFRS 9 to the models including selection and input of forward looking information. These models are inherently complex and judgment is applied in determining the correct construction of the same. These models were developed over the past years and reviewed by the management and amendments were made to the initial assumptions where necessary to reflect the recent and

updated data and such amendments made were independently reviewed by External Auditors. Further, the Board Audit Committee reviewed the related Policies on principles, methodologies and assumptions made during the financial year 2023/24.

The Company continues to focus on strengthening the review and testing process of the models developed and the Company's Internal Audit Department also will continue to review the same with more focus and a robust approach in the future.

The Comments made by the External Auditors in connection with internal control system over financial reporting in previous financial year were reviewed during the year and appropriate steps have been taken to implement the recommendations.

CONFIRMATION

Backed by the Internal Audit, Information System Audit, and Risk Management Division's continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance of the reliability of financial reporting system and that the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

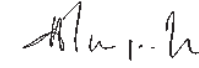
The External Auditor, Messrs Ernst & Young, has reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 March 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the Company. Their independent assurance report on the "Directors' Statement on Internal Control over Financial Reporting" is given on pages 173 to 174 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There were no material non-compliances with prudential requirements, regulations, laws and internal controls during the financial year.

There were no supervisory concerns reported by the Director of Non Bank Supervision of Central Bank of Sri Lanka, to be disclosed to the Public on the Company's Risk Management, Compliance with the Finance Business Act and rules and directions issued by the Central Bank of Sri Lanka.

By order of the Board



J R A Corera

Chairman



P R W Perera

Chairperson -Board Audit Committee



W P C M Nanayakkara

Managing Director/ CEO



T M D P Tennakoon

Executive Director /Deputy CEO

26 June 2024

Colombo

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Citizens Development Finance PLC ("the Company") as at 31st March 2024 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards (SLFRSs & LKASs) issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007 and amendments thereto,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Finance Business Act No. 42 of 2011,
- Directions, Determinations, Orders, Circulars and Guidelines issued under the Finance Business Act No. 42 of 2011 by the Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka (CBSL),
- The Listing Rules of the Colombo Stock Exchange (CSE),
- The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The Company presents its financial results to its shareholders on a quarterly basis. The formats used in the preparation of the Financial Statements and disclosures made in the annual report and the interim Financial Statements comply with the formats prescribed by the Central Bank of Sri Lanka, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard – LKAS 1 (Presentation of Financial Statements).

The significant Accounting Policies of the Company is in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Further such Accounting Policies are appropriate and are consistently applied. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31 March 2023. Accordingly, there was no requirement to amend the comparative information to comply with the current presentation.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements.

We confirm that to the best of our knowledge, the Financial Statements give a true and fair view of the assets, liabilities, financial position, results of the operations and the cash flows of the Company. We have reasonable grounds to believe that the Company have adequate resources to continue in operational existence for the foreseeable future.

The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Company's state of affairs are reasonably presented. To ensure this, the Company

have 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.

We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls of the detection of fraud that involves management or other employees. 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 control and accounting.

The Annual Report of the Directors on pages 4 to 5 briefly covers the Company's Internal Control Over Financial Reporting. In addition, the Directors' Statement on Internal Control Over Financial Reporting is also provided on pages 169 and 170. The Company's External Auditors, Messrs Ernst & Young, have audited the effectiveness of the Company's Internal Controls Over Financial Reporting and have given an unqualified opinion on pages 178 to 180 of this Annual Report.

The Financial Statements of the Company were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their Report is given on pages 178 to 180 of this Annual Report. The Board Audit Committee of the Company 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. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on pages 156 to 158.

The Board 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.

It is also declared and confirmed that the Company has complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

- The Company has complied with all applicable laws, regulations, guidelines and prudential requirements;
- There are no material non-compliances;
- There is no material litigation that is pending against the Company other than those disclosed in Note 44 to the Financial Statements in the Annual Report; and

- All taxes, duties, levies and all statutory payments payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31 March 2024 have been paid, or where relevant provided for.



S S R N Chandrajith

Chief Financial Officer



C M Nanayakkara

Managing Director/ Chief Executive Officer

26 June 2024

Colombo

AUDITORS' ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL



Ernst & Young
Chartered Accountants
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TO THE BOARD OF DIRECTORS OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Citizens Development Business Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report for the year ended 31 March 2024.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021 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 3051

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 Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company 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 Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 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 Company, the event or transaction in respect of which the Statement has been prepared.

Partners: D K Hulangamurwa FCA FCMA LLB (London), A P A Cunasekera FCA FCMA, Ms, Y A De Silva FCA, Ms, G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms, N A De Silva FCA, N M Sulaiman ACA ACMA, Ms, L K H L Fonseka FCA, Ms, P Y K N Sajeevani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Camage ACA ACMA, C A Yalagala ACA ACMA

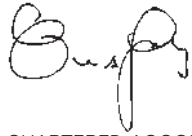
Principals: T P M Ruberu FCMA FCCA MBA (US, JPSL), G B Goudian ACMA, Ms, P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS MSc - IT, V Shakhmurov BSc (Sp)

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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 Company.



CHARTERED ACCOUNTANTS

26 June 2024
Colombo

SUSTAINABLE GROWTH

By aligning our financial expertise with environmental responsibility, we aim to create a future where economic growth and ecological well-being coexist in harmony. As a dynamic financial institution we are focused on aggressive growth and expansion aligned with our strong tech platform, which converges to deliver sustainable growth. Harnessing the power of collaboration and partnership we envision to create a greener and progressive nation.



FINANCIAL CALENDAR

Audited Financial Statements

Wednesday, 26 June 2024

Audited Financial Statements published on Newspapers

Friday, 28 June 2024

Annual General Meeting

Thursday, 18 July 2024

Quarterly Financial Statements

Thursday, 15 August 2024

Quarterly Financial Statements

Friday, 15 November 2024

Quarterly Financial Statements

Friday, 14 February 2025

Quarterly Financial Statements

Friday, 30 May 2025

Dividend Payments

Final dividend for the year ended 31 March 2024 to be paid on*

To be notified

Final dividend for the year ended 31 March 2023 paid on

Monday, 21 August 2023

*Subject to confirmation by shareholders at Annual General Meeting

	2023/24	2024/25 (Proposed)
Audited Financial Statements and Annual General Meeting (AGM)		
Audited Financial Statements	Wednesday, 26 June 2024	Friday, 6 June 2025
Annual General Meeting	Thursday, 18 July 2024	Monday, 30 June 2025
Interim Financial Statements to CSE*		
Quarter ended 30 June	Monday, 14 August 2023	Thursday, 15 August 2024
Quarter ended 30 September	Thursday, 9 November 2023	Friday, 15 November 2024
Quarter ended 31 December	Monday, 12 February 2024	Friday, 14 February 2025
Quarter ended 31 March	Tuesday, 28 May 2024	Friday, 30 May 2025

* In terms of the Rule 7.4 of the CSE and as per the requirements of the Central Bank of Sri Lanka.

	Newspaper	2024	2025 (Proposed)
Six Months Financial Statements**			
Year ended 31 March (Audited)	Lankadeepa	Friday, 28 June 2024	Friday, 27 June 2025
	Virakesari	Friday, 28 June 2024	Friday, 27 June 2025
	DailyFT	Friday, 28 June 2024	Friday, 27 June 2025
Six months ended 30 September (Unaudited)	Lankadeepa	Friday, 29 November 2023	Friday, 29 November 2024
	Virakesari	Friday, 29 November 2023	Friday, 29 November 2024
	DailyFT	Friday, 29 November 2023	Friday, 29 November 2024

** In terms of the requirements in Direction No. 2 of 2006, Central Bank of Sri Lanka.

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INDEPENDENT
AUDITORS' REPORT

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TO THE SHAREHOLDERS OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Report on the audit of the
financial statements

Opinion

We have audited the financial statements of Citizens Development Business Finance PLC ("the Company"), which comprise the statements of financial position as at 31 March 2024, statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 Company give a true and fair view of the financial position of the Company as at 31 March 2024, and of their financial performance and 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 Company 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 our audit of the financial statements of the current period. These

matters were addressed in the context of our 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manalunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeevani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA,D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (US-JSL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT,
V Shakthivel B Com (Sp)

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Key audit matter**Allowances for impairment and other credit losses**

Allowances for impairment and other credit losses of financial assets amounting to LKR 4.9 Bn arising from loans and advances of LKR 90.9 Bn (Note 23) is determined by the management based on the accounting policies described in Note 10.

This was a key audit matter due to

- the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and
- the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.

Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.

How our audit addressed the key audit matter

In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures:

- Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to 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 allowances for expected credit losses, policies and procedures by the Board and the management.
- Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company.
- Evaluated the reasonableness of credit quality assessments and related stage classifications.
- Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages.
- Assessed the adequacy of the related financial statement disclosures set out in notes 23 and 49.

Key audit matter**Information Technology (IT) systems related Internal Controls over Financial Reporting.**

Company's financial reporting process is significantly reliant on multiple IT systems and related 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.

How our audit addressed the key audit matter

Our audit procedures included the following key procedures:

- Obtained an understanding of the internal control environment of the relevant significant processes and tested key controls relating to financial reporting and related disclosures.
- Involved our internal specialized resources and;
 - Obtained an understanding of IT Governance Structure of the Company.
 - Identified, evaluated and tested the design and operating effectiveness of IT systems related to Internal Controls over Financial Reporting, relating to user access management, change management and other IT operations, while testing some key automated controls.
 - Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.
- Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other matter

The financial statements of Citizens Development Business Finance PLC for the year ended 31st March 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 June 2023.

Other information included in the Company'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.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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:

1. 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Company'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 Company to cease to continue as a going concern.

5. 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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, 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 Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.



26 June 2024
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Revenue	6	190	23,893,966	21,561,194
Interest income	7.1	191	22,219,786	20,133,427
Less: Interest expense	7.2	191	13,126,771	12,577,015
Net interest income	7	190	9,093,015	7,556,412
Fee and commission income	8	192	240,497	242,015
Other operating income	9	192	1,433,683	1,185,752
Total operating income			10,767,195	8,984,179
Less: Impairment charges and other credit losses	10	193	740,916	811,118
Net operating income			10,026,279	8,173,061
Less: Operating expenses				
Personnel expenses	11.1	195	1,940,116	1,806,530
Premises, equipment and establishment expenses	11.2	195	2,901,290	2,733,087
Other expenses	11.3	196	585,573	533,906
Total operating expenses	11	194	5,426,979	5,073,523
Operating profit before taxes on financial services			4,599,300	3,099,538
Less: Taxes on financial services	12	196	893,116	605,319
Profit before tax			3,706,184	2,494,219
Less: Income tax expense	13	197	1,190,634	867,336
Profit for the year			2,515,550	1,626,883
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Fair value changes in hedge reserve			(102,705)	248,464
Items that will not be reclassified to profit or loss				
Change in deferred tax on revaluation due to rate change			-	(64,153)
Financial investments at FVOCI - net change in fair value			267,959	(264,618)
Less : Deferred tax on Financial investments at FVOCI			(73,418)	73,418
Net actuarial gain/(loss) on defined benefit plan			(405,732)	(100,835)
Total other comprehensive income			(313,896)	(107,724)
Total comprehensive income for the year			2,201,654	1,519,159
Earnings per share				
Basic earnings per share (Rs.)	14	198	35.95	23.29
Diluted earnings per share (Rs.)	14	198	34.57	22.73

The Notes to the Financial Statements on pages 186 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

The Notes to the Financial Statements on pages 186 to 270 form an integral part of these Financial Statements.

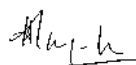
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



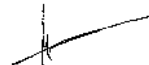
Ruwan Chandrajith
Chief Financial Officer

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.



J R Alastair Corera
Chairman



C M Nanayakkara
Managing Director/CEO

26 June 2024
Colombo

As at 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Assets				
Cash and cash equivalents	18	208	3,642,333	3,267,193
Derivative financial assets	19	208	-	925,656
Financial assets measured at fair value through profit or loss (FVTPL)	20	210	-	37,041
Loans and receivables to banks	21	210	8,013,219	1,166,430
Deposits with financial institutions	22	211	14,908,971	7,218,324
Loans and receivables to customers	23	211	85,963,874	76,476,889
Other investment securities	24	214	7,126,742	7,519,968
Investment property	25	218	535,000	535,000
Property, plant and equipment	26	219	3,402,042	3,382,065
Right-of-Use assets	27	224	880,741	782,533
Intangible assets	28	226	308,553	265,691
Goodwill on amalgamation	29	227	19,628	45,225
Retirement benefit asset	30	227	-	331,313
Other assets	31	230	3,976,882	3,212,383
Total assets			128,777,985	105,165,711
Liabilities				
Due to banks and financial institutions	32	230	27,849,165	16,610,517
Deposits from customers	33	231	73,258,779	62,875,226
Debt securities issued and subordinated debt	34	232	2,788,338	3,850,182
Lease liabilities	27	224	912,177	832,102
Current tax liabilities	35	233	1,289,562	1,053,990
Deferred tax liabilities	36	234	560,581	403,901
Retirement benefit obligation	30	227	66,419	-
Other liabilities	37	235	1,845,126	1,349,572
Total liabilities			108,570,147	86,975,490
Equity				
Stated capital	38	235	2,550,492	2,361,947
Reserves	39	237	5,806,374	4,531,003
Retained earnings	40	238	11,850,972	11,297,271
Total equity			20,207,838	18,190,221
Total liabilities and equity			128,777,985	105,165,711
Net assets value per share (Rs.)	41	238	285.22	260.40
Contingencies and commitments	42	239	6,012,503	4,680,123

STATEMENT OF CHANGES IN EQUITY

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FINANCIAL
REPORTS

	Note	Page No.	Reserves							Retained Earnings	Total Equity
			Stated Capital	Other Capital Reserve	Revaluation Reserve	Fair Value Reserve	Hedge Reserve	Statutory Reserve Fund	Regulatory Loss Allowance Reserve		
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Balance as at 1 April 2022			2,361,947	30,854	825,559	56,531	(145,759)	2,062,600	-	12,456,343	17,648,075
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022			-	-	-	-	-	-	-	(715,053)	(715,053)
Adjusted balance as at 1 April 2022			2,361,947	30,854	825,559	56,531	(145,759)	2,062,600	-	11,741,290	16,933,022
Total comprehensive income for the year 2022/23											
Profit for the year			-	-	-	-	-	-	-	1,626,883	1,626,883
Other comprehensive income for the year											
Fair value changes in hedge reserve			-	-	-	-	248,464	-	-	-	248,464
Less : change deferred tax on revaluation due to rate change			-	-	(64,153)	-	-	-	-	-	(64,153)
Financial investments at FVOCI - net change in fair value			-	-	-	(244,256)	-	-	-	(20,362)	(264,618)
Less : Deferred tax on Financial investment at FVOCI			-	-	-	73,418	-	-	-	-	73,418
Net actuarial gain/(loss) on defined benefit plan	30	227	-	-	-	-	-	-	-	(100,835)	(100,835)
Total comprehensive income for the year 2022/23			-	-	(64,153)	(170,838)	248,464	-	-	1,505,686	1,519,159
Transactions with equity holders of the Company											
Dividend to equity holders for the year - 2021/22			-	-	-	-	-	-	-	(261,960)	(261,960)
Transfers during the year	39	237	-	-	-	-	-	81,343	1,606,402	(1,687,745)	-
Total transactions with equity holders			-	-	-	-	-	81,343	1,606,402	(1,949,705)	(261,960)
Balance as at 31 March 2023			2,361,947	30,854	761,406	(114,307)	102,705	2,143,943	1,606,402	11,297,271	18,190,221
Balance as at 1 April 2023			2,361,947	30,854	761,406	(114,307)	102,705	2,143,943	1,606,402	11,297,271	18,190,221
Total comprehensive income for the year 2023/24											
Profit for the year			-	-	-	-	-	-	-	2,515,550	2,515,550
Other comprehensive income for the year											
Fair value changes in hedge reserve			-	-	-	-	(102,705)	-	-	-	(102,705)
Financial investments at FVOCI - net change in fair value			-	-	-	267,959	-	-	-	-	267,959
Less : Deferred tax on Financial investment at FVOCI			-	-	-	(73,418)	-	-	-	-	(73,418)
Net actuarial gain/(loss) on defined benefit plan	30	227	-	-	-	-	-	-	-	(405,732)	(405,732)
Total comprehensive income for the year 2023/24			-	-	-	194,541	(102,705)	-	-	2,109,818	2,201,654
Transactions with equity holders of the Company											
Exercise of share options			188,545	(23,302)	-	-	-	-	-	-	165,243
Dividend to equity holders for the year - 2022/23			-	-	-	-	-	-	-	(349,280)	(349,280)
Transfers during the year	39	237	-	-	-	(59,680)	-	503,110	763,407	(1,206,837)	-
Total transactions with equity holders			188,545	(23,302)	-	(59,680)	-	503,110	763,407	(1,556,117)	(184,037)
Balance as at 31 March 2024			2,550,492	7,552	761,406	20,554	-	2,647,053	2,369,809	11,850,972	20,207,838

The Notes to the Financial Statements on pages 186 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

In accordance with LKAS 7 – “Statement of Cash Flows”. The Statement of cash flows has been prepared using the “Direct Method”. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The cash and cash equivalents include cash in hand, balances with banks, money at call and money market funds.

For the year ended 31 March

	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Cash flow from operating activities				
Interest receipts			21,689,884	19,096,231
Commission receipts			279,653	295,316
Other income receipts			1,493,020	1,308,248
Interest payments			(13,974,773)	(11,124,434)
Fee and business promotion expenses			(448,807)	(402,460)
Employee related payments			(1,923,116)	(1,805,870)
Supplier payments			(2,394,100)	(5,237,444)
Financial expenses			(23,567)	(23,532)
Operating profit before changes in operating assets			4,698,194	2,106,055
(Increase)/Decrease in operating assets				
Investments in financial institutions			(14,537,436)	148,257
Investments in Government securities			51,137	108,437
Net funds advanced to customers			(9,727,763)	2,494,499
Changes in other short-term assets			(409,594)	384,550
Changes in inventories			(347,412)	(199,426)
Net (increase) / (Decrease) in operating assets			(24,971,068)	2,936,317
Increase/(Decrease) in operating liabilities				
Net borrowings			12,642,156	(7,786,192)
Net deposits from customers			11,231,555	9,205,843
Net (increase) / (Decrease) in operating liabilities			23,873,711	1,419,651
Net cash generated from operating activities			3,600,837	6,462,023
Contribution to plan asset	30	227	(25,000)	(30,000)
Income tax	13	197	(1,072,260)	(1,369,193)
Surcharge tax	13	197	-	(715,053)
			2,503,577	4,347,777

For the year ended 31 March			2024	2023
	Note	Page No.	Rs. '000	Rs. '000
Cash flow from investing activities				
Dividend receipts	9	192	49,363	35,774
Proceed from employee share options			154,117	-
Investment in other investment securities			393,226	(943,938)
Purchase of property, plant and equipment and intangible assets			(322,350)	(409,085)
Proceeds from sale of property, plant and equipment and investment property			16,444	-
Net cash from/(used in) investing activities			290,800	(1,317,249)
Cash flow from financing activities				
Dividend paid			(349,280)	(261,960)
Net change in debentures and subordinated debt			(1,539,696)	(1,994,079)
Net cash (outflows) from financing activities			(1,888,976)	(2,256,039)
Net increase in cash and cash equivalents			905,401	774,489
Cash and cash equivalents at the beginning of the year			2,543,572	1,769,083
Cash and cash equivalents at the end of the year			3,448,973	2,543,572
Cash and cash equivalents at the beginning of the year				
Cash at bank and cash in hand	18	208	3,267,193	2,023,974
Bank overdrafts	32	230	(723,621)	(254,891)
Cash and cash equivalents at the end of the year			2,543,572	1,769,083
Cash and cash equivalents at the end of the year				
Cash at bank and cash in hand	18	208	3,642,333	3,267,193
Bank overdrafts	32	230	(193,360)	(723,621)
Cash and cash equivalents at the end of the year			3,448,973	2,543,572

The Notes to the Financial Statements on pages 186 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

01 Reporting entity

1.1 Corporate information

Citizens Development Business Finance PLC (“CDB”) is a public limited liability company listed on the Main Board of the Colombo Stock Exchange, incorporated on 7 September 1995 (Domiciled) in Sri Lanka. The Registered Office is situated at No. 123, Orabipasha Mawatha, Colombo 10. The Company was re-registered under the new Companies Act No. 07 of 2007.

CDB is licensed by Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also registered under the Finance Leasing Act No. 56 of 2000 and Consumer Credit Act No. 29 of 1982.

CDB is an approved credit agency under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947. The staff strength of the Company as of 31 March 2024 -1,916 (2023 - 1,680).

1.2 Principal activities and nature of operation

Company provides a vast range of financial services which includes accepting term and savings deposits, leasing, hire purchase, loan facilities, gold loan, foreign exchange, foreign remittances, and issuance of international debit cards, credit cards, margin trading, Islamic finance products and other financial services.

02 Basis of preparation

2.1 Financial Statements

The Company does not have an identifiable parent/subsidiary of its own and accordingly the financial statements are only prepared for the Company.

2.2 Statement of compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes have been prepared in accordance with the 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. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto and provides appropriate disclosures required by the Listing Rules of the Colombo Stock Exchange.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges this responsibility as set out in the Report of the Directors under “Directors’ Responsibility for Financial Statements”.

Financial Statements include the following components:

- Information on the financial performance of the Company for the year under review.
- Information on the financial position of the Company as at the year end.
- Information showing all changes in shareholders’ equity during the year under review of the Company.
- Information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the Financial Statements including the accounting policies and other explanatory notes.

2.4 Approval of Financial Statements by Directors

The Company’s Financial Statements for the year ended 31 March 2024 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 26 June 2024.

2.5 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for the following material items:

Item	Basis of measurement	Note	Page
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	20	210
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	24	214
Equity investments measured at fair value through other comprehensive income (FVOCI)	Fair value	24	214
Freehold land	Fair value	26	219
	Fair value of plan assets less the present value of the defined benefit obligation	29	227
Retirement benefit obligation / asset			
Equity settled share based payment arrangements	Fair value on grant date	38	235

2.6 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

2.7 Presentation of Financial Statements

The assets and liabilities of the Company presented in its 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.

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 and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.8 Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 - "Presentation of Financial Statements".

2.9 Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

2.10 Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is 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.

2.11 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.12 Use of estimate and judgement

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below.

Assumptions and estimation uncertainties

(a) Going concern

The Directors have made an assessment of the Company'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 present macro-economic conditions, in making this assessment. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

(b) 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 inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The valuation of financial instruments are described in more detail in Note 19 on page 208. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

(c) Useful Life of property, plant and equipment

The Company reviews the residual values, useful life and method of depreciation for Property, Plant and Equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

(d) Impairment on cash-generating unit

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "value in use" of such individual assets or the cash-generating units. Estimating value in use requires Management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate which reflects the current market assessment of the rate of money and risk specific to the assets in order to calculate the present value of the relevant cash flows.

This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

(e) Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Significant Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Revaluation of property, plant and equipment

The Company measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Company engages independent professional valuer

to assess fair value of land. The key assumptions used to determine fair value is provided in Note 26.1 on page 222.

(g) Contingencies and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary of legal cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

Commitments of the Company are disclosed in Note 42 on page 239 and Litigations against the Company are disclosed in Note 44 on page 240.

(h) Provision for employee defined benefit obligation

The provision for defined benefits obligations and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rate etc. All the assumption are reviewed at each reporting date. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty.

(i) Expected Credit Losses (ECL) on financial assets

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determines whether the credit risk of a financial asset has increased significantly since initial

recognition. For this the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

(j) Expected Credit Losses (ECL) on other financial assets measured at amortised cost

The ECL applies to other financial assets measured at amortised cost as well. Company measures loss allowance at an amount equal to life time ECL, except those investments that are determined to have low credit risk at the reporting date. The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". The Company uses information from external credit agencies as inputs to the ECL calculation and adjust to reflect forward looking information and economic scenarios.

(k) Goodwill on Amalgamation

For the purpose of impairment, testing acquire was considered as a separate cash-generating unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

2.13 Surcharge Tax

The tax liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 13 on Income Taxes.

03 New accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

A. Classification of Liabilities as Current or Non-current – Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024. This classification had no impact on the Financial Statements of the Company.

B. Disclosures: Supplier Finance Arrangements – Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information

about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as

at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The Company does not expect this will result in a material impact on its Financial statements.

C. Leases – Lease liability in a sale and leaseback – amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The Company does not expect this will result in a material impact on its Financial statements.

D. International Tax Reform—Pillar Two Model Rule – Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The Company does not expect this will result in a material impact on its Financial statements.

04 General accounting policies

4.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other Operating Income" in the Statement of Profit or Loss. Monetary assets and liabilities denominated in foreign currencies at the

reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Unrealised gains and losses are dealt under "Other Operating Income" in the Statement of Profit or Loss.

05 Specific accounting policies

Set out below is an index of the specific accounting policies, the details of which are available on the pages that follow:

	Note	Page No.
Specific accounting policies – Income and expense		
1. Revenue	6	190
2. Net Interest Income	7	190
3. Fee and Commission Income	8	192
4. Other Operating Income	9	192
5. Impairment Charges and Other Credit Losses	10	193
6. Operating Expenses	11	194
7. Personnel Expenses	11.1	195
8. Premises, Equipment and Establishment Expenses	11.2	195
9. Other expenses	11.3	196
10. Taxes on Financial Services	12	196
11. Income Tax Expense	13	197
12. Earnings Per Share	14	198
13. Dividend Per Share	15	199
Specific accounting policies – Assets and liabilities		
14. Classification of Financial Assets and Liabilities	16	199
15. Fair Value Measurement of Financial Instruments	17	203
16. Cash and Cash Equivalents	18	208
17. Derivative Financial Instruments	19	208
18. Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	20	210
19. Loans and Receivables to Banks	21	210
20. Deposits with Financial Institutions	22	211
21. Loans and Receivables to Customers	23	211
22. Other Investment Securities	24	214
23. Investment Property	25	218

	Note	Page No.
24. Property, Plant and Equipment	26	219
25. Rights-of-use Assets	27	224
26. Intangible Assets	28	226
27. Goodwill on Amalgamation	29	227
28. Retirement Benefit Obligation / asset	30	227
29. Other Assets	31	230
30. Due to banks and financial institutions	32	230
31. Deposits from Customers	33	231
32. Debt Securities Issued and Subordinated Debt	34	232
33. Lease Liabilities	27	224
34. Current Tax Liabilities	35	233
35. Deferred Tax Liabilities	36	234
36. Other Liabilities	37	235
Specific accounting policies – Equity		
37. Stated Capital	38	235
38. Reserves	39	237
39. Retained Earnings	40	238
Specific accounting policies – Other		
40. Net Assets Value per share (Rs.)	41	238
41. Contingencies and Commitments	42	239
42. Related Party Disclosures	43	239
43. Litigation Against the Company	44	240
44. Events that Occurred after the Reporting Date	45	241
45. Segmental Analysis	46	241
46. Maturity Analysis	47	242
47. Comparative Information	48	245
48. Financial Risk Management	49	245

06 Revenue**ACCOUNTING POLICY**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

For the year ended 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Interest income	7.1	191	22,219,786	20,133,427
Fee and commission income	8	192	240,497	242,015
Other operating income	9	192	1,433,683	1,185,752
Revenue			23,893,966	21,561,194

07 Net interest income**ACCOUNTING POLICY**

Interest income and expense are recognised in Statement of Profit or Loss using the effective interest rate (EIR) method.

Effective Interest Rate (EIR)

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to: the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the 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, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For credit-impaired financial assets (Stage three) Interest income is calculated on the net carrying amount that is reduced for expected credit losses. For information on when financial assets are credit-impaired, see Note 10 on page 193.

Presentation

Interest income and expense presented in the statement of profit or loss include

- Interest on financial assets and financial liabilities measured at amortised cost
- Interest on financial assets measured at fair value

For the year ended 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Interest income	7.1	191	22,219,786	20,133,427
Less: Interest expense	7.2	191	(13,126,771)	(12,577,015)
Net interest income			9,093,015	7,556,412

7.1 Interest income

For the year ended 31 March			2024	2023
	Note	Page No.	Rs. '000	Rs. '000
Placements with financial institutions			1,096,909	892,693
Loans and receivables to banks			351,867	81,482
Loans and receivables to customers	7.1.1	191	19,610,641	18,249,957
Other financial investments	7.1.2	191	1,160,369	909,295
Total interest income			22,219,786	20,133,427

7.1.1 Interest on loans and receivables to customers

For the year ended 31 March			2024	2023
			Rs. '000	Rs. '000
Finance leases			11,703,458	10,058,440
Loans and advances and Stock out on hire			7,399,401	7,769,096
Ijara profit income			436,939	341,495
Murabaha profit income			70,843	80,926
Total interest income from loans and receivables to customers			19,610,641	18,249,957

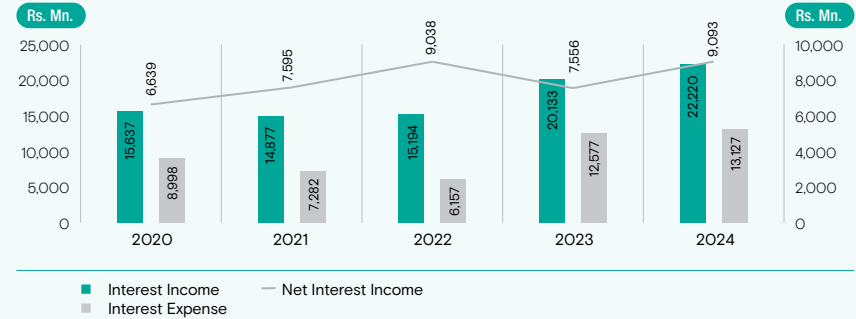
7.1.2 Interest on other financial investments

For the year ended 31 March			2024	2023
			Rs. '000	Rs. '000
Government Treasury Bond investments			106,615	174,732
Government Treasury Bill investments			899,899	729,620
Other investments			153,855	4,943
Total interest income from other financial investments			1,160,369	909,295

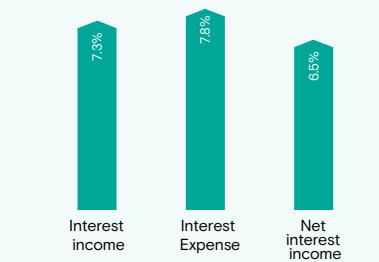
7.2 Interest expense

For the year ended 31 March			2024	2023
			Rs. '000	Rs. '000
Term deposits from customers			9,869,946	8,668,868
Savings deposits from customers			175,648	156,201
Mudharaba investments from customers			360,200	202,026
Debentures			274,243	575,945
Foreign borrowings			432,108	856,244
Other borrowings			2,014,626	2,117,731
Total interest expenses			13,126,771	12,577,015

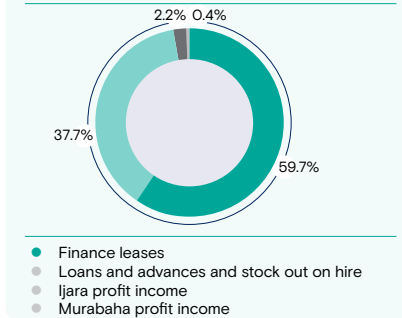
NET INTEREST INCOME



COMPOUND ANNUAL GROWTH RATE (5 YEAR)



INTEREST ON LOANS & RECEIVABLES TO CUSTOMERS

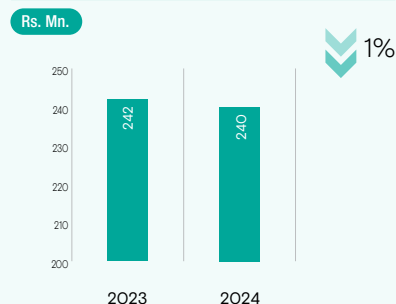
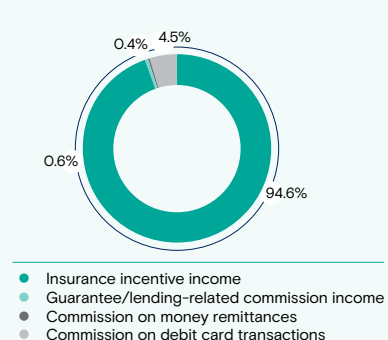


08 Fee and commission income**ACCOUNTING POLICY**

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed.

A contract with a customer that results in a recognition of a financial instrument in the Company's Financial Statements may be partially in the scope of SLFRS 9 and SLFRS 15. If this is the case the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Insurance incentive income	227,485	234,433
Guarantee/lending-related commission income	1,406	576
Commission on money remittances	897	657
Commission on debit card transactions	10,709	6,349
Total fee and commission income	240,497	242,015
Less: Fee and commission expense	-	-
Fee and commission income	240,497	242,015

FEE AND COMMISSION INCOME**FEE AND COMMISSION INCOME****09 Other operating income****ACCOUNTING POLICY**

Profit/loss from sale of fixed assets is recognised in the period in which the sale occurs and is classified as other income/expense.

Income from early settlement of lending contracts and other income is recognised once the contract is derecognised due to closure.

Dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Company's right to receive the dividend is established.

Foreign exchange gain/loss includes gain and losses from foreign transactions and fair value changes in the derivative contracts and gains/losses of settlement and translation of monetary items.

For the year ended 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Dividend income from quoted equity investments			49,363	35,774
Other net income from trading portfolio	9.1	192	12,590	(3,207)
Profit on sale of fixed assets			16,236	18,661
Other income			412,539	765,084
Income from credit cards			199,894	169,733
Income from early settlement of lending facilities			836,832	373,432
Foreign exchange income / (loss)	9.2	193	(93,771)	(173,725)
Total other operating income			1,433,683	1,185,752

9.1 Other net income from trading portfolio

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Trading income – Treasury Bonds	(1,506)	6,335
Mark to market adjustment		
Treasury Bonds	14,096	(9,542)
Total net income from trading portfolio	12,590	(3,207)

9.2 Foreign exchange gain/(loss)

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Foreign exchange gain/(loss) on transactions*	(6,350)	(141,875)
Exchange gain/loss on foreign borrowings	(87,421)	(31,850)
Total foreign exchange gain/(loss)	(93,771)	(173,725)

* Foreign exchange gain/loss on transaction represent exchange differences arising from settlement of monetary items and retranslation of foreign currency denominated monetary items.

10 Impairment charges and other credit losses

ACCOUNTING POLICY

The Company recognises loss allowances for ECL on loans and receivables, other financial assets measured at amortised cost and debt investments at FVOCI.

Accordingly this note covers expected loss and impairment allowances for

- Loans and receivables to customers
- Other financial assets measured at amortised cost
- Other non-financial assets

No impairment loss is recognised on investments in equity instruments classified under FVTPL.

Loans and receivables to customers

The Company measures loss allowances using both lifetime ECL and 12 months ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. (2023 – 60 days past due)

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due (2023 – 120 days past due).

12 months ECL are the portion of ECL that result from default events that are possible

within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

As per the direction issued by Central Bank of Sri Lanka on 14 February 2020 and 7 July 2021 in classifying for special mention category LFCs shall adopt 120 past due date with effect from 1 April 2022 for 12 months and required to adopt 90 past due date for classification with effect from 1 April 2023.

Measurement of ECLs

ECL are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECL are discounted at the effective interest rate of the respective financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due (2023 – 120 days past due);
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Other financial assets measured at amortised cost and debt investments at FVOCI

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". This policy is applicable to loans and receivables to banks, deposits with licensed commercial banks and other investment securities measured at amortised cost as well.

Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

For the year ended 31 March		Page	2024	2023
	Note	No.	Rs. '000	Rs. '000
Expected credit losses (ECL) loans and receivables to customers				
Finance leases receivables			(377,068)	299,597
Hiring contracts			(2,110)	6,491
Loans and advances			395,918	(109,730)
Total Impairment charges on loans and receivables to customers			16,740	196,358
Other financial assets measured at amortised cost			-	138,082
Net deficit from disposal of leased assets			698,579	215,299
Impairment of Goodwill	29	227	25,597	111,264
Impairment of investment Property			-	150,115
Total impairment charges on assets			740,916	811,118

Refer Note 23.2 for more details on allowance for impairment and other credit losses.

Refer Note 49.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

11 Operating expenses

ACCOUNTING POLICY

All the expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged in arriving at the profit for the year.

For the year ended 31 March		Page	2024	2023
	Note	No.	Rs. '000	Rs. '000
Personnel expenses	11.1	195	1,940,116	1,806,530
Premises, equipment and establishment expenses	11.2	195	2,901,290	2,733,087
Other expenses	11.3	196	585,573	533,906
Total operating expense			5,426,979	5,073,523

11.1 Personnel expenses

ACCOUNTING POLICY

Personnel expenses includes salaries and bonus, terminal benefit expenses and other employee related expenses.

Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

The provision for bonus is recognised when 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 on the amount of the obligation.

Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 – “Employee Benefits” and valuation of the defined benefit obligation is carried out by a qualified actuary. The key assumptions used in determining the defined benefit obligations are given in Note 30 on page 227. Actuarial gains or losses are recognised in the Other Comprehensive Income in the period in which they arise. The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. When the benefits of a plan are changed, the portion of the changed benefit relating to past service by employees is recognised in the Statement of Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Statement of Profit or Loss.

Gratuity payments are being made by the Company according to the Payment of Gratuity Act No. 12 of 1983. As per the present policy of the Company the employees are entitled to payment of gratuity as follows:

5-10 years Service	-	½ month basic salary for each year of service
10-15 years Service	-	1 month basic salary for each year of service
15-20 years Service	-	1 ½ months basic salary for each year of service
Over 20 years Service	-	2 months basic salary for each year of service

Defined contribution plan Employees’ Provident Fund:

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employees’ Provident Fund.

Employees’ Trust Fund:

The Company contributes 3% of the salary of each employee to the Employees’ Trust Fund.

Share based payment plans

Board of directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,453 ordinary voting shares for the period commencing from 1 September 2021. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

Shares under the scheme will be offered to the qualified employees at a volume weighted average price of all share transactions during the thirty market days immediately preceding the grant date and the Company has used Binominal Option Pricing Model to value the share options as at 1 September 2021 under the requirements of SLFRS 2 – “Share Based Payments”.

Accordingly, the Company has recognized an employee cost of Rs. 11 Mn arising from the above in financial statements as at 31 March 2024.

Accounting policy on share based payments plan is disclosed in the note 38.1 to these financial statements.

Personnel expenses includes the following significant items:

For the year ended 31 March		Page	2024	2023
	Note	No.	Rs. '000	Rs. '000
Salary and bonus			1,405,374	1,366,662
Employees’ defined benefit plan service expenses	30	227	17,001	5,659
Contribution to employees’ provident fund and trust fund			166,099	157,212
Directors’ and senior management emoluments	43	239	429,926	432,031

11.2 Premises, equipment and establishment expenses

ACCOUNTING POLICY

Depreciation of property, plant and equipment

The Company 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 Company of the different types of assets, except for

which are disclosed separately. Depreciation is determined separately for each significant component of an item of Property, Plant and Equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. 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 assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings	-	2.5%
Motor vehicles	-	20%
Computer equipment	-	20%
Office equipment	-	20%
Furniture and fittings	-	20%

Depreciation is not provided for freehold lands.

Amortisation of intangible assets

Intangible assets 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 Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Changes in estimates

Useful lives and residual values of the assets are reassessed at each reporting date and adjust if appropriate. During the year Company conducted an operational review and no estimates were revised.

Premises, equipment and establishment expenses includes the following significant items:

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Depreciation and amortisation	432,046	433,846
Contribution to deposit insurance scheme of CBSL	98,876	83,896
Legal expense and professional charges	57,269	113,749
Auditor's remuneration		
Audit fees and expenses	7,700	6,455
Audit-related fees and expenses	1,375	1,703
Non-audit services	850	996

11.3 Other expenses

Other expenses includes the following significant items:

For the year ended 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Advertising and communication			311,627	297,701
Activities on corporate social responsibility			67,309	37,396
Interest cost for lease liabilities	272	225	121,891	107,913

12 Taxes on financial services

GRI 207 - 1, 2, 3

ACCOUNTING POLICY

Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services, Social Security Contribution Levy (SSCL) on supply of financial services and Income Tax adjusted for economic depreciation and emoluments to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services rates applied for the current financial year is 18% with effect from 01.01.2022.

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services on the liable turnover specified in the Part II of the Social Security Contribution Levy Act No.25 of 2022 at the rate of 2.5%, with effect from 01st of October 2022. SSCL is payable on 100% of the value addition attributable to the financial services.

The Value addition attributable to financial services shall be computed for the purpose of payment of the SSCL is based on the attributable method referred under Chapter III A of the VAT Act No.14 of 2002.

Crop Insurance Levy (CIL)

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

longer probable that the related tax benefit will be realised. 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 intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

For the year ended 31 March			2024	2023
	Note	Page No.	Rs. '000	Rs. '000
Current income tax expense	13.2	197	1,107,372	1,185,035
Changes in provision estimates of prior periods	35.1	234	-	(100,756)
Deferred tax expense	36.2	235	83,262	(216,943)
Income tax charge for the year			1,190,634	867,336

13.1 Tax provisions based on Inland Revenue Act No. 24 of 2017 and amendment thereto

The Company computed the income tax liability for the first six month of the year of assessment 2022/23 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the Company from second six month of the year of assessment 2022/23 onward.

13.2 Reconciliation between income tax expenses and the accounting profit

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rate is given below:

For the year ended 31 March			2024	2023
	Note		Rs. '000	Rs. '000
Accounting profit before tax			3,706,185	2,494,219
Tax expenses as per accounting profit			1,111,857	673,479
Tax expenses for the year (dividend at applicable tax rate)			-	768
Adjustments				
Tax effect of capital portion of lease rentals			106,225	206,826
Income from non-taxable sources			(124,077)	(14,039)
Tax effect of disallowed expenses			512,183	586,271
Tax effect of deductible expenses and tax losses			(498,816)	(268,270)
Tax on business profit (Based on taxable profit)			1,107,372	1,185,035
Prior period under/(over) provision	35.1		-	(100,756)
Deferred tax expenses	36.2		83,262	(216,943)
Income tax expense			1,190,634	867,336

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Value added tax on financial services (VAT)	797,616	546,361
Crop insurance levy (CIL)	15,000	16,494
Social Security Contribution levy (SSCL)	80,500	42,464
Total taxes on financial services	893,116	605,319

13 Income tax expense

GRI 207 - 1, 2, 3

ACCOUNTING POLICY

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous years.

The Company has determined that interest and penalties related to income taxes including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted them under LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date.

The initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Temporary differences in relation to the right-of-use assets and lease liability for a specific lease are regarded as a net package (rights-of-use assets) for the purpose of recording differed taxes.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no

13.3 Summary of the taxes paid during the year

We have paid following direct and indirect taxes to the Government of Sri Lanka during the financial year:

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Direct taxes		
Value added tax on financial services	670,445	698,603
Crop insurance levy	15,526	18,920
Surcharge tax	-	715,053
Social security contribution levy	65,417	33,521
Income tax	1,072,260	1,369,193
Indirect taxes (Collected and paid)		
Value added tax	43,944	32,000
AIT/WHT	671,606	88,290
Stamp duty	250,069	136,467
PAYE tax	152,958	86,987
Total taxes paid during the financial year	2,942,225	3,179,034

During the current financial year, CDB has settled, the tax assessment on VAT on Financial services for the year of assessment 2018/2019 amounting to Rs. 124,905,769/- .

13.4 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 April 2022, the Company is liable for the surcharge tax of Rs. 715 Mn. out of the taxable income pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022. Surcharge tax was applicable for only to the financial year 2022/23.

14 Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

Diluted EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

For the year ended 31 March	2024	2023
Amount used as numerator:		
Net profit attributable to equity holders (Rs.)	2,515,550,370	1,626,883,572
Amount used as denominator:		
Weighted average number of ordinary shares*	69,971,539	69,856,043
Basic earnings per ordinary share (Rs.)	35.95	23.29

*994,379 Ordinary shares were listed during the period ended 31 March 2024, consequent to the exercising of options under employee share option schemes.

Diluted earnings per share

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

For the year ended 31 March	2024	2023
Amount used as numerator:		
Net profit attributable to equity holders (Rs.)	2,515,550,370	1,626,883,572
Amount used as denominator:		
Average weighted average number of ordinary shares	72,765,202	71,576,221
Diluted earnings per ordinary share (Rs.)	34.57	22.73

15 Dividend Per Share (DPS)

ACCOUNTING POLICY

Provision for dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

Dividend payments during the year

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Final dividends for the year 2021/22	-	261,960
Final dividends for the year 2022/23	349,280	-
Dividend paid during the year	349,280	261,960

For the year ended 31 March	2024	2023
	Gross dividend per share (Rs.)	7.00*
Dividend payout ratio (%)	19.47	21.47

* The Board has proposed a first and final cash dividend of Rs. 7.00 per share for its voting and non-voting shares for the year ended 31 March 2024, subject to the approval of the shareholders at the AGM.

In accordance with the provisions of LKAS 10 – “Events after the reporting period” this proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31 March 2024.

16 Classification of financial assets and financial liabilities

ACCOUNTING POLICY

i. Recognition and initial measurement

The Company initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item at FVTPL, transaction costs that are directly attributable to its acquisition or issue charge to Profit or Loss.

Subsequent measurement of financial assets depends on their classification.

ii. Classification

Financial assets

SLFRS 9 – “Financial Instruments” contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – “Financial Instruments” is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under SLFRS 9 – “Financial Instruments”, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated –
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI Test)

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments

Investments in equity instruments are always measured at fair value. Equity instruments are those that meet the definition of "equity" from the perspective of the issuer as defined in LKAS 32 – "Financial instrument: Presentation". For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity.

- All the equity instrument for which the irrecoverable option is not made should be measured at fair value through profit or loss.

Other

All other financial assets are classified as financial assets measured at FVTPL.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. An entity shall not reclassify any financial liability.

iv. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 April 2017 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

v. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Classification of financial assets and liabilities

As at 31 March 2024			Classification of financial assets			Classification of financial liabilities		
	Note	Page No.	Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	Total Rs. '000
Assets								
Cash and cash equivalents	18	208	-	-	3,642,333	-	-	3,642,333
Loans and receivables to banks	21	210	-	-	8,013,219	-	-	8,013,219
Deposits with financial institutions	22	211	-	-	14,908,971	-	-	14,908,971
Loans and receivables to customers	23	211	-	-	85,963,874	-	-	85,963,874
Other investment securities	24	214	-	1,956,857	5,169,885	-	-	7,126,742
Total financial assets			-	1,956,857	117,698,282	-	-	119,655,139
Other non-financial assets			-	-	-	-	-	9,122,846
Total assets			-	1,956,857	117,698,282	-	-	128,777,985
Liabilities								
Due to banks and financial institutions	32	230	-	-	-	-	27,849,165	27,849,165
Deposits from customers	33	231	-	-	-	-	73,258,779	73,258,779
Debt securities issued and subordinated debt	34	232	-	-	-	-	2,788,338	2,788,338
Lease liabilities	27	224	-	-	-	-	912,177	912,177
Total financial liabilities			-	-	-	-	104,808,459	104,808,459
Other non-financial liabilities			-	-	-	-	-	3,761,688
Total liabilities			-	-	-	-	104,808,459	108,570,147

As at 31 March 2023

	Note	Page No.	Classification of financial assets			Classification of financial liabilities		Total Rs. '000
			Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	
Assets								
Cash and cash equivalents	18	208	-	-	3,267,193	-	-	3,267,193
Derivative financial assets	19	208	925,656	-	-	-	-	925,656
Financial assets measured at FVTPL	20	210	37,041	-	-	-	-	37,041
Loans and receivables to banks	21	210	-	-	1,166,430	-	-	1,166,430
Deposits with financial institutions	22	211	-	-	7,218,324	-	-	7,218,324
Loans and receivables to customers	23	211	-	-	76,476,889	-	-	76,476,889
Other investment securities	24	214	-	2,907,255	4,612,713	-	-	7,519,968
Total financial assets			962,697	2,907,255	92,741,549	-	-	96,611,501
Other non-financial assets			-	-	-	-	-	8,554,210
Total assets			962,697	2,907,255	92,741,549	-	-	105,165,711
Liabilities								
Due to banks and financial institutions	32	230	-	-	-	-	16,610,517	16,610,517
Deposits from customers	33	231	-	-	-	-	62,875,226	62,875,226
Debt securities issued and subordinated debt	34	232	-	-	-	-	3,850,182	3,850,182
Lease liabilities	27	224	-	-	-	-	832,102	832,102
Total financial liabilities			-	-	-	-	84,168,027	84,168,027
Other non-financial liabilities			-	-	-	-	-	2,807,463
Total liabilities			-	-	-	-	84,168,027	86,975,490

17 Fair value measurement of financial instruments

ACCOUNTING POLICY

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the assets 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 Company 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 financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company 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 nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at a fair value, adjusted to defer the deferral 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 no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Accounting estimates

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 inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

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17.a Valuation models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

The Company's methodology for valuing asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the "waterfall" applicable to the security and discounted at a risk-adjusted rate.

The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

17.b Valuation control framework

The Company has established a control framework with respect to the measurement of fair value which is independent from the Treasury Division and followings are the some specific controls exists:

- verification of observable pricing;
- re performance of model valuations;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value of measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price is an active market for an identical instrument;
- when prices of similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Any significant valuation issues are reported to the Board Audit Committee.

17.c Valuation summary

As at 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Assets disclosed at fair value –				
Fair value hierarchy	17.d	205	4,141,107	6,054,203
Assets not disclosed at fair value –				
Fair value hierarchy	17.f	206	124,636,878	99,111,508
Total assets			128,777,985	105,165,711
Liabilities disclosed at fair value –				
Fair value hierarchy	17.d	205	-	-
Liabilities not disclosed at fair value –				
Fair value hierarchy	17.f	206	108,570,147	86,975,490
Total liabilities			108,570,147	86,975,490

17.d Financial instruments disclosed at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 March	Note	2024				2023			
		Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets									
Derivative financial assets	19	-	-	-	-	-	925,656	-	925,656
Financial assets measured at FVTPL	20								
– Government securities – Treasury Bonds		-	-	-	-	37,041	-	-	37,041
Other investment securities measured at FVOCI	24								
– Equity instruments – Quoted shares		1,956,733	-	-	1,956,733	1,874,445	-	-	1,874,445
– Equity Instruments – Unquoted Shares **		-	-	124	124	-	-	124	124
– Debt instruments – Treasury Bonds		-	-	-	-	1,032,686	-	-	1,032,686
Total financial assets disclosed at fair value		1,956,733	-	124	1,956,857	2,944,172	925,656	124	3,869,952
Other non-financial assets									
Property, plant and equipment – Freehold land	26	-	-	2,184,250	2,184,250	-	-	2,184,250	2,184,250
Total non-financial assets at fair value		-	-	2,184,250	2,184,250	-	-	2,184,250	2,184,250
Total assets at fair value		1,956,733	-	2,184,374	4,141,107	2,944,172	925,656	2,184,374	6,054,202

17.e Level 3 fair value measurements**17.e.i Reconciliation**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Property, plant and equipment – freehold land	Rs. '000
Balance as at 1 April 2022	2,184,250
Purchases/Additions	-
Disposals during the year	-
Revaluation surplus	-
Balance as at 31 March 2023	2,184,250
Balance as at 1 April 2023	2,184,250
Purchases/Additions	-
Disposals during the year	-
Revaluation surplus	-
Balance as at 31 March 2024	2,184,250

17.e.ii Unobservable inputs used in measuring fair value

Refer Note 26.1 on page 222 for information about significant unobservable inputs used in 31 March 2024 to measure the fair value of freehold lands categorised under Level 3 in the fair value hierarchy.

17.e.iii The effect of unobservable inputs on fair value measurement

Table below shows the effect of changes in assumptions used above for fair value determination:

	Effect on total comprehensive income	
	Favourable 1% Increase in fair value Rs. '000	Unfavourable 1% Decrease in fair value Rs. '000
2024	19,569	(19,569)
2023	21,843	(21,843)

17.e.iv Recurring and non-recurring basis valuation

The Company is using recurring basis valuation for assets categorised under Level 3 and details relating to fair valuation is given in Note 26.1 on page 222.

17.f Assets and liabilities not disclosed at fair value – Fair value hierarchy

The following table sets out the fair values of financial instruments not measured at fair value and analysed them by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values in the table below are stated as at 31 March and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

As at 31 March 2024	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets							
Cash and cash equivalents	18	208	3,642,333	-	-	3,642,333	3,642,333
Loans and receivables to banks	21	210	-	8,013,219	-	8,013,219	7,993,091
Deposits with financial institutions	22	211	-	14,908,971	-	14,908,971	14,916,306
Loans and receivables to customers	23	211	-	85,963,874	-	85,963,874	78,082,672
Other investment securities	24	214					
- Treasury Bills			5,028,838	-	-	5,028,838	5,083,233
- Unit trusts			-	141,047	-	141,047	141,047
Other assets			-	-	6,938,596	6,938,596	6,938,596
Total assets not disclosed at fair value			7,425,970	109,027,111	6,938,596	124,636,878	116,797,278
Liabilities							
Due to banks and financial institutions	32	230	-	28,327,017	-	28,327,017	28,343,719
Deposits from customers	33	231	-	73,258,779	-	73,258,779	72,003,902
Debt securities issued & Subordinated Debt	34	232	-	2,310,486	-	2,310,486	2,310,486
Lease liabilities	27	234	-	912,177	-	912,177	912,177
Other liabilities			-	-	3,761,688	3,761,688	3,761,688
Total liabilities not disclosed at fair value			-	84,168,027	3,761,688	108,570,147	107,331,972

As at 31 March 2023

	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets							
Cash and cash equivalents	18	208	3,267,193	-	-	3,267,193	3,267,193
Loans and receivables to banks	21	210	-	1,166,430	-	1,166,430	1,166,430
Deposits with financial institutions	22	211	-	7,218,324	-	7,218,324	7,102,268
Loans and receivables to customers	23	211	-	76,476,889	-	76,476,889	69,394,275
Other investment securities	24	214					
- Treasury Bills			4,158,777	-	-	4,158,777	4,140,678
- Unit trusts			-	454,060	-	454,060	454,060
Other assets			-	-	6,369,835	6,369,835	6,369,835
Total assets not disclosed at fair value			7,425,970	85,315,703	6,369,835	99,111,508	91,894,739
Liabilities							
Due to banks and financial institutions	32	230	-	16,610,517	-	16,610,517	16,610,517
Deposits from customers	33	231	-	62,875,226	-	62,875,226	62,793,143
Debt securities issued and Subordinated Debt	34	232	-	3,850,182	-	3,850,182	3,850,182
Lease liabilities	27	224	-	832,102	-	832,102	832,102
Other liabilities			-	-	2,807,463	2,807,463	2,807,463
Total liabilities not disclosed at fair value			-	84,168,027	2,807,463	86,975,490	86,893,407

17.f.i Methodology

The fair value calculated in this section are only for disclosure purposes and do not have any impact on the Company's reported financial position and performance. The following section consist with the methodologies and assumptions used in determining fair value for financial instruments not disclosed at fair value in the face of Financial Statements:

Asset/Liability	Methodology and assumptions
Cash and cash equivalents	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Loans and receivables to banks	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Deposits with financial institutions	The fair value of deposits with banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Loans and receivables to customers	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates and default probability.
Investment securities at amortised cost	The fair value of investment securities at amortised cost is estimated by applying the active market prices for similar or identical instruments. Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Investment property	Fair value has been determined by using market comparable method which considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location condition of specific property.
Due to banks and financial institutions	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Deposits from customers	The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Debt securities issued and subordinated debt	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

18 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

Bank overdraft that is repayable on demand and forms an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Local currency in hand	1,225,360	966,981
Foreign currency in hand	173,449	114,309
Demand/savings deposit balances with Banks	2,243,524	2,185,903
Total cash and cash equivalents	3,642,333	3,267,193

Maturity analysis of cash and cash equivalents is given in Note 47 on page 242.

19 Derivative financial instruments

ACCOUNTING POLICY

Derivative contract is a financial instrument or other contract with all three of the following characteristics.

- 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 in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called 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 that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume or other units specified in the contract. However, a derivative instrument does not require the holder or writer to invest or receive the notional amount at the inception of the contract. Alternatively, a derivative could require a fixed payment or payment of an amount that can change (but not proportionally with a

change in the underlying) as a result of some future event that is unrelated to a notional amount.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

Derivative financial instruments are classified as fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing it in the near term.

Derivative financial instruments are subject to hedge accounting if those instruments are satisfying the hedge effectiveness criteria.

Hedge Accounting

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

Currently, the Company has only cash flow hedging relationships. The Company normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affected profit or loss, and in the same line item in the Statement of Profit or Loss and Other Comprehensive Income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is notated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Company immediately reclassifies the amount in the hedging reserve from

OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Company reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

The Company's Risk Management Division closely monitors the hedging activities that are been carried out by the Treasury Front Office for their compliance and effectiveness, as a Risk Management Strategy. The Company enters into hedging transactions for exposures that pose a material risk to the Company's financial health or threaten the strategic decisions. These hedging transactions are entered within the Bank's approved limits such as Per Transaction Limits Counter Party Limits, Currency Exposure Limits and Gap Limits, and always study the Market Outlook prior to entering into such transactions.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Forward exchange contracts – Financial Assets	-	925,656

Maturity analysis of derivative financial instruments is given in Note 47 on page 242.

Company has entered into forward contracts to cover the exchange rate risk exposed from the foreign borrowings obtained from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) as at 31 March 2022 and these are designated as Cash Flow Hedges. During the year these borrowings were fully settled.

		As at 31st March 2023	
	Line item in the statement of financial position	Carrying Amount (Rs.000)	Amount Set off/ charged in the income statement (Rs. 000)
Hedging Instrument			
Hedge of foreign exchange risk arising from foreign currency denominated long term liabilities using currency SWAP			
	Derivative Financial Asset	925,656	(795,536)
Hedge Item			
Foreign currency borrowings			
	Due to banks and financial institutions (Note: 32.2)	2,098,685	795,536
Impact on Income statement			
Amortization of hedge reserve			27,416

20 Financial assets measured at Fair Value through Profit or Loss (FVTPL)**ACCOUNTING POLICY**

Financial assets measured at FVTPL are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Recognition

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charge to profit or loss.

Measurement

Financial assets measured at FVTPL are subsequently recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss.

Interest income are recorded in "Interest income" net gains/(losses) from trading recorded in the income statement.

Classification of financial asset are given in Note 16 on page 199.

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Government securities	20.1	210	-	37,041
Total financial assets measured at FVTPL			-	37,041

20.1 Government Securities

As at 31 March	2024 Rs. '000	2023 Rs. '000
Amortised cost	-	46,583
Gain/(Loss) from mark to market valuation	-	(9,542)
Fair value	-	37,041

* Government securities include treasury bonds.

Maturity analysis of financial assets measured at FVTPL is given in Note 47 on page 242.

21 Loans and receivables to banks**ACCOUNTING POLICY**

Company classifies non-derivative financial assets with fixed or determinable payments that are not quoted in an active market under loans and receivables to banks. Accordingly, Loans and receivables to banks comprise repurchase agreements with banks.

Recognition

Loans and receivables to banks are measured initially at fair value plus transaction costs.

Measurement

Loans and receivables to banks are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 16 on page 199.

As at 31 March	2024 Rs. '000	2023 Rs. '000
Securities purchased under resale agreements	8,013,219	1,166,430
Net loans and receivables to banks	8,013,219	1,166,430

No expected credit losses (ECL) were recognised for repurchased agreements on Government securities since those are rated as risk free investments.

Maturity analysis of loans and receivables to banks is given in Note 47 on page 242.

22 Deposits with financial institutions

ACCOUNTING POLICY

Deposits with financial institutions comprises the fixed deposits with licensed commercial banks and other financial institutions.

Recognition

Deposits with financial institutions are measured initially at fair value plus transaction costs.

Measurement

Deposits with licensed financial institutions subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 16 on page 199.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Term deposits with financial institutions	14,937,730	7,247,083
Less: Allowance for expected credit losses	(28,759)	(28,759)
Total deposits with financial institutions	14,908,971	7,218,324

Maturity analysis of deposits with financial institutions is given in Note 47 on page 242.

23 Loans and receivables to customers

ACCOUNTING POLICY

Amount receivable under finance lease, hire purchase and loans net of prepaid rentals, unearned lease income and allowance for expected credit losses are presented in the loans and receivable to customers.

Recognition

Loans and receivables to customers are measured initially at fair value plus transaction costs.

Measurement

After initial recognition loans and receivables from customers are subsequently measured at amortised cost using the effective interest rate less loss allowance based on expected credit losses. Amortised cost is calculated by taking into account any fee and cost that are integral part of EIR. The amortisation is included in interest income in the Statement of Profit or Loss.

Expected credit losses

Refer Note 10 for impairment policy based on Expected Credit Losses (ECL).

Classification of financial assets are given in Note 16 on page 199.

As at 31 March	Page No.	2024	2023
	Note	Rs. '000	Rs. '000
Gross loans and receivables to customers		90,909,929	81,406,204
Less: Allowance for impairment and other credit losses	23.2	(4,946,055)	(4,929,315)
Net loans and receivables to customers	23.1	85,963,874	76,476,889

Maturity analysis of loans and receivables from customers is given in Note 47 on page 242 and pre terminations may cause actual maturities differ from contractual maturities.

23.1 Analysis

Product-wise analysis

As at 31 March	Page No.	2024	2023
	Note	Rs. '000	Rs. '000
Loans and advances to customers	23.1.1	33,720,741	29,559,366
Finance lease receivables	23.1.2	57,117,651	51,772,443
Hiring contracts	23.1.3	71,537	74,395
Gross loans and receivables to customers		90,909,929	81,406,204
Less: Allowance for impairment and other credit losses	23.2	(4,946,055)	(4,929,315)
Net loans and advances to customers		85,963,874	76,476,889

Further analysis on loans and receivables to customers is given in Note 49 on page 242 (Financial Risk Management).

PRODUCT-WISE ANALYSIS OF
LOAN PORTFOLIOCOMPOUND ANNUAL GROWTH
RATE (5 YEAR)

23.1.1 Loans and advances to customers

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Short-term loans			2,235,774	2,112,020
Term and vehicle loans			12,934,041	9,830,646
Staff loans			528,083	539,040
Gold-related lending			16,486,801	15,789,950
Credit card			1,536,042	1,287,710
Gross loans and advances to customers			33,720,741	29,559,366
Less: Allowance for impairment and other credit losses	23.2	212	(1,164,893)	(768,975)
Net loans and advances to customers			32,555,848	28,790,391

23.1.2 Finance lease receivable

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Gross investment in finance leases				
Receivable within one year			27,946,364	24,952,060
Receivable after one year before five years			47,945,935	44,889,882
Receivable after five years			372,043	936,159
Total finance lease receivables			76,264,342	70,778,101
Unearned finance income			(19,146,691)	(19,005,658)
Gross finance lease receivables			57,117,651	51,772,443
Less: Allowance for impairment and other credit losses	23.2	212	(3,755,465)	(4,132,533)
Net finance lease receivables			53,362,186	47,639,910

23.1.3 Hiring contracts

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Gross investment in hiring contracts			71,537	74,395
Less: Allowance for impairment and other credit losses	23.2	212	(25,697)	(27,807)
Net investment in hiring contracts			45,840	46,588

23.2 Allowance for impairment and other credit losses

Provision for Expected Credit Losses (ECL) as per SLFRS 9 – “Financial instruments”

As at 31 March	2024			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	768,975	4,132,533	27,807	4,929,315
Charge/(Reversal) for the year	395,918	(377,068)	(2,110)	16,740
Balance as at the end of the year	1,164,893	3,755,465	25,697	4,946,055

As at 31 March	2023			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	878,705	3,832,936	21,316	4,732,957
Charge/(Reversal) for the year	(109,730)	299,597	6,491	196,358
Balance as at the end of the year	768,975	4,132,533	27,807	4,929,315

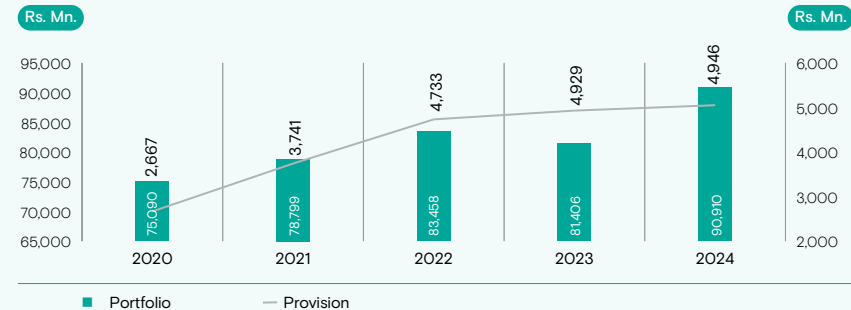
Refer Note 49.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

As at 31 March	2024			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	1,149,296	893,185	2,886,834	4,929,315
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(311,908)	192,888	119,020	-
Transferred from lifetime ECL not credit-impaired	169,449	(428,523)	259,074	-
Transferred from lifetime ECL credit-impaired	95,305	68,398	(163,703)	-
Net remeasurement of loss allowance	67,646	(118,001)	67,095	16,740
Balance as at the end of the year	1,169,788	607,947	3,168,320	4,946,055

As at 31 March	2023			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	1,335,031	702,089	2,695,837	4,732,957
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(334,679)	202,289	132,390	-
Transferred from lifetime ECL not credit-impaired	203,678	(511,102)	307,424	-
Transferred from lifetime ECL credit-impaired	19,351	12,614	(31,965)	-
Net remeasurement of loss allowance	(74,085)	487,295	(216,852)	196,358
Balance as at the end of the year	1,149,296	893,185	2,886,834	4,929,315

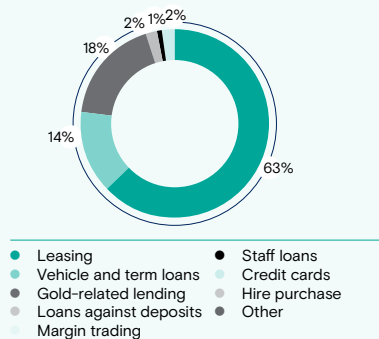
23. 3 Allowance for impairment against loan portfolio

ALLOWANCE FOR IMPAIRMENT AGAINST LOAN PORTFOLIO

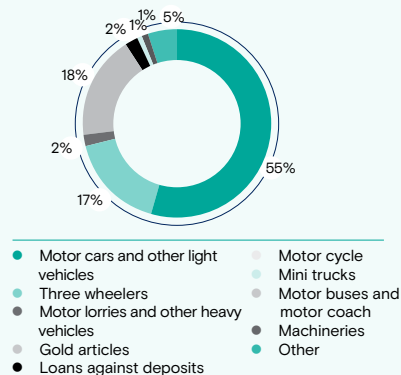


23.4 Analysis of loans and receivables to customers

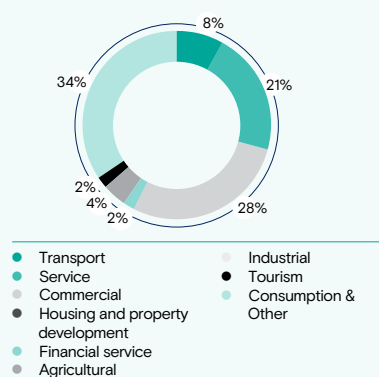
PRODUCT CONCENTRATION



ASSET CONCENTRATION



SECTOR CONCENTRATION



24 Other investment securities

ACCOUNTING POLICY

Other Investment securities comprise with debt investments measured at amortised cost and equity investments measured at FVOCI.

Recognition

Debt investment securities measured at amortised cost

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs.

Debt investment securities measured at FVOCI

Debt investments measured at FVOCI are initially measured at fair value plus incremental direct transaction costs.

Measurement

Debt investments measured at amortised cost

Debt investments subsequently measured at their amortised cost using the effective interest method.

The Company recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 2.12 for further details on ECL policy.

Debt investments measured at FVOCI

For debt investments measured at FVOCI, gains and losses are recognised in OCI except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest income using the effective interest method
- Expected Credit Loss charge and reversals
- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Equity investments at FVOCI

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial assets is given in Note 16.

No impairment loss is recognised on equity investments classified quoted under FVOCI.

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Debt investments measured at amortised cost	24.1	215	5,169,885	4,612,713
Debt investments measured at FVOCI	24.2	215	-	1,032,686
Unquoted equity investments measured at FVOCI	24.3	215	124	124
Quoted equity investments measured at FVOCI	24.4	216	1,956,733	1,874,445
Total other investment securities			7,126,742	7,519,968

Maturity analysis of other investment securities is given in Note 47.

24.1 Debt investments measured at amortised cost

As at 31 March	2024 Rs. '000	2023 Rs. '000
Treasury Bills	5,028,838	4,158,653
Unit trusts	141,047	454,060
Debt investments measured at amortised cost	5,169,885	4,612,713

24.2 Debt investments measured at FVOCI

As at 31 March	2024 Rs. '000	2023 Rs. '000
Treasury Bonds	-	1,032,686
Debt investments measured at amortised cost	-	1,032,686

24.3 Unquoted equity investments measured as at FVOCI

As at 31 March	2024				
	Number of shares	Cost at acquisition Rs. '000	Cost Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Unquoted shares					
Middleway Limited – Ordinary shares*	416,455	4,165	4,165	-	-
Middleway Limited – Preference shares*	2,050,000	20,500	20,500	-	-
Credit Information Bureau of Sri Lanka (CRIB)	100	124	124	124	124
National Credit Guarantee Institution Limited	10	-	-	-	-
Total unquoted equity investments		24,789	24,789	124	124

As at 31 March	2023				
	Number of shares	Cost at acquisition Rs. '000	Cost Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Unquoted shares					
Middleway Limited – Ordinary shares*	416,455	4,165	4,165	-	-
Middleway Limited – Preference shares*	2,050,000	20,500	20,500	-	-
National Credit Guarantee Institution Limited	100	124	124	124	124
Total unquoted equity investments		24,789	24,789	124	124

*These unquoted investments were fully impaired

24.4 Quoted equity investments measured as at FVOCI

As at 31 March 2024	Sector as per CSE classification	No of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Hatton National Bank PLC – Voting	Banks	165,000	180.00	29,700	28,766	934
ACL Cables PLC – Voting	Capital Goods	450,000	84.10	37,845	38,232	(387)
John Keels Holdings PLC – Voting	Capital Goods	250,000	194.00	48,500	47,208	1,292
Hemas Holdings PLC–Voting	Capital Goods	538,359	80.40	43,284	38,005	5,279
Hayleys PLC–Voting	Capital Goods	479,536	82.10	39,370	43,123	(3,753)
Royal Ceramics Lanka PLC – Voting	Capital Goods	130,000	31.10	4,043	3,768	275
Richard Pieris and Company PLC – Voting	Capital Goods	149,641	20.50	3,068	3,134	(66)
Hayleys Fabric PLC – Voting	Consumer Durables	200,000	41.10	8,220	8,696	(476)
Teejay Lanka PLC – Voting	Consumer Durables	639,091	37.60	24,030	21,698	2,332
John Keels Hotels PLC – Voting	Consumer Services	393,426	18.60	7,318	8,444	(1,126)
LOLC Holdings PLC – Voting	Diversified Financials	15,002	397.50	5,963	5,626	337
Lanka IOC PLC – Voting	Energy	325,000	116.75	37,944	55,738	(17,794)
Melstacorp PLC – Voting	Food Beverage & Tobacco	65,426	88.00	5,757	5,882	(125)
Sunshine Holdings PLC – Voting	Food Beverage & Tobacco	220,693	59.50	13,131	11,758	1,373
Lanka Milk Foods (CWE) PLC – Voting	Food Beverage & Tobacco	250,047	27.20	6,801	6,605	196
Ceylinco Insurance PLC – Voting	Insurance	682,464	2,272.25	1,550,606	1,497,885	52,720
CIC Holdings PLC – Voting	Materials	700,000	70.50	49,350	49,812	(462)
CIC Holdings PLC – Non Voting	Materials	444,429	52.50	23,333	22,470	863
Tokyo Cement Company (Lanka) PLC – Voting	Materials	232,595	51.50	11,979	11,251	728
Swisstek (Ceylon) PLC – Voting	Materials	286,803	19.10	5,478	5,229	249
Vallibel One PLC – Voting	Utilities	20,100	50.50	1,015	1,016	(1)
Total equity investments				1,956,733	1,914,346	42,387

24.4 Quoted equity investments measured as at FVOCI

As at 31 March 2023	Sector as per CSE classification	No of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
ACL Cables PLC - Voting	Capital Goods	235,364	82.30	19,370	19,194	176
John Keels Holdings PLC - Voting	Capital Goods	100,000	140.00	14,000	14,283	(283)
Hemas Holdings PLC - Voting	Capital Goods	238,359	65.00	15,493	16,018	(525)
Hayleys PLC - Voting	Capital Goods	500,000	72.00	36,000	45,054	(9,054)
Royal Ceramics Lanka PLC - Voting	Capital Goods	410,000	27.60	11,316	16,287	(4,971)
Lanka Tiles PLC - Voting	Capital Goods	90,000	43.10	3,879	5,646	(1,767)
Richard Pieris and Company PLC - Voting	Capital Goods	100,000	20.70	2,070	2,720	(650)
The Colombo Fort Land and Building PLC - Voting	Capital Goods	100,000	26.10	2,610	3,337	(727)
Hayleys Fabric PLC - Voting	Consumer Durables & Apparel	500,000	25.20	12,600	15,365	(2,765)
Teejay Lanka PLC - Voting	Consumer Durables & Apparel	200,000	32.00	6,400	8,488	(2,088)
John Keels Hotels PLC - Voting	Consumer Services	200,000	18.90	3,780	3,957	(177)
LOLC Holdings PLC - Voting	Diversified Financials	15,002	375.00	5,626	9,222	(3,596)
First Capital Holdings PLC - Voting	Diversified Financials	573,486	31.80	18,237	19,843	(1,606)
Lanka IOC PLC - Voting	Energy	325,000	171.50	55,738	67,579	(11,841)
Ceylon Grain Elevators PLC - Voting	Food Beverage & Tobacco	44,998	83.90	3,775	6,438	(2,663)
Melstacorp PLC - Voting	Food Beverage & Tobacco	504,980	54.90	27,723	30,016	(2,293)
Bairaha Farms PLC - Voting	Food Beverage & Tobacco	14,037	145.00	2,035	3,307	(1,272)
Kotagala Plantations PLC - Voting	Food Beverage & Tobacco	750,000	6.10	4,575	7,018	(2,443)
Ceylinco Insurance PLC - Voting	Insurance	682,464	2,195.00	1,498,008	1,356,056	141,952
First Capital Treasuries PLC - Voting	Investment Banking & Brokerage	570,968	22.50	12,847	14,921	(2,074)
Alumex PLC - Voting	Materials	107,511	8.20	882	1,161	(279)
CIC Holdings PLC - Voting	Materials	450,000	71.20	32,040	37,124	(5,084)
Dipped Products PLC - Voting	Materials	332,146	27.70	9,200	13,801	(4,601)
Tokyo Cement Company (Lanka) PLC - Voting	Materials	211,450	50.00	10,573	16,334	(5,761)
Expolanka Holdings PLC - Voting	Transportation	300,000	138.00	41,400	55,924	(14,524)
Vallibel One PLC - Voting	Utilities	663,069	36.60	24,268	28,349	(4,081)
Total equity investments				1,874,445	1,816,760	57,003

The company designated the investments shown above as equity securities of FVOCI because these equity securities represent investments that the Company intends to hold for a long term for a strategic purpose. The cumulative loss amounted to Rs. 22Mn from the disposal of investments has been transferred to retain earnings as disclosed in the changes in equity.

25 Investment property**ACCOUNTING POLICY****Recognition**

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Measurement

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – “Property, Plant and Equipment”.

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non-depreciated. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to/from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

Derecognition

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	685,115	-
Acquisitions during the year	-	685,115
Disposals during the year	-	-
	685,115	685,115
Less: Provision for impairment	(150,115)	(150,115)
Balance as at the end of the year	535,000	535,000

In the financial year 2023 the Company acquired investment property situated at No. 79/81, Colombo Street, Kandy.

25.1 Information on investment property

Location	Extent perches	Fair value
		Rs.'000
No. 79/81, Colombo Street, Kandy	17.56	530,000

25.2 Information on Investment Properties – Valuations

The Company engages independent professional valuer for revaluation of its Investment Property and the valuation is carried out every financial year.

Valuation of investment property of the Company was carried out by A. R. Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL). Comparison method of valuation has been used for the valuations. Investment property is considered under Level 3 of fair value hierarchy.

Name of Professional Valuer/ Location and Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Fair Value of the Investment Property Rs.'000
A. R. Ajith Fernando No. 79/81, Colombo Street, Kandy.	Profit method DRD method Prince per perch	Rs. 22,000,000 per perch	530,000

25.3 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Investment Property

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the fair value Measurement to Inputs
Profit method This method considers converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.	Price per Perch for Land	Estimated fair value would increase/ (decrease) if; Price per Perch for Land would increase/ (decrease)
DRC method This method reflects the amount that would be required currently to replace the service capacity of the asset.		

There were no restrictions on the realisability of investment property as at the reporting date. There were no income recognised in the statement of profit or loss during the year.

26 Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to 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 part of computer equipment.

Cost model

The Company applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Company applies the revaluation model to the freehold land. Revaluation is performed frequently and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land of the Company is revalued to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Company revalued all of its free hold land as at 31 March 2022. Method and significant assumptions including unobservable market inputs employed in estimating fair value is given in Note 26.1.

Based on the management assessment there were no indications to identify significant fair value changes as at 31 March 2024 hence the Company has not performed an external independent valuation to determine the fair value of the free hold land as at 31 March 2024.

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 Company and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised. The costs of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

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 or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in 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 inspections is derecognised.

Depreciation

The Company 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 Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. 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 assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings	2.5%
Motor vehicles	20%
Computer equipment	20%
Office equipment	20%
Furniture and fittings	20%

Depreciation is not provided for freehold land.

Useful life time of property, plant and equipment

The Company reviews the residual values, useful lives and method of depreciation of property, plant & equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and 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.

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 LKAS 23 – "Borrowing Costs".

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Impairment of individual assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU subject to an operating segment ceiling test. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of

the CGUs to which the corporate asset is allocated. Impairment losses are recognised in Statement of Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Land Rs. '000	Buildings Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Capital Work in Progress Rs. '000	Total Rs. '000
Cost/Valuation								
Balance as at 1 April 2023	2,184,250	819,767	1,051,141	695,153	308,323	355,457	57,991	5,472,082
Additions during the year	-	10,207	145,297	22,381	35,038	17,200	12	230,135
Disposal during the year	-	-	-	-	-	(26,059)	-	(26,059)
Balance as at 31 March 2024	2,184,250	829,974	1,196,438	717,534	343,361	346,598	58,003	5,676,158
Accumulated depreciation								
Balance as at 1 April 2023	-	136,183	877,332	586,588	249,079	240,835	-	2,090,017
Charged during the year	-	20,711	79,525	44,574	19,543	43,422	-	207,775
Disposal during the year	-	-	-	-	-	(23,676)	-	(23,676)
Balance as at 31 March 2024	-	156,894	956,857	631,162	268,622	260,581	-	2,274,116
Carrying value								
Balance as at 31 March 2024	2,184,250	673,080	239,581	86,372	74,739	86,017	58,003	3,402,042

	Land Rs. '000	Buildings Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Capital Work in Progress Rs. '000	Total Rs. '000
Cost/Valuation								
Balance as at 1 April 2022	2,184,250	655,133	947,927	673,710	278,274	355,457	126,941	5,221,692
Additions during the year	-	-	93,669	21,443	26,916	-	108,362	250,390
Transfer during the year	-	164,634	9,545	-	3,133	-	(177,312)	-
Balance as at 31 March 2023	2,184,250	819,767	1,051,141	695,153	308,323	355,457	57,991	5,472,082
Accumulated depreciation								
Balance as at 1 April 2022	-	119,462	800,759	525,082	234,239	190,160	-	1,869,702
Charged during the year	-	16,721	76,573	61,506	14,840	50,675	-	220,315
Balance as at 31 March 2023	-	136,183	877,332	586,588	249,079	240,835	-	2,090,017
Carrying value								
Balance as at 31 March 2023	2,184,250	683,584	173,809	108,565	59,244	114,622	57,991	3,382,065

Maturity Analysis of property, plant and equipment given in Note 47 on page 242.

26.1 Revalued properties

The fair values of property, plant and equipment were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Details of the revalued properties is as follows:

Property as at 31 March 2024	Extent (Perches)	Effective date	Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	85.2	31 March 2022	979,800
Land - No. 40, Sri Sangaraja Mawatha, Colombo 10	4	31 March 2022	44,000
Land - No. 377/2, Kandy Road, Mahara, Kadawatha	39	31 March 2022	136,500
Land - No. 79, Mihindu Mawatha, Kadawatha	76	31 March 2022	114,000
Land - Madapatha, Piliyandala Lot 1A	11.85	31 March 2022	14,220
Land - Madapatha, Piliyandala Lot X	11	31 March 2022	10,450
Land - No. 119, Galle Road, Moratuwa	5.2	31 March 2022	20,800
Land - No. 79, Colombo Road, Kurunegala - Front	23	31 March 2022	218,500
Land - No. 79, Colombo Road, Kurunegala - Rear	2.1	31 March 2022	7,980
Land - No. 63, Ananda Coomaraswamy Mawatha, Colombo 03	29	31 March 2022	638,000
			2,184,250

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
Land – No. 123, Orabipasha Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 11,000,000/- to Rs. 12,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 40, Sri Sangaraja Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 10,000,000/- to Rs. 13,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 377/2, Kandy Road, Mahara, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 3,200,000/- to Rs. 3,800,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Mihindu Mawatha, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 1,200,000/- to Rs. 1,700,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot 1A, Piliyandala			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 1,000,000/- to Rs. 1,200,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot X, Piliyandala			
A.R.Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 900,000/- to Rs. 950,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 119, Galle Road, Moratuwa			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 3,500,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Front			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 9,000,000/- to Rs. 10,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Rear			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 3,500,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 63, Ananda Coomaraswamy Mawatha, Colombo 03			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 18,000,000/- to Rs. 22,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

*Market Comparable Method – Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property.

Valuer has been selected with reference to the “guideline on property, plant and equipment and biological assets valuation” for the purpose of financial reporting issued by CA Sri Lanka.

26.2 Cost of the revalued properties

Property as at 31 March 2024	Cost Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	196,628
Land - No. 40, Sri Sangaraja Mawatha, Colombo 10	31,308
Land - No. 377/2, Kandy Road, Mahara, Kadawatha.	15,234
Land - No. 79, Mihindu Mawatha, Kadawatha.	23,000
Land - Madapatha, Piliyandala Lot 1A	1,635
Land - Madapatha, Piliyandala Lot X	1,528
Land - No. 119, Galle Road, Moratuwa	15,600
Land - No. 79, Colombo Road, Kurunegala	181,999
Land - No. 63, Ananda Coomaraswamy Mawatha, Colombo O3	634,467
Total cost of the revalued properties	1,101,399

Above table includes the original cost of the properties which carries at revalued amounts as at 31 March 2024.

26.3 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

26.4 Compensation from third parties for property, plant and equipment

There were no compensation received or pending for property plant and equipment as at the reporting date.

26.5 Fully depreciated property, plant and equipment

The Company is having Rs. 1.653 Bn. fully depreciated assets available within the Company as at the reporting date. (2023 - 1,457 Mn)

26.6 Temporary idle property, plant and equipment

There were no any temporary idle property, plant and equipment as at the reporting date.

26.7 Property, plant and equipment retired from active use

There were no property plant and equipment retired from active use as at the reporting date.

26.8 Borrowing cost

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

26.9 Number of buildings in lands held by the Company

There are four buildings in the following lands, held by the Company

- Land - No. 123, Orabipasha Mawatha, Colombo 10
- Land - No. 79, Mihindu Mawatha, Kadawatha
- Land - No. 377/2, Kandy Road, Mahara, Kadawatha
- Land - No. 119, Galle Road, Moratuwa
- Land - No. 79, Colombo Road, Kurunegala

26.10 Property, plant and equipment pledged as securities

Lot X in Plan No. 4359 located in No. 63, Ananda Kumaraswamy Mawatha, Kollupitiya purchased during the year 2019/20 for a value of Rs. 634 Mn. has pledged as a security for bank borrowings. Other than that there were no any properties pledge as a security as at 31 March 2024.

27 Right-of-use assets/ lease liabilities

ACCOUNTING POLICY

At inception of a contract, the Company assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand alone prices. However, for the leases of property the Company has elected not to separate non lease components and account for the lease and non lease components as a single lease component.

The Company 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 at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset 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 the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured 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.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Presentation

As per SLFRS 16 Right-of-use assets are either presented separately from other assets on the balance sheet or disclosed separately in the notes. Similarly, lease liabilities are either presented separately from other liabilities on the balance sheet or disclosed separately in the notes.

The Company has elected to present Right-of-use assets separately from other assets on the Statement of financial position. Similarly, lease liabilities are presented separately from other liabilities on the Statement of financial position. Depreciation expense and interest expense cannot be combined in the income statement. In the cash flow statement, principal payments on the lease liability are presented within financing activities; interest payments are presented based on an accounting policy election in accordance with LKAS 7 Statement of Cash Flows.

27.1 Right-of-use assets movement during the year

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Right-of-use asset		
Balance as at 1 April	1,488,058	1,289,447
Additions and improvements during the year	273,594	198,611
Disposals during the year	-	-
Balance as at 31 March	1,761,652	1,488,058
Accumulated depreciation		
Balance as at 1 April	705,525	520,967
Charge during the year	175,386	184,558
Balance as at 31 March	880,911	705,525
Carrying value		
Balance as at 31 March	880,741	782,533

27.2 Lease liabilities movement during the year

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Lease liabilities		
Balance as at 1 April	832,102	802,503
Additions and improvements during the year	197,604	157,591
Disposals during the year	-	-
Accretion of interest during the year	121,891	107,913
Payments during the year	(239,420)	(235,905)
Balance as at 31 March	912,177	832,102

27.3 Amounts recognised in profit or loss

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Depreciation of Right-of-use assets	175,386	184,558
Interest on lease liabilities	121,891	107,913
Total cost recognised in profit or loss	297,277	292,471

27.4 Amounts recognised in statement of cash flows

For the year ended 31 March	2024	2023
	Rs. '000	Rs. '000
Total cash outflow for leases	(239,420)	(235,905)

27.5 Maturity analysis – Contractual undiscounted cash flows

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Less than one year	242,820	223,501
Between one and five years	837,677	705,589
More than five years	431,001	327,343
Total undiscounted cash flows	1,511,498	1,256,433

28 Intangible assets

ACCOUNTING POLICY

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.

Recognition

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 assets can be measured reliably. An intangible asset is initially measured at cost.

Computer software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and its 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.

(a) 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.

(b) Amortisation

Intangible assets 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 Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Derecognition

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Cost		
Balance as at the beginning of the year	476,658	318,072
Additions during the year	91,748	158,586
Disposals during the year	-	-
Balance as at the end of the year	568,406	476,658
Accumulated amortisation		
Balance as at the beginning of the year	210,967	181,994
Charge during the year	48,886	28,973
Disposals during the year	-	-
Balance as at the end of the year	259,853	210,967
Carrying value		
Balance as at the end of the year	308,553	265,691

Intangible assets comprise computer software and licenses acquired by the Company to be used in its operation.

There is no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities. There were no capitalised borrowing cost during the financial year.

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and no software under development.

Maturity analysis of intangible assets is given in Note 47 on page 242.

29 Goodwill on amalgamation

ACCOUNTING POLICY

Goodwill on amalgamation

The results of amalgamation of two entities under common control are economically the same before and after the amalgamation as the amalgamated entity will have identical net assets. Accordingly Citizens Development Business Finance PLC continues to record carrying values including the remaining goodwill that resulted from the original acquisition of subsidiaries that has been consolidated since its acquisition.

Goodwill on consolidation

Goodwill is initially measured being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable asset acquired and liabilities assumed. Subsequent to initial recognition, Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is allocated to each of the Company's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment test for goodwill on amalgamation

Goodwill shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount. If the recoverable amount exceeds the carrying amount, the goodwill shall be regarded as not impaired. If the carrying amount exceeds the recoverable amount, the entity shall recognise the impairment loss.

29.1 Impairment test on goodwill

Goodwill acquired through business combination is tested for impairment annually as at the reporting date. For the purpose of impairment testing amalgamated companies were considered as a separate cash-generating unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Impairment loss of Rs. 26 Mn recognised during 2023/24 the recoverable amount of this CGUs was determined to be lower than its carrying amount. Expected cash flows and discount rates of the underline performing lease portfolio are the unobservable inputs. Expected cash flows has a negative correlation whereas discount rate has a positive correlation with the carrying value of the CGU. (Expected cash flows amounting Rs. 152 Mn. and discount rate of 30%)

30 Retirement benefit obligation/ asset

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 11.1 on page 195 for Company's policy on retirement benefit obligation/ asset.

As at 31 March

	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	45,225	156,489
Write-off during the year	(25,597)	(111,264)
Balance as at the end of the year	19,628	45,225

As at 31 March	2024			2023		
	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability/(Asset) Rs. '000	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability/(Asset) Rs. '000
Balance as at the beginning of the year	955,220	1,286,533	(331,313)	798,568	1,206,375	(407,807)
Recognised in profit or loss						
Current service cost	76,637	-	76,637	66,830	-	66,830
Interest cost/Income	171,940	231,576	(59,636)	119,785	180,956	(61,171)
	248,577	231,576	17,001	186,615	180,956	5,659
Recognised in other comprehensive income						
Actuarial gain/loss	203,908	(201,823)	405,732	(7,818)	(108,653)	100,835
	203,908	(201,823)	405,732	(7,818)	(108,653)	100,835
Others						
Contributions made during the year	-	25,000	(25,000)	-	30,000	(30,000)
Benefits paid by the plan asset	(86,410)	(86,410)	-	(22,145)	(22,145)	-
Total net defined benefit obligation as at end of the year	1,321,295	1,254,876	66,419	955,220	1,286,533	(331,313)

Maturity analysis of retirement benefit obligation is given in Note 47 on page 242.

30.1 Plan assets

Plan assets comprise the followings and all equity investments are quoted:

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Cash and cash equivalents	832	4,593
Quoted equity securities	571,706	499,718
Term deposits	430,255	535,806
Other financial assets	252,083	246,416
Total plan assets	1,254,876	1,286,533

30.2 Actuarial valuation

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2024 by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", the method recommended by LKAS 19 – "Employee Benefits".

30.3 Asset ceiling

As per LKAS 19 – "Employee Benefits" if a plan is in surplus, recognized amount recognised as an asset in the Statement of Financial Position is limited to the "asset ceiling". The asset ceiling is the present value of any economic benefits available to the entity in the form of a refund or a reduction in future contributions. By analysing all the future economic benefits available to the plan asset, it was estimated there is no asset ceiling requirement as at 31 March 2024.

Assumption	Description	2024	2023
Non-financial assumptions			
Mortality	A 1967/70 mortality table issued by the Institute of Actuaries, London	A 67/70	A 67/70
Staff turnover	The probability of employee leaving the organisation other than death, illness and normal retirement	11%	6%
Normal retirement age	Age which employee is normally retired	60 years	60 years
Duration	Weighted Average duration of Defined Benefit Obligation	6.9 Years	8.2 Years
Financial assumptions			
Discount rate	Determined based on the long-term Government Bond rate and expected inflation in long-term	12.3%	18%
Future salary growth	Normal annual salary increment rate per employee was considered	10.3%	13%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions (financial), holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

As at 31 March 2024		Adjusted present value of net defined benefit liability ('000)	Net Effect on present value of defined benefit liability ('000)
Assumption	Change		
Discount rate	1% increase	1,244,166	(77,129)
	1% decrease	1,407,479	86,184
Future salary growth	1% increase	1,414,222	92,927
	1% decrease	1,236,911	(84,384)

As at 31 March 2023		Adjusted present value of net defined benefit liability ('000)	Net Effect on present value of defined benefit liability ('000)
Assumption	Change		
Discount rate	1% increase	891,157	(64,063)
	1% decrease	1,027,530	72,310
Future salary growth	1% increase	1,034,397	79,177
	1% decrease	884,326	(70,894)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Expected benefits to be paid out in future years

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Within next year	108,252	63,305
Between 2 and 5 years	665,286	402,255
Beyond 5 years	547,758	489,660
Total benefits	1,321,295	955,220

31 Other assets**ACCOUNTING POLICY**

Other assets mainly comprise insurance premium receivable, insurance commission receivable, advance payments and inventory carried at historical cost.

Inventories

Inventories include mainly the vehicle inventory, gift items purchased for the savings value added scheme. Those inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

As at 31 March	Note	2024 Rs. '000	2023 Rs. '000
Insurance premium receivable and capitalised charges		2,461,706	2,316,164
Insurance referral income receivable		63,503	58,449
Unamortised cost on staff loans		126,341	117,526
Gift stock		5,862	7,715
Other stocks		813,422	464,156
Other receivables and advances		729,611	471,936
Gross other assets		4,200,445	3,435,946
Less : Allowance for impairment	31.1	(223,563)	(223,563)
Net other assets		3,976,882	3,212,383

Maturity analysis of other assets is given in Note 47 on page 242.

31.1 Allowance for impairment

As at 31 March	2024 Rs. '000	2023 Rs. '000
Balance as at the beginning of the year	223,563	85,481
Provision for impairment	-	138,082
Balance as at the end of the year	223,563	223,563

32 Due to banks and financial institutions**ACCOUNTING POLICY**

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in profit or loss.

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Due to banks	32.1	230	16,402,796	11,662,312
Due to foreign institutional lenders	32.2	231	8,866,185	4,224,584
Securitisation	32.3	231	2,386,824	-
Bank Overdraft			193,360	723,621
Total			27,849,165	16,610,517

Maturity analysis of other interest – bearing borrowings is given in Note 47 on page 242.

32.1 Due to banks

As at 31 March	Loan obtained Rs. '000	2024 Rs. '000	2023 Rs. '000
Cargills Bank Limited – Term Loan	500,000	469,042	-
DFCC Bank PLC – Term Loan	750,000	362,265	512,697
DFCC Bank PLC – Short Term Loan	100,000	-	100,326
Hatton National Bank PLC – Term Loan 1	1,500,000	94,001	470,844
Hatton National Bank PLC – Term Loan 2	1,500,000	532,805	909,850
Hatton National Bank PLC – Term Loan 3	1,449,988	1,457,224	1,464,048
Hatton National Bank PLC – Short Term Loan 1	500,000	-	511,807
Hatton National Bank PLC – Short Term Loan 2	1,000,000	-	1,002,830
Hatton National Bank PLC – Short Term Loan 3	500,000	-	500,283
Hatton National Bank PLC – Short Term Loan 4	1,500,000	1,501,650	-
Nations Trust Bank PLC – Term Loan 1	1,000,000	332,344	667,234
Nations Trust Bank PLC – Term Loan 2	1,000,000	811,475	-
Nations Trust Bank PLC – Term Loan 3	9,600,000	9,289,436	-
Nations Trust Bank PLC – Short Term Loan	200,00	-	200,640
Sampath Bank PLC – Term Loan 1	500,000	-	378,034
Seylan Bank PLC – Term Loan 1	1,000,000	-	100,188
Seylan Bank PLC – Term Loan 2	400,000	19,962	66,744
Seylan Bank PLC – Term Loan 3	1,500,000	175,512	477,475
Seylan Bank PLC – Term Loan 4	1,500,000	-	84,088
Seylan Bank PLC – Term Loan 5	1,500,000	656,008	1,031,982
Nations Development Bank PLC – Term Loan 1	1,000,000	-	612,805
Nations Development Bank PLC – Term Loan 2	1,500,000	500,830	1,002,267
Nations Development Bank PLC – Term Loan 3	2,534,375	-	1,066,580
Nations Development Bank PLC – Short Term Loan	500,000	-	501,590
Union Bank of Colombo PLC – Short Term Loan	200,000	200,242	-
Total due to banks		16,402,796	11,662,312

Details of the assets pledged as security for liabilities are disclosed in Note 49.B.IV (Page 262) to these Financial Statements.

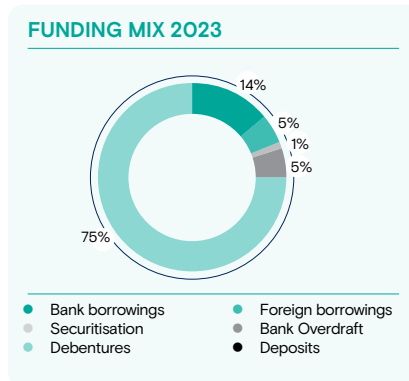
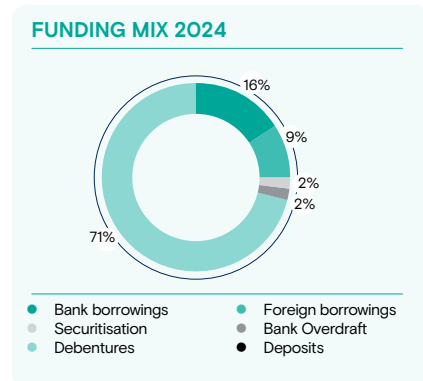
32.2 Due to foreign institutional lenders

As at 31 March	Loan obtained Rs. '000	2024	2023
		Rs. '000	Rs. '000
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V. (FMO)	4,562,500	-	2,098,685
BlueOrchard Microfinance Fund	4,487,500	-	2,125,899
U.S. International Development Finance Corporation (DFC)	9,600,000	8,866,185	-
Total due to foreign institutional lenders	18,650,000	8,866,185	4,224,584

32.3 Securitisation

Ref. No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2024 Rs. '000	Security
SEC 01	1,241,084	24	NDB	1,327,641	Mortgage over lease and hire purchase receivables
SEC 02	535,000	24	NDB	569,237	Mortgage over lease and hire purchase receivables
SEC 03	465,000	24	NDB	489,946	Mortgage over lease and hire purchase receivables
Total	2,241,084			2,386,824	

32.4 Analysis of interest-bearing funding mix



32.5 Movement of Due to banks and financial institutions

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at 1 April	3,850,182	5,726,897
Amount borrowed during the year	-	-
Repayments during the year	(1,336,086)	(2,452,660)
Interest expenses during the year	274,243	575,945
Balance as at 31 March	2,788,339	3,850,182

33 Deposits from customers

ACCOUNTING POLICY

These include savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transaction cost. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest rate (EIR) method. Interest paid/payable on these deposits is recognised in the Statement of Profit or Loss.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Term deposits	67,801,002	58,256,266
Savings deposits	3,180,897	2,730,101
Mudharabah	2,276,880	1,888,859
Total deposits from customers	73,258,779	62,875,226

Maturity analysis of deposits from customers is given in Note 47 on page 242 and pre-termination of fixed deposits and renewal of fixed deposits may cause actual maturities differ from contractual maturities.

Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all licensed finance companies are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by CDB except for –

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.

- c. Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act
(Corporate Governance) Direction No. 03 of 2008.
- d. Deposit liabilities held as collateral against any accommodation granted.
- e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

34 Debt securities issued and Subordinated Debt

ACCOUNTING POLICY

Debt securities issued include debentures issued by the Company. Subsequent to the initial recognition these are measured at amortised cost using EIR method in the Statement of Financial Position. Interest paid/payable (Effective interest rate method) on debt securities is recognised in the Statement of Profit or Loss.

As at 31 March	Note	Page No.	2024	2023
			Rs. '000	Rs. '000
Listed debentures	34.1	232	1,118,738	2,062,686
Subordinated debt			1,669,600	1,787,496
Total debt securities issued			2,788,338	3,850,182

Debt securities issued would be subordinated to the claims of depositors and all other creditors of the issuer in the event of the winding-up of the issuer. The subordinated debt instrument was issued in March 2021 with a maturity period of five years.

The Company has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31 March 2024. (2022 - Nil)

Maturity analysis of debt securities issued is given in Note 47 on page 242.

34.1 Details of listed debentures issued

Debenture issue – 2019 January

Five million (5,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with the option to increase by a further Five million (5,000,000) debentures in the event of an oversubscription with a further option to issue two million five hundred thousand (2,500,000) debentures.

Debenture issue – 2019 December

Initial issue of Five million (5,000,000) Subordinated, Unsecured, Listed, Redeemable, Rated (BBB) debentures at a price of Rs. 100/- each with the option to issue two million five hundred thousand (2,500,000) debentures in the event of an oversubscription of the initial issue.

As at 31 March	Face Value Rs. '000	Amortised cost		Allotment date	Maturity date	Term (Years)	Interest rate %	Repayment term
		2024 Rs. '000	2023 Rs. '000					
Issued in 2019 (January)								
Type A	259,180	-	265,933	31 January 2019	30 January 2024	5	15.00	Semi-annually
Type B	668,590	-	686,526	31 January 2019	30 January 2024	5	15.50	Annually
	927,770	-	952,459					
Issued in 2019 (December)								
Type A	387,900	403,264	400,258	10 December 2019	9 December 2024	5	13.43	Semi-annually
Type B	687,300	715,474	709,969	10 December 2019	9 December 2024	5	13.88	Annually
	1,075,200	1,118,738	1,110,227					
Total debt securities issued	2,002,970	1,118,738	2,062,686					

34.2 Utilisation of funds raised via capital market

	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amounts utilised in Rs. (B)	Utilisation against Allocation (B/A) %
Objective as per prospectus						
Issued in 2019 (January)						
Supporting the general business growth opportunities of the Company		Within the next 12 months from the date of allotment				
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base	927,770		927,770	100	927,770	100
Issued in 2019 (December)						
Supporting the general business growth opportunities of the Company		Within the next 12 months from the date of allotment				
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base	1,075,200		1,075,200	100	1,075,200	100

Details of the asset pledged as security for liabilities are disclosed in note 49.B.IV financial assets available for future funding in risk managements note (page 262) to these financial statements.

34.3 Movement of Debt securities issued and Subordinated Debt

As at 31 March	2024 Rs. '000	2023 Rs. '000
Balance as at 1 April	15,886,896	24,709,737
Amount borrowed during the year	33,503,858	10,549,976
Repayments during the year	(24,087,182)	(22,119,317)
Interest expenses during the year	2,352,233	2,746,500
Sub total	27,655,805	15,886,896
Bank overdraft	193,360	723,621
Balance as at 31 March	27,849,165	16,610,517

35 Current tax liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

Refer Note 13 on page 197 for more details on income tax expense.

The Company is subject to income taxes and other taxes including VAT on financial services.

As at 31 March	Page Note	Page No.	2024 Rs. '000	2023 Rs. '000
VAT on financial services			257,091	129,920
Withholding tax payable			35,946	42,066
Provision for income tax	35.1	234	879,181	844,068
Other taxes on financial services			117,344	37,936
Total current tax liabilities			1,289,562	1,053,990

Maturity analysis of current tax liabilities is given in Note 47 on page 242.

35.1 Provision for income tax

As at 31 March			2024	2023
Note	Page No.		Rs. '000	Rs. '000
		Balance as at the beginning of the year	844,068	1,128,982
13.2	197	Current tax for the year	1,107,372	1,185,035
13.2	197	Over provision in respect of prior periods	-	(100,756)
		Self-assessment payment of tax	(1,072,259)	(1,369,193)
		Balance as at the end of the year	879,181	844,068

36 Deferred tax assets/liabilities**ACCOUNTING POLICY**

A provision is recognised if, as a result of past event, the Company 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.

36.1 Summary of net deferred tax liability

As at 31 March	2024		2023	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax liabilities on:				
Accelerated depreciation for tax purposes – owned assets	667,597	200,278	415,326	124,598
Accelerated depreciation for tax purposes – leased assets	115,296	34,589	469,380	140,814
Deferred tax on revaluation surplus	1,082,852	324,856	1,082,852	324,856
Expected credit losses on loans and receivables from customers	34,296	10,289	-	-
Deferred tax assets on:				
Right-of-Use Assets	(31,436)	(9,431)	(49,569)	(14,872)
Expected credit losses on loans and receivables from customers	-	-	(326,925)	(98,077)
Fair Value adjustment –Treasury Bond	-	-	(244,727)	(73,418)
Net deferred tax liability	1,868,604	560,581	1,346,337	403,901

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer Note 13 for more details on taxation.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Deferred tax liabilities	570,012	590,268
Deferred tax assets	(9,431)	(186,367)
Total net deferred tax liabilities	560,581	403,901

Maturity analysis of deferred tax asset and liabilities are given in Note 47 on page 242.

36.2 Movement of net deferred tax liability

As at 31 March	2024			2023		
	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000
Net deferred tax liability as at 1 April	403,901	-	-	630,110	-	-
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	75,681	75,681	-	(13,321)	(13,321)	-
Accelerated depreciation for tax purposes – Leased assets	(106,225)	(106,225)	-	(156,325)	(156,325)	-
Right of Use Assets	5,441	5,441	-	(6,705)	(6,705)	-
Expected credit losses on loans and receivables from customers	108,365	108,365	-	(40,592)	(40,592)	-
Fair Value adjustment – Treasury Bond	73,418	-	73,418	(73,418)	-	(73,418)
Change in deferred tax on revaluation due to rate change	-	-	-	64,153	-	64,153
Total effect on total comprehensive income	156,680	83,262	73,418	(226,208)	(216,943)	(9,265)
Net deferred tax liability as at 31 March	560,581			403,901		

37 Other liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

Other liabilities mainly comprise accrued expenses, supplier payable, insurance premium payable, bank overdrafts, rental received in advance and etc.

As at 31 March	2024 Rs. '000	2023 Rs. '000
Accrued expenses	248,896	170,653
Supplier payable	498,578	258,863
Insurance premium payable	368,352	310,244
Rentals received in advance from loans and advances to customers	518,819	368,047
Other liabilities	210,481	241,765
Total other liabilities	1,845,126	1,349,572

38 Stated capital

Ordinary shares

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

As at 31 March	2024		2023	
	Number of shares Rs. '000	Value Rs. '000	Number of shares Rs. '000	Value Rs. '000
Balance as at the beginning of the year	69,856,043	2,361,947	69,856,043	2,361,947
Issued during the year				
Exercise of share options – Voting	994,379	188,545	-	-
Balance as at the end of the year	70,850,422	2,550,492	69,856,043	2,361,947
Composition of number of shares				
Voting	60,506,754	2,075,661	59,512,375	1,887,116
Non-voting	10,343,668	474,831	10,343,668	474,831
Total stated capital	70,850,422	2,550,492	69,856,043	2,361,947

Rights, preferences and restrictions of ordinary shares

The shares of the Citizens Development Business Finance PLC are quoted on the Main Board of Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividend paid during the year

The Company has paid a first and final cash dividend of Rs. 5.00 per share for its voting and non-voting shares for the year ended 31 March 2023.

The board has proposed a first and final dividend of Rs. 7.00 per share for its voting and non-voting share holders for the Financial Year ended 31 March 2024, subject to approval of shareholders in the AGM.

38.1 Share based payments plan

ACCOUNTING POLICY

The Company applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares.

Accounting judgements, estimates and assumptions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the date at which they are granted. Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

Description of the valuation input as at grant date	Tranches		
	Tranche 1	Tranche 2	Tranche 3
Risk free rate (%)	5.96	28.16	13.26
Probability of share price increase (%)	87.82	70	45
Probability of share price decrease (%)	12.18	30	55
Size of annual increase of share price (%)	7.88	20	30
Size of annual reduction of share price (%)	7.88	20	30
Weighted average share price at the grant date (Rs.)	159.75	188.50	190.25
Expected life of share option (Years)	3.00	3.00	3.00
Weighted average remaining contractual life for the share options outstanding (Years)	0.42	1.42	2.42
Weighted average fair value of options granted during the year (Rs.)	67.10	132.75	78.62
Exercise price for options outstanding at the end of the year (Rs.)	145.78	199.82	191.21

Employee Share Option Plan – 2021

The Company obtained the approval of the shareholders at an Extraordinary General Meeting held on 30 July 2021, to introduce an Employee Share Option Plan for the benefit of qualified employees by creating up to 5% of the ordinary voting shares at the rate of 1.5% shares in the first two years and 2% share in the last year over a period of three to five years.

Key terms and conditions related to the offer are detailed below;

	Tranches		
	Tranche 1	Tranche 2	Tranche 3
Percentage of issue of new voting shares (Max.) %	1.5	1.5	2.0
Date granted	1 September 2021	1 September 2022	1 September 2023
Exercise price (Rs.)	145.78	199.82	191.21
Exercisable between	1 September 2021 to 31 August 2024	1 September 2022 to 31 August 2025	1 September 2023 to 31 August 2026
Date of vesting	1 September 2021	1 September 2022	1 September 2023

The Shares under this scheme will be offered to the Qualified Employees at a Volume Weighted Average Price (VWAP) taking into consideration all share transactions of the relevant security during the thirty (30) market days immediately preceding the Grant Date.

Measurement of fair value

As required by SLFRS 2 on "Share based payment", the fair value of the ESOP was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOP were as follows;

Reconciliation of outstanding share option

As at 31 March	Tranche 1		Tranche 2		Tranche 3	
	2024	2023	2024	2023	2024	2023
Exercisable at the beginning of the year	802,564	802,564	891,736	-	-	-
Exercisable during the year	-	-	-	891,736	1,188,981	-
Exercised during the year	784,450	-	92,364	-	91,688	-
Expired during the year	-	-	-	-	-	-
Exercisable at the end of the year	18,114	802,564	799,372	891,736	1,097,293	-

Accordingly, the Company has recognized an employee cost of Rs. 11 Mn arising from the above in the year ended 31 March 2024.

994,379 Ordinary shares were listed during the March 2024, consequent to the exercising of options under employee share option schemes.

Board of directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,453 ordinary voting shares for the period commencing from 1 September 2021. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

Shares under the scheme will be offered to the qualified employees at a volume weighted average price of all share transactions during the thirty market days immediately preceding the grant date and the Company has used Binominal Option Pricing Model to value the share options as at 1 September 2021 under the requirements of SLFRS 2 - "Share Based Payments"

Accordingly the Company has recognized an employee cost of Rs. 11 Mn arising from the above in the year ended 31 March 2024.

994,379 Ordinary shares were listed during the March 2024, consequent to the exercising of options under employee share option schemes.

39.2 Revaluation reserve

This revaluation reserve relates to revaluation of freehold land and represent the fair value changes as at the reporting date.

39 Reserves

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Other capital reserve	39.1	237	7,552	30,854
Revaluation reserve	39.2	237	761,406	761,406
Fair value reserve	39.3	238	20,554	(114,307)
Hedge reserve	39.4	238	-	102,705
Statutory reserve fund	39.5	238	2,647,053	2,143,943
Regulatory Loss allowance reserve	39.6	238	2,369,809	1,606,402
Total reserves			5,806,374	4,531,003

39.1 Other capital reserve

The other capital reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

As at 31 March	2024 Rs. '000	2023 Rs. '000
Balance as at the beginning of the year	30,854	30,854
Employee share options exercised during the year	(23,302)	-
Balance as at the end of the year	7,552	30,854

As at 31 March	2024 Rs. '000	2023 Rs. '000
Balance as at the beginning of the year	761,406	825,559
Deferred tax on revaluation of lands during the year	-	(64,153)
Balance as at the end of the year	761,406	761,406

39.3 Fair value reserve

This fair value reserve relates to fair value adjustments of equity investments measured at fair value through other comprehensive income.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	(114,307)	56,531
Net change in fair value during the year	194,541	(170,838)
Net transfers during the year	(59,680)	-
Balance as at the end of the year	20,554	(114,307)

39.4 Hedge reserve

The effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	102,705	(145,759)
Net change in fair value during the year	(102,705)	248,464
Balance as at the end of the year	-	102,705

39.5 Statutory reserve fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	2,143,943	2,062,600
Transfers during the year	503,110	81,343
Balance as at the end of the year	2,647,053	2,143,943

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

	Percentage of transfer to reserve fund (%)
Capital funds to deposit liabilities	
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred 5% of its net profit after taxation to the reserve fund as Company's capital funds to deposit liabilities, belongs to less than 25% and not less than 10% category. (2022/23 - Not less than 25%).

39.6 Regulatory loss allowance reserve

As per the Section 71 of the Finance Business Act (Classification and measurement of Credit Facilities) Direction No. 01 of 2020, requires to create a non-distributable regulatory loss allowance reserve through an appropriation of retained earnings, where the loss allowance for expected credit loss (impairment) falls below the regulatory provision. Accordingly, the company has transferred Rs. 763 Mn from retained earning to regulatory loss allowance reserve during the year.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	1,606,402	-
Transfers during the year	763,407	1,606,402
Balance as at the end of the year	2,369,809	1,606,402

40 Retained earnings

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Balance as at the beginning of the year	11,297,271	12,456,343
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	(715,053)
Profit for the year	2,515,550	1,626,883
Remeasurement of defined benefit liability/(asset)	(405,732)	(100,835)
Financial investments at FVOCI - net change in fair value	-	(20,362)
Dividends paid to equity holders	(349,280)	(261,960)
Net Transfers during the period	(1,206,837)	(1,687,745)
Balance as at the end of the year	11,850,972	11,297,271

41 Net assets value per share

As at 31 March	2024	2023
Numerator		
Total equity attributable to equity holders (Rs.)	20,207,838,000	18,190,221,000
Denominator		
Total number of shares	70,850,422	69,856,043
Net assets value per share (Rs.)	285.22	260.40

42 Contingencies and commitments

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Contingencies				
- Guarantees	42.1	239	54,900	-
- Litigations against the Company	42.2	239	92,006	129,254
Commitments				
- Undrawn commitments	42.3	239	4,788,886	4,073,316
- Capital commitments	42.4	239	1,076,711	477,553
Total contingencies and commitments			6,012,503	4,680,123

42.1 Guarantees

Guarantee provided by the Company with the request of Fixed Deposits customers to third party and assure to make the obligations at the time of customer is unable to settle the payment.

42.2 Litigations against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims.

Refer Note 44 for litigations against the Company.

42.3 Undrawn commitments

As at 31 March	2024 Rs. '000	2023 Rs. '000
Direct credit facilities		
Undrawn credit card balances	3,007,341	2,419,009
Unutilised margin trading balances	1,781,545	1,654,307
Total undrawn commitments	4,788,886	4,073,316

42.4 Capital commitments

As at 31 March	2024 Rs. '000	2023 Rs. '000
Commitments in relation to property, plant and equipment		
- Approved and contracted for	-	53,818
- Approved but not contracted for	911,536	423,735
Commitments in relation to intangible assets		
- Approved but not contracted for	165,175	-
Total capital commitments	1,076,711	477,553

42.5 Assessment against the Company

During the year an assessment to the value of Rs. 392 Mn. on Surcharge tax for 2020/21 was received by the Company. The Company has appealed against the assessment and the management is of the view that the Company is not liable for the tax.

43 Related party disclosures

43.1 Parent and ultimate controlling party

The Company (CDB) does not have an identifiable parent of its own.

43.2 Transactions with Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company	The Board of Directors (Including Executive Directors and Non-Executive Directors) of the Company has been Classified as KMP of the Company
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For the year ended 31 March	2024 Rs. '000	2023 Rs. '000
Short-term employment benefits	276,507	312,847
Share-based payment	13,203	-
Total compensation	289,710	312,847

43.2.2 Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)

CFM of KMP are those family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner. CFM are related party to the Company. The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates. Aggregate value of the transactions with KMPs and their CFMs are described below:

As at 31 March	2024 Rs. '000	2023 Rs. '000
Liabilities		
Deposits placed by KMP and CFM	127,813	91,082
Other credit facilities	-	-
Total liabilities	127,813	91,082

For the year ended 31 March	2024 Rs. '000	2023 Rs. '000
Interest income	-	-
Interest expense	17,042	13,021
Total transactions during the year	17,042	13,021

No loans and receivables and other credit facilities have been granted for KMP & CFM during the year.

Dividend paid to KMP and CFM

For the year ended 31 March	2024	2023
Number of ordinary shares (Voting) held	6,571,761	7,137,648
Number of ordinary shares (Non-voting) held	131,083	131,083
Cash dividends paid (Rs. '000)	36,344	27,258

43.3 Transactions with other related entities

Other related entities include significant investors that have nominated Board members or having common directorships with CDB and their respective entity.

Related company	Holding %	Common Directors	Nature of Transaction	2024	2023
				Rs. '000	Rs. '000
Ceylinco Life Insurance Limited	34.66	-	As at 31 March		
			Deposits	500,000	500,000
			Debentures	-	100,000
			Total	500,000	600,000

44 Litigation against the Company

ACCOUNTING POLICY

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically require a higher degree of judgement. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty involved. Company has established a formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated Company make adjustments to the accounts for any adverse effect, if any, which the claim may have on Company's financial position. As at the reporting date Company had unresolved legal claim as explained below. The significant unresolved legal claims against the Company for which legal advisor of the Company is of the opinion that there is a probability that the action will not succeed. Accordingly no provision has been made in these Financial Statements.

- Court action has been filed by a customer in Anuradhapura District Court bearing no 26288/M for the amount of Rs.16,952,175/- citing CDB as the second and third defendant. The case is fixed for Trial on 28 October 2024.
- Court action has been filed by a customer in Commercial High Court bearing No. CHC505/15/MR for the amount of Rs.8,000,000/- citing CDB as the defendant. The case is fixed for Trial on 9 October 2024
- Court action has been filed by a customer in Anuradhapura District Court bearing No. 27744/M for the amount of Rs. 2,000,000/- citing CDB as the second defendant. The case is fixed for Order on Written Submissions on 28 October 2024.
- Court action has been filed by a customer in Commercial High Court bearing No. CHC 136/2016/MR for the amount of Rs. 20,000,000/- citing CDB as the defendant. The case is fixed for trial on 8 July 2024.
- Court action has been filed by a customer in Colombo District Court bearing no DMR/2748/23 for the amount of Rs.4,090,000/- citing CDB as the defendant. The case is fixed for Answer on 5 October 2024.
- There are 7 pending cases bearing DSP37/13, DCL/15/22 and DSP 14/16 in the District Court of Kandy, DSP 513/15, DSP 71/23, DHP 4172/22, DHP/1525/23 and DSP 59/21 in the District Court of Colombo, 597/17M in the District Court of Jaffna, CL/2/23/DC in the

District Court of Panadura and CL/2/23/DC in the District Court of Mathugama relating to lending facilities claiming a total sum of Rs. 27,116,536/- which are at the hearing stage.

- G. In Case No. HCMCA/39/22 in the High Court of Civil Appeal, the Responded has filed the action to set aside the order given in favour of CDB. The matter has been fixed for argument on 17 July 2024.
- H. In Case Nos. SCC/O62 in the Small Claim Court of Dehiyattakandiya and 23241 in the District Court of Homagama CDB has been made a Defendant due to an accident caused by a vehicle leased by CDB claiming a sum of Rs. 854,250
- I. In Case No. DTR/O8/2018 in the District Court of Colombo settlement terms have been entered and in HCR/18/2019 in the High Court of Kurunegala which has been filed for transportation of illegal goods in the vehicle leased by CDB, we do not have any interest in the matter, as the lending facility is settled in full. In Case No.2712/MR in the District Court of Kurunegala CDB has been made a Defendant for a dispute between the Plaintiff and the 3rd Party, , as CDB was the absolute owner at the time of the dispute. However, CDB does not have any interest in the matter, as the lending facility is settled in full
- J. In Case Nos. SPL48/23 in the District Court of Mahara, MR/53/23 in the District Court of Welisara and MISC 36/23 in the District Court of Vavuniya CDB has been made a Defendant for a dispute between the Plaintiff and the 3rd Party, , as CDB was the absolute owner at the time of the dispute claiming a sum of Rs. 12,993,329.
- K. In Case Nos. MCA/179/22 and the MCA/161/22 in the High Court of Colombo, the Defendant-Appellant appealed against the Order given in favour of CDB in Case Nos 16952/6/14 and 22701/6/15 respectively.

Other than matters disclosed above there were no material capital commitments and contingent liabilities that require adjustment to or disclosure in the Financial Statements as at the reporting date.

45 Events that occurred after the reporting date

ACCOUNTING POLICY

Events after the reporting date are those favourable and unfavourable events that occur between the reporting date and the date when Financial Statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate adjustments to/or disclosures have been made in the respective Notes to the Financial Statements.

Dividend payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the Reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard 10 – (LKAS 10) “Events after the Reporting Period”.

Proposed dividend

The board has proposed a first and final dividend of Rs. 7.00 per share for its voting and non-voting share holders for the Financial Year ended 31 March 2024 subject to the approval of the shareholders at the AGM.

46 Segmental analysis

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

its reported revenue, from both external customers and inter segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or

the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or its assets are 10% or more of the combined assets of all operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75% of the entity’s revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity’s revenue is included in reportable segments.

For the Management purposes, the Group has identified four operating segments based on products and services, as follows:

- Leasing and stock out on hire
- Loans and advances
- Others

Operating segment	Type of the product and services offered
Leasing and stock out on hire	Finance lease business and hire purchases of the Company.
Loans and advances	Loans and advances given to customers other than leasing and hire purchases of the Company.
Others	Other products and services which is not included in above two segments included here.

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. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following tables presents the income, profit, asset and liability information on the Company's strategic business divisions for the year ended 31 March 2024 and comparative figures.

For the year ended 31 March	Lease and stock out on hire		Loans and advances		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	11,007,781	9,411,549	7,181,402	7,240,629	4,030,603	3,481,249	22,219,786	20,133,427
Non-interest income							1,674,180	1,427,767
Segmented revenue	11,007,781	9,411,549	7,181,402	7,240,629	4,030,603	3,481,249	23,893,966	21,561,194
Interest cost							13,126,771	12,577,015
Charges for impairment and other credit losses	(379,178)	306,088	395,918	(109,730)	724,176	614,760	740,916	811,118
Segment contribution							10,026,279	8,173,061
Depreciation and amortisation	179,502	214,788	109,419	131,963	143,125	87,095	432,046	433,846
Unallocated expenses							4,994,933	4,639,677
Taxes on financial services							893,116	605,319
Profit from before tax							3,706,184	2,494,219
Income tax expenses							1,190,634	867,336
Profit for the year							2,515,550	1,626,883
As at 31 March								
Segment assets	53,408,026	47,372,021	32,555,848	29,104,867	33,691,266	19,208,957	119,655,139	95,685,845
Additions of property, plant and equipment during the year	95,444	123,963	58,180	76,161	76,511	50,266	230,135	250,390
Unallocated assets							8,892,711	9,229,476
Total assets	53,503,470	47,495,984	32,614,028	29,181,028	33,767,776	19,259,223	128,777,985	105,165,711
Segment liabilities	45,107,707	39,280,736	27,496,236	24,133,667	28,468,937	15,928,009	101,072,880	79,342,411
Unallocated liabilities	-	-	-	-	-	-	7,497,267	7,633,079
Total Liabilities	45,107,707	39,280,736	27,496,236	24,133,667	28,468,937	15,928,009	108,570,147	86,975,490

47 Maturity analysis

ACCOUNTING POLICY

The Company has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets, liabilities and share holders' funds is detailed below:

Maturity analysis as at 31 March 2024

Assets/Liabilities	Note	Maturity period less than 12 months				Maturity period more than 12 months					Total Rs. '000
		Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000	25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	>60 months / Unclassified Rs. '000	
Assets											
Cash and cash equivalents	18	3,642,333	-	-	-	-	-	-	-	-	3,642,333
Loans and receivables to banks	21	7,148,615	696,379	168,225	-	-	-	-	-	-	8,013,219
Deposits with financial institutions	22	9,288	3,428,275	2,303,691	-	-	-	9,167,717	-	-	14,908,971
Loans and receivables to customers	23	16,364,633	12,718,092	5,714,237	12,485,405	15,585,654	12,018,169	10,433,592	644,092	-	85,963,874
Other investment securities	24	296,141	3,092,386	1,502,897	278,461	-	-	-	-	1,956,857	7,126,742
Investment property	25	-	-	-	-	-	-	-	-	535,000	535,000
Property, plant and equipment	26	-	-	-	-	-	-	-	-	3,402,042	3,402,042
Right-of-use asset	27	16,753	33,147	47,149	88,119	147,826	122,868	194,727	230,152	-	880,741
Intangible assets	28	-	-	-	-	-	-	-	-	308,553	308,553
Goodwill on amalgamation	29	-	-	-	-	-	-	-	-	19,628	19,628
Other assets	31	1,036,390	1,650,832	892,172	397,488	-	-	-	-	-	3,976,882
Total assets		28,514,153	21,619,111	10,628,371	13,249,473	15,733,480	12,141,037	10,628,319	10,041,961	6,222,080	128,777,985
Percentage of total assets (%)		22.14	16.79	8.25	10.29	12.22	9.43	8.25	7.80	4.83	
Cumulative percentage (%)		22.14	38.93	47.18	57.47	69.69	79.12	87.37	95.17	100.00	
Liabilities											
Due to banks and financial institutions	32	2,193,349	1,054,315	2,207,171	3,255,761	5,663,399	3,058,074	5,124,870	5,292,225	-	27,849,165
Deposits from customers	33	15,912,105	24,744,110	8,983,533	17,298,269	3,542,948	383,262	2,394,552	-	-	73,258,779
Debt securities issued & subordinated debt	34	-	-	-	1,351,358	1,436,981	-	-	-	-	2,788,338
Lease liabilities	27	17,352	34,330	48,832	91,263	153,102	127,254	201,677	238,367	-	912,177
Current tax liabilities	35	-	1,289,562	-	-	-	-	-	-	-	1,289,562
Deferred tax liabilities	36	107,273	83,452	37,706	81,625	100,938	77,834	67,579	4,174	-	560,581
Retirement benefit obligation	30	-	66,419	-	-	-	-	-	-	-	66,419
Other liabilities	37	535,697	133,994	773,453	401,982	-	-	-	-	-	1,845,126
Total liabilities		18,765,776	27,406,182	12,050,695	22,480,258	10,897,368	3,646,424	7,788,678	5,534,766	-	108,570,147
Shareholders' funds											
Stated capital	38	-	-	-	-	-	-	-	-	2,550,492	2,550,492
Reserves	39	-	-	-	-	-	-	-	-	5,806,374	5,806,374
Retained earnings	40	-	-	-	-	-	-	-	-	11,850,972	11,850,972
Total equity		-	-	-	-	-	-	-	-	20,207,838	20,207,838
Total equity and liabilities		18,765,776	27,406,182	12,050,695	22,480,258	10,897,368	3,646,424	7,788,678	5,534,766	20,207,838	128,777,985
Percentage of total liabilities and equity (%)		14.57	21.28	9.36	17.46	8.46	2.83	6.05	4.30	15.69	
Cumulative percentage (%)		14.57	35.85	45.21	62.67	71.13	73.96	80.01	84.31	100.00	
Maturity gap		9,748,377	(5,787,071)	(1,422,324)	(9,230,785)	4,836,112	8,494,613	2,839,641	4,507,195	(13,985,758)	
Cumulative gap		9,748,377	3,961,306	2,538,982	(6,691,803)	(1,855,690)	6,638,923	9,478,563	13,985,758	-	
Asset/Liability gap - Cumulative (%)		7.57	3.08	1.97	(5.20)	(1.44)	5.16	7.36	10.86	-	

Maturity analysis as at 31 March 2023

Assets/Liabilities	Note	Maturity period less than 12 months				Maturity period more than 12 months					Total Rs. '000
		Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000	25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	>60 months / Unclassified Rs. '000	
Assets											
Cash and cash equivalents	18	3,267,193	-	-	-	-	-	-	-	-	3,267,193
Derivative financial assets	19	925,656	-	-	-	-	-	-	-	-	925,656
Financial assets measured at FVTPL	20	37,041	-	-	-	-	-	-	-	-	37,041
Loans and receivables to banks	21	1,166,430	-	-	-	-	-	-	-	-	1,166,430
Deposits with financial institutions	22	9,599	2,669,868	4,538,857	-	-	-	-	-	-	7,218,324
Loans and receivables to customers	23	20,599,040	7,153,506	4,815,167	9,625,018	13,151,503	10,681,304	9,660,464	790,887	-	76,476,889
Other investment securities	24	829,727	2,732,942	337,357	712,811	-	1,032,685	-	-	1,874,446	7,519,968
Investment property	25	-	-	-	-	-	-	-	-	535,000	535,000
Property, plant and equipment	26	-	-	-	-	-	-	-	-	3,382,065	3,382,065
Right-of-use-asset	27	14,885	29,451	41,892	78,292	131,343	109,168	173,014	204,488	-	782,533
Intangible assets	28	-	-	-	-	-	-	-	-	265,691	265,691
Goodwill on amalgamation	29	-	-	-	-	-	-	-	-	45,225	45,225
Retirement benefit asset	30	-	-	-	21,957	32,749	53,385	53,386	169,836	-	331,313
Other assets	31	626,950	1,299,748	857,873	427,812	-	-	-	-	-	3,212,383
Total assets		27,476,521	13,885,515	10,591,146	10,865,890	13,315,595	11,876,542	9,886,864	1,165,211	6,102,427	105,165,711
Percentage of total assets (%)		26.13	13.20	10.07	10.33	12.66	11.29	9.40	1.11	5.80	
Cumulative percentage (%)		26.13	39.33	49.40	59.73	72.39	83.69	93.09	94.20	100.00	
Liabilities											
Due to banks and financial institutions	32	2,236,153	5,502,341	3,400,769	2,727,643	2,022,083	646,528	75,000	-	-	16,610,517
Deposits from customers	33	13,434,737	17,311,948	7,997,133	18,352,361	2,702,973	1,013,615	2,020,104	42,355	-	62,875,226
Debt securities issued & subordinated debt	34	-	-	-	1,122,252	1,300,587	1,427,343	-	-	-	3,850,182
Lease liabilities	27	15,827	31,317	44,546	83,252	139,662	116,083	183,973	217,442	-	832,102
Current tax liabilities	35	-	1,053,990	-	-	-	-	-	-	-	1,053,990
Deferred tax liabilities	36	108,790	37,780	25,431	50,833	69,458	56,412	51,020	4,177	-	403,901
Other liabilities	37	348,084	116,474	535,591	349,423	-	-	-	-	-	1,349,572
Total liabilities		16,143,591	24,053,850	12,003,470	22,685,764	6,234,763	3,259,981	2,330,097	263,974	-	86,975,490
Shareholders' funds											
Stated capital	38	-	-	-	-	-	-	-	-	2,361,947	2,361,947
Reserves	39	-	-	-	-	-	-	-	-	4,531,003	4,531,003
Retained earnings	40	-	-	-	-	-	-	-	-	11,297,271	11,297,271
Total equity		-	-	-	-	-	-	-	-	18,190,221	18,190,221
Total equity and liabilities		16,143,591	24,053,850	12,003,470	22,685,764	6,234,763	3,259,981	2,330,097	263,974	18,190,221	105,165,711
Percentage of total liabilities and equity (%)		15.55	23.26	11.42	21.42	5.74	2.89	2.22	0.25	17.26	
Cumulative percentage (%)		15.55	38.81	50.23	71.64	77.38	80.27	82.49	82.74	100.00	
Maturity gap		11,332,930	(10,168,335)	(1,412,324)	(11,819,874)	7,080,832	8,616,561	7,556,767	901,237	(12,087,794)	
Cumulative gap		11,332,930	1,164,595	(247,729)	(12,067,603)	(4,986,771)	3,629,790	11,186,557	12,087,794	-	
Asset/Liability gap - Cumulative percentage (%)		7.58	0.52	(0.83)	(11.91)	(4.99)	3.42	10.60	11.46	-	

48 Comparative information

ACCOUNTING POLICY

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to conform with the current year's classification in order to provide better presentation.

Other than disclosed in below, there were no any other significant reclassifications have been made during the reporting periods of 2023/24 and 2022/23.

As at 31 March	Current presentation Rs. '000	As disclosed previously Rs. '000
Statement of financial Position		
Contingencies and commitments	4,680,123	4,550,869

Litigations against the Company previously disclosed under notes in the financial statements have been reclassified to the contingencies and commitments for better presentation.

49 Financial risk management

FINANCIAL RISK MANAGEMENT FRAMEWORK

Introduction and overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Company Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring Company's risk management policies.

The Company's board risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how Management monitors compliance with the Company's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's

Board Audit Committee is assisted in its oversight role by internal audit division. Internal audit division undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Board Audit Committee.

The Company has exposure to the following risks from the financial instruments:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Operational risk

This Note presents the information about the Company's objectives, policies and processes for measuring and managing risk.

Future outlook and going concern

Sri Lanka has been navigating through an unprecedented economic crisis that has inflicted significant hardships on its population. In response, Sri Lanka sought assistance from the IMF, and in March 2023, the IMF approved a 48-month Extended Fund Facility totalling approximately US\$3 billion, alongside comprehensive economic reform program. This IMF financing has played a crucial role in averting more severe outcomes, notably seen in 2022 when government spending exceeded revenue by more than double.

The IMF financing allows for the gradual implementation of reforms, stimulates additional funding from other multilateral and bilateral partners, and is anticipated to reassure creditors regarding the restoration of debt repayment capacity and the merits of the reforms, potentially paving the way for debt relief.

The implemented economic reform program is beginning to show signs of success, as evidenced by the positive growth of the Real GDP, which recorded a year-on-year increase of 1.6 percent in the third quarter of 2023. Inflation has notably eased, further indicating a broadening recovery.

Further the decrease of policy rates and subsequent decrease in treasury bills rates compelled the market rates to decrease significantly. The Company is currently implementing the risk mitigation strategies to reduce the impact from repricing risk. Moreover the current the turnaround in Country's economic stance may result in positive atmospheres on funding and liquidity. The Company has always maintained its capital and liquidity buffers over and above the regulatory minimum levels. Hence the Company's ability to withstand the shocks, stands at a higher level.

During the preparation of financial statements for the year ended 31 March 2024 management has made an assessment of an entity's ability to continue as a going concern using the all available information about the future and capturing the current economic uncertainties and market volatility. During this exercise Management has paid special attention to below factors

- Management has used best estimates to identify the risk factors in different possible outcomes in current economic uncertainty and market volatility caused by prevailing economic and political condition
- Evaluation of plans to mitigate events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Assessment of the availability of finance and ensure these plans are achievable and realistic despite of having difficulties in collections of dues and the difficulties in getting funding lines from banks and other financial institutions. Based on the assessment conducted it was concluded that the Company was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.

Further the Company has made the assessment of going concern considering a wide range of factors in multiple scenarios such as best case, most likely and worst case. The major factors include retention and renewal of deposits, relaxation of regulatory aspects, profitability based on income and cost management projections, excess liquidity, strengthening recovery actions, undrawn loan facilities and potential funding lines.

Having evaluated the above by the Management concludes that the Company has adequate resources to continue as a going concern.

A. CREDIT RISK

"Credit risk" is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk including contingent or potential credit exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads is managed as a component of market risk; for further details, see (C) below.

i. Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Company credit committee.

ii. Management of credit risk

The principal objective of risk management is to maintain strong risk culture across the Company which is responsible for leading and robust risk policies and control framework to reinforcement and challenge in defining, implementing and controlling evaluating our risk appetite under both actual and simulated scenarios and to establish independent evaluation of cost and their mitigation.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Board Credit Committee (BCC).

A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of credit, the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Company is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Head of business Unit who reports on all credit-related matters to management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and credit processes are undertaken by internal audit.

B. LIQUIDITY RISK

“Liquidity risk” is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. Management of liquidity risk

The objective of the Company’s liquidity risk management framework is to ensure that the Company can fulfil its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company’s Board of Directors sets the Company’s strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to Asset and Liability Committee (ALCO). ALCO approves the Company’s liquidity policies and procedures. Treasury department manages the Company’s liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company’s approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The key elements of the Company’s liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits corporate funding parties both local and foreign and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Company’s financial assets and financial liabilities, and the extent to which the Company’s assets are encumbered and so not available as potential collateral for potential funding.
- Carrying out stress testing of the Company’s liquidity position.

Treasury division receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury division then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company as a whole. Cost of liquid assets also been considered while assessing treasury performance based on fund transfer pricing ratios at treasury and ALCO committee.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g., a rating downgrade) and market-related events (e.g., prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

C. MARKET RISK

“Market risk” is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor’s/issuer’s credit standing) – will affect the Company’s income or the value of its holdings of financial instruments.

i. Management of market risk

The objective of the Company’s market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company’s solvency while optimising the return and risk.

Overall authority for market risk is vested in ALCO and Investment committee. ALCO sets up limits for each type of risk aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. ALCO is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

ii . Exposure to market risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. Equity price risk is subject to regular monitoring by investment committee and corporate finance, but is not currently significant in relation to the overall results and financial position of the Company. In respect of foreign currency, the Company monitors any concentration risk in relation to any individual currency with regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Company. All the other significant foreign currency exposures were fully hedged using different mechanisms to minimize financial impact from adverse fluctuation in foreign currencies.

D. OPERATIONAL RISK

“Operational risk” is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Company Risk Committee, which is responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective.

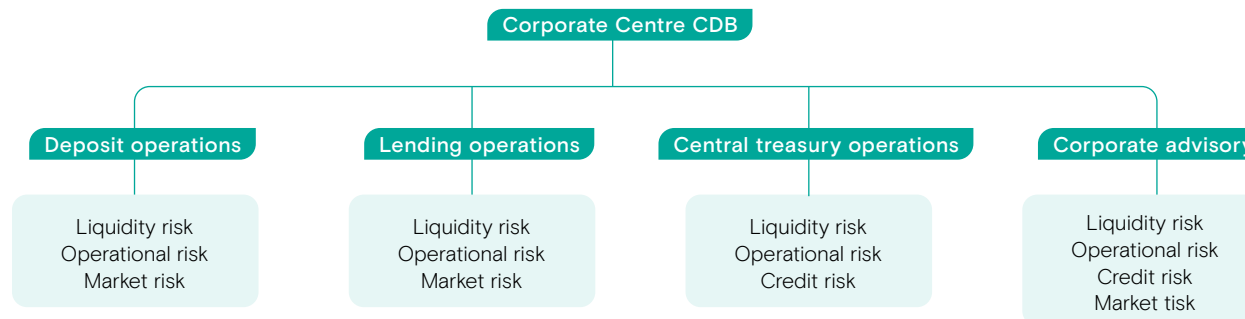
Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Company.

Integrated risk management division

Primarily, business divisions and respective risk owners are responsible for risk management. The risk management division acts as the Second Line of Defence in managing the risks faced by the Company. Division has taken leadership in building a strong risk culture which is embedded through clear and consistent communication and appropriate training for all employees. Chief Risk Officer reports risk identified through robust risk reporting framework, risk measurement techniques, stress testing and other risk measures to the relevant Management level Committees and BIRMC.

Financial risk review of the Company

This presents information about the Company's exposure to financial risks and the Company's management of capital.



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A. Credit risk

A.I Credit quality analysis

The tables below sets out information about the credit quality of financial assets held by Company net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 – “Financial Instruments” the Company manages credit quality using a three stage approach.

Stage One	12 months expected credit losses (ECL)
Stage Two	Life time expected credit losses (ECL) – Not credit impaired
Stage Three	Lifetime expected credit losses (ECL) – Credit impaired

Stage 1 : 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months from the reporting date is recognised.

Stage 2 : Lifetime ECL – Not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3 : Lifetime ECL – Credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

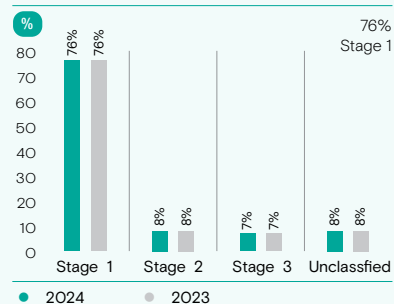
Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

As at 31 March 2024			12 months ECL	Life Time ECL – Not credit impaired	Life time ECL – Credit impaired	Unclassified	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	18	208	3,642,333				3,642,333
Loans and receivables to banks	21	210	8,013,219				8,013,219
Deposits with financial institutions	22	211	14,908,971				14,908,971
Loans and receivables to customers	23	211	65,252,147	11,133,409	9,578,318		85,963,874
Other investment securities	24	214	7,126,742				7,126,742
Other non-financial assets						9,122,846	9,122,846
Total assets			98,943,412	11,133,409	9,578,318	9,122,846	128,777,985

As at 31 March 2023

	Note	Page No.	12 months ECL Rs. '000	Life Time ECL – Not credit impaired Rs. '000	Life time ECL – Credit impaired Rs. '000	Unclassified Rs. '000	Total Rs. '000
Cash and cash equivalents	18	208	3,267,193				3,267,193
Derivative financial assets	19	208	925,656				925,656
Financial assets measured at FVTPL	20	210	37,041				37,041
Loans and receivables to banks	21	210	1,166,430				1,166,430
Deposits with financial institutions	22	211	7,218,324				7,218,324
Loans and receivables to customers	23	211	60,168,507	8,723,395	7,584,987		76,476,889
Other investment securities	24	214	7,519,968				7,519,968
Other non-financial assets						8,554,210	8,554,210
Total assets			80,303,119	8,723,395	7,584,987	8,554,210	105,165,711

TOTAL ASSETS BASED ON THREE STAGE APPROACH



Default definition was changed from 150DPD to 120 DPD with effect from 1 April 2022 and 90 DPD with effect from 1 April 2023 due to the adoption of the Direction No. 01 of 2020 issued by the Central Bank of Sri Lanka on classification and measurement of credit facilities.

Amounts arising from Expected Credit Losses (ECL)

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – “Financial Instruments”.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and expert credit assessment and including forward-looking information.

Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors

that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is assessed at initial recognition based on available information

about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade based on 3-stage model. The monitoring typically involves use of the following data:

Corporate exposures

Information obtained during periodic review of customer files – e.g. Audited financial statements, management accounts, budgets and projections.

Data from credit reference agencies, press articles, changes in external credit ratings

Actual and expected significant changes in the political, regulatory and

technological environment of the borrower or in its business activities

Retail exposures

Internally collected data on customer behaviour

Affordability metrics

External data from credit reference agencies including industry-standard credit scores

All exposures

Payment record – this includes overdue status as well as a range of variables about payment ratios

Requests for and granting of forbearance

Existing and forecast changes in business, financial and economic conditions

Generating the term structure of probability of default (PD)

Days past due has taken as the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by the type of product and the borrower. For some portfolios, information gathered from external credit agencies is also used. (Debt Investments)

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

Using variety of external actual and forecasted information, the Company formulates a “base case” view of the future direction of relevant economic variables (GDP growth, inflation, interest rates and unemployment, with lag effect of these variables) as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – “Financial Instruments”. The criteria for determining whether credit risk

has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully-reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset’s credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Company renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Under the Company’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Company’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company’s ability to collect interest and principal and the Company’s previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default.
- In assessing whether a borrower is in default, the Company considers indicators that are:
 - qualitative – e.g., breaches of covenant;
 - quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
 - based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a “base case” view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios

and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The Economic variables used by the Company based on the statistical significance include the following:

Unemployment rate	
Interest rate	Base case scenario along with two other scenarios has been used (Best
GDP Growth rate	Case and Worst Case)
Inflation rate	

As at 31 March 2024, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the company's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12 months PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual

period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular company remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

Movements in allowance for expected credit losses (Stage transition)

As at 31 March	2024			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	1,149,296	893,185	2,886,834	4,929,315
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(311,908)	192,888	119,020	-
Transferred from lifetime ECL not credit-impaired	169,449	(428,523)	259,074	-
Transferred from lifetime ECL credit-impaired	95,305	68,398	(163,703)	-
Net remeasurement of loss allowance	67,646	(118,001)	67,095	16,740
Balance as at the end of the year	1,169,788	607,947	3,168,320	4,946,055

As at 31 March	2023			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	1,335,031	702,089	2,695,837	4,732,957
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(334,679)	202,289	132,390	-
Transferred from lifetime ECL not credit-impaired	203,678	(511,102)	307,424	-
Transferred from lifetime ECL credit-impaired	19,351	12,614	(31,965)	-
Net remeasurement of loss allowance	(74,085)	487,295	(216,852)	196,358
Balance as at the end of the year	1,149,296	893,185	2,886,834	4,929,315

Loans and receivables to customers – Credit grade based on delinquency

The following table shows the loans and receivables to customers based on delinquency and expected credit losses for each stage of loss allowances:

As at 31 March 2024	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	52,998,648			52,998,648
Grade 2 – Low risk	13,423,287			13,423,287
Grade 3 – Watch list		7,091,348		7,091,348
Grade 4 – Watch list		4,650,007		4,650,007
Grade 5 – Default			1,842,853	1,842,853
Grade 6 – Default			1,080,590	1,080,590
Grade 7 – Default			736,841	736,841
Grade 8 – Default			9,086,355	9,086,355
Gross loans and receivables to customers	66,421,935	11,741,355	12,746,639	90,909,929
Expected credit loss allowance	(1,169,788)	(607,947)	(3,168,321)	(4,946,055)
Net loans and receivables to customers	65,252,147	11,133,409	9,578,318	85,963,874

As at 31 March 2023	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	16,892,530			16,892,530
Grade 2 – Low risk	34,150,407			34,150,407
Grade 3 – Low risk	10,274,866			10,274,866
Grade 4 – Watch list		6,855,537		6,855,537
Grade 5 – Watch list		2,761,043		2,761,043
Grade 6 – Default			832,041	832,041
Grade 7 – Default			665,666	665,666
Grade 8 – Default			8,974,114	8,974,114
Gross loans and receivables to customers	61,317,803	9,616,580	10,471,821	81,406,204
Expected credit loss allowance	(1,149,296)	(893,185)	(2,886,834)	(4,929,315)
Net loans and receivables to customers	60,168,507	8,723,395	7,584,987	76,476,889

Stage transition on loans and receivables to customers

The following table shows the net loans and receivables to customers based on 3-stage approach:

As at 31 March 2024	12 months ECL Rs. '000	Lifetime ECL - Not credit impaired Rs. '000	Lifetime ECL - Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at beginning of the year	60,168,507	8,723,395	7,584,987	76,476,889
Changes due to loans and receivables recognised in opening balance that have				
- Transferred from 12 months ECL	(8,765,757)	6,114,059	2,651,698	-
- Transferred from lifetime ECL not credit impaired	1,313,176	(3,009,594)	1,696,418	-
- Transferred from lifetime ECL credit impaired	383,414	264,790	(648,204)	-
Financial assets that have been derecognised	(26,371,595)	(4,327,063)	(2,680,422)	(33,379,080)
Net change in expected credit loss allowance	67,646	(118,001)	67,095	16,740
Other net changes in portfolio	38,456,756	3,485,822	906,746	42,849,324
Balance as at the end of the year	65,252,147	11,133,408	9,578,319	85,963,874
As at 31 March 2023				
Loans and receivables to customer				
Balance as at beginning of the year	70,714,837	5,892,168	2,118,305	78,725,310
Changes due to loans and receivables recognised in opening balance that have				
- Transferred from 12 months ECL	(7,391,188)	4,714,822	2,676,366	-
- Transferred from lifetime ECL not credit impaired	1,428,951	(2,950,564)	1,521,613	-
- Transferred from lifetime ECL credit impaired	70,510	45,407	(115,917)	-
Financial assets that have been derecognised	(12,217,334)	(1,533,386)	(1,071,380)	(14,822,100)
Net change in expected credit loss allowance	(74,085)	487,295	(216,852)	196,358
Other net changes in portfolio	7,636,816	2,067,653	2,672,852	12,377,321
Balance as at the end of the year	60,168,507	8,723,395	7,584,987	76,476,889

Maximum exposure to credit risk – based on aging

Table below shows the maximum exposure to credit risk based on the aging of each instrument:

As at 31 March	Loans and receivables to customers		Loans and receivables to banks		Deposits with financial institutions		Other investment securities and financial assets measured at FVTPL	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at amortised cost								
0-30 days	66,421,934	54,673,073	8,013,219	1,166,430	14,937,730	7,247,083	7,126,743	7,519,969
31-60 days	7,091,349	9,623,417	-	-	-	-	-	-
61-90 days	4,650,007	4,587,404	-	-	-	-	-	-
Above 90 days	12,746,639	12,522,310	-	-	-	-	-	-
Total gross amount	90,909,929	81,406,204	8,013,219	1,166,430	14,937,730	7,247,083	7,126,743	7,519,969
Allowance for impairment	(4,946,055)	(4,929,315)	-	-	(28,759)	(28,759)	(1)	(1)
Net carrying amount	85,963,874	76,476,889	8,013,219	1,166,430	14,908,971	7,218,324	7,126,742	7,519,968
Financial assets measured at FTVPL								
0 days	-	-	-	-	-	-	-	37,041
Total gross amount	-	-	-	-	-	-	-	37,041
Allowance for impairment	-	-	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-	-	37,041
Maximum exposure	85,963,874	76,476,889	8,013,219	1,166,430	14,908,971	7,218,324	7,126,742	7,557,009

Age represents the period in days which any amount uncollected or due beyond their contractual due date. For rescheduled loans age is calculate based on the initial due date of the original contract.

A.II Impaired financial instruments**Impaired loans and receivables and other financial instruments**

The Company regards a loan and receivable or a other financial instrument impaired when there is an objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s). As per SLFRS 9 – “Financial Instruments” stage three assets are considered as credit impaired.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

As at 31 March	2024	2023
	Rs. '000	Rs. '000
Impaired financial instruments		
Loans and receivables to customers	9,578,319	7,584,987
Total credit impaired value	9,578,319	7,584,987

Loans and receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

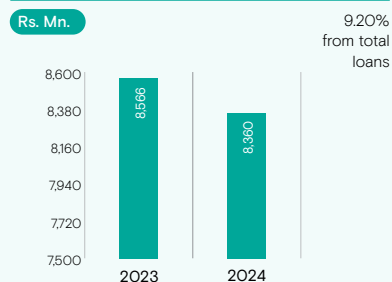
The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

As at 31 March	2024	2023
Gross carrying amount (Rs. '000)	8,359,884	8,565,678
Total gross loans and receivables (Rs. '000)	90,909,929	81,406,204
Percentage of renegotiated loans (%)	9.20	10.52

RENEGOTIATED FACILITIES



Write-off policy

The Company writes-off a loan or an investment debt/equity security balance and any related allowances for impairment losses, when it determines that the loans security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions

generally are based on a product-specific past due status. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

A.III Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

As at 31 March	Note	Page No.	Percentage of exposure that is subject to collateral requirements		Type of collateral Held
			2024 %	2023 %	
Loans and receivables to banks					
Securities purchased under resale agreements	22	211	100	100	Marketable Securities
Loans and receivable to customers					
Lease and hiring contracts	24	214	100	100	Vehicles
Mortgage loan	24	214	100	100	Property and equipment
Personal loans and staff loans	24	214	100	100	Vehicles and guarantors
Loans against deposits	24	214	100	100	Lien deposits
Gold loans	24	214	100	100	Pawning articles
Margin trading	24	214	100	100	Equity securities

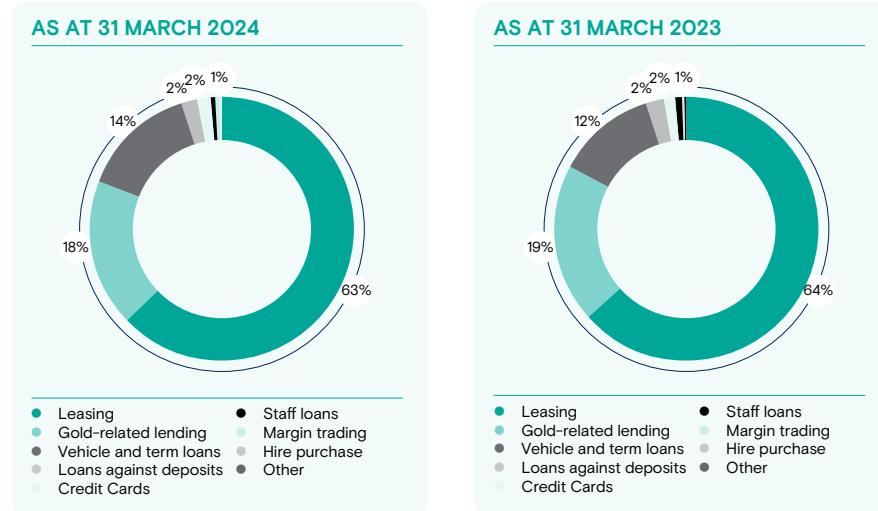
A.IV Concentration of credit risk

Company reviews on regular basis its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained. The diversification decisions are made at the ALCO, where it sets targets and present strategies to the Management in optimising the diversification. The product development team of the Company is advised on the strategic decisions taken to diversify the portfolio to align their product development activities accordingly.

The Company monitors concentration of credit risk by product, by sector and by geographical location. An analysis of concentrations of credit risk of loan and receivable to customers and other financial investments is shown below:

Product concentration

The Company monitors concentration of credit risk by product categories and analysis is shown below:



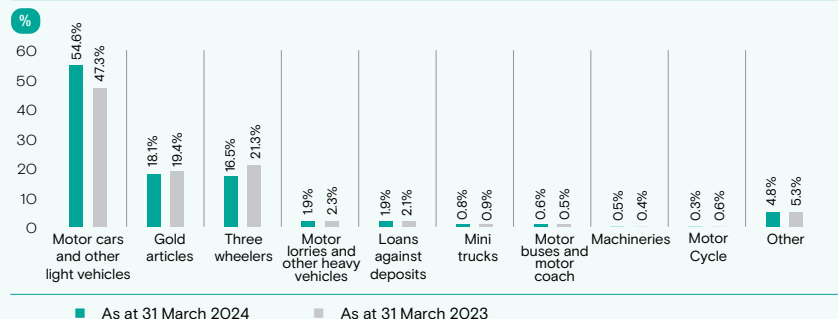
As at 31 March	2024		2023	
	Rs. '000	%	Rs. '000	%
Leasing	57,117,651	62.8	51,772,443	63.6
Gold-related lending	16,486,801	18.1	15,789,950	19.4
Vehicle and term loans	12,934,041	14.2	9,822,536	12.1
Loans against deposits	1,762,646	1.9	1,741,277	2.1
Credit cards	1,536,042	1.7	1,287,710	1.6
Staff loans	528,083	0.6	539,040	0.7
Margin trading	450,831	0.5	345,696	0.4
Hire purchase	71,537	0.1	74,395	0.1
Other	22,297	0.1	33,157	0.0
Gross loans and receivables to customers	90,909,929	100.0	81,406,204	100.0

Asset concentration

The Company monitors concentration of credit risk by asset categories and an analysis is shown below:

As at 31 March	2024		2023	
	Rs. '000	%	Rs. '000	%
Motor cars and other light vehicles	49,595,260	54.6	38,470,809	47.3
Gold articles	16,486,801	18.1	15,789,950	19.4
Three wheelers	15,009,378	16.5	17,307,724	21.3
Motor lorries and other heavy vehicles	1,764,202	1.9	1,833,987	2.3
Loans against deposits	1,762,646	1.9	1,741,277	2.1
Mini trucks	741,012	0.8	725,067	0.9
Motor buses and motor coach	526,661	0.6	394,887	0.5
Machineries	411,157	0.5	365,143	0.4
Motor cycle	267,462	0.3	475,944	0.6
Other	4,345,350	4.8	4,301,416	5.2
Gross loans and receivables to customers	90,909,929	100.0	81,406,204	100.0

ASSET CONCENTRATION



Geographical concentration

Company reviews its geographical diversification on regular basis at the credit committee / ALCO and sets long-term target in achieving a geographically well-diversified credit portfolio. Company's strategy on geographical diversification was executed through the establishment of a distribution network for the Company. The geographical concentration is considered when selecting prospective locations for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

As at 31 March	2024		2023	
	Rs. '000	%	Rs. '000	%
Western	45,898,595	50.5	43,747,356	53.7
North Western	11,862,127	13.0	9,795,038	12.0
Central	8,095,069	8.9	6,666,745	8.2
Sabaragamuwa	7,776,127	8.6	7,043,464	8.7
Southern	6,672,226	7.3	5,586,276	6.9
Uva	4,428,988	4.9	3,224,412	4.0
North Central	3,352,085	3.7	2,760,658	3.4
Eastern	1,854,862	2.0	1,714,038	2.1
North	969,850	1.1	868,217	1.0
Gross loans and receivables to customers	90,909,929	100.0	81,406,204	100.0

Sector-wise analysis of credit exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on the vehicle-related financing of the Company there is an inherent concentration on the transportation sector.

Company has set targets to bring down the exposures to risk elevated industries to a level accepted by the Company based on its risk appetite.

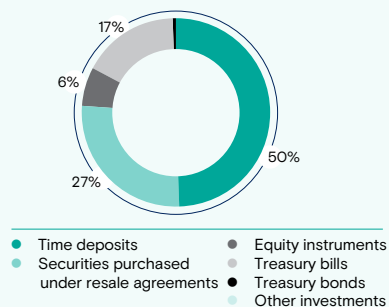
As at 31 March	2024		2023	
	Rs. '000	%	Rs. '000	%
Consumption and other	31,254,627	34.4	30,361,499	37.3
Transport	25,366,939	27.9	13,113,248	16.1
Commercial	18,760,043	20.6	14,851,715	18.2
Service	7,601,358	8.4	13,765,620	16.9
Housing and property development	3,692,459	4.1	3,706,938	4.6
Agricultural	2,170,129	2.4	3,001,516	3.7
Tourism	2,005,151	2.2	1,402,763	1.7
Financial services	41,659	0.0	1,151,930	1.4
Industrial	17,562	0.0	50,975	0.1
Gross loans and receivables to customers	90,909,929	100.0	81,406,204	100.0

Concentration of other financial investments

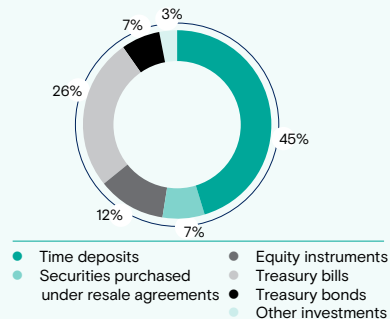
Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVTPL, loans and receivables to banks, deposits with financial institutions and other investment securities.

As at 31 March	2024		2023	
	Rs. '000	%	Rs. '000	%
Time deposits	14,908,971	49.6	7,218,324	45.3
Securities purchased under resale agreements	8,013,219	26.7	1,166,430	7.3
Equity instruments	1,956,856	6.5	1,874,446	11.8
Treasury bills	5,028,839	16.7	4,158,777	26.1
Treasury bonds	-	-	1,069,727	6.7
Other investments	141,047	0.5	454,060	2.8
Total other financial investments	30,048,932	100.0	15,941,764	100.0

AS AT 31 MARCH 2024



AS AT 31 MARCH 2023



A.V Offsetting financial assets and liabilities

The disclosure set out in the table below include financial assets and liabilities that are offset in the Company's Statement of Financial Position or that are subject to an enforceable master netting arrangement or similar financial agreements. Similar financial agreements include sale and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

Master netting arrangements do not meet the criteria for offsetting in the Statement of Financial Position until event of default is occurred. Table below shows financial assets subject to offsetting, enforceable master netting agreements and similar agreements:

As at 31 March 2024

	Gross amount recognised in financial assets Rs. '000	Gross amount recognised in financial liabilities		Net exposure Rs. '000	Underlying security
		Offset in Statement of Financial Position Rs. '000	Not offset in Statement of Financial Position Rs. '000		
Types of financial assets					
Securities purchased under resale agreements	8,013,219	-	8,013,219	-	Treasury bills
Loans and receivables to customers	1,762,646	-	1,762,646	-	Term deposits

As at 31 March 2023

	Gross amount recognised in financial assets Rs. '000	Gross amount recognised in financial liabilities		Net exposure Rs. '000	Underlying security
		Offset in Statement of Financial Position Rs. '000	Not offset in Statement of Financial Position Rs. '000		
Types of financial assets					
Securities purchased under resale agreements	1,166,430	-	1,166,430	-	Treasury bills
Loans and receivables to customers	1,741,277	-	1,741,277	-	Term deposits

A.VI Sensitivity of impairment provision on loans and receivables

As at 31 March 2024	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/ (Decrease) in impairment provision]				Sensitivity effect on income Rs. '000
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	35,509	14,567	-	50,076	50,076
PD 1% increase across all age buckets	(35,509)	(14,567)	-	(50,076)	(50,076)
LGD 1% increase	73,724	51,089	104,382	229,196	229,196
LGD 1% decrease	(73,724)	(51,089)	(104,382)	(229,196)	(229,196)

As at 31 March 2023	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/ (Decrease) in impairment provision]				Sensitivity effect on income Rs. '000
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	44,076	17,380	-	61,456	61,456
PD 1% increase across all age buckets	(44,076)	(17,380)	-	(61,456)	(61,456)
LGD 5% increase	52,671	44,730	95,557	192,959	192,959
LGD 5% decrease	(52,671)	(44,730)	(95,557)	(192,959)	(192,959)

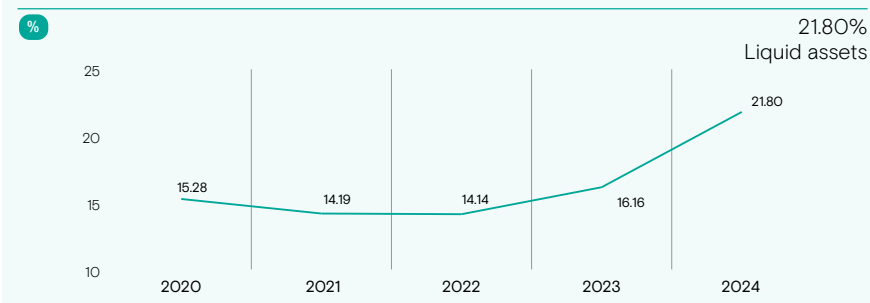
B. Liquidity risk

B.I Exposure to liquidity risk

The key ratio used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, "net liquid assets" includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

As at 31 March	2024 %	2023 %
As at 31 March	21.80	16.16
Average for the period	17.30	13.22
Maximum for the period	23.34	16.16
Minimum for the period	14.77	11.32

LIQUIDITY RATIO



Minimum liquidity requirement

As per the Direction 4 of 2013 of Central Bank of Sri Lanka, every finance company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets:

As at 31 March	2024 Rs. '000	2023 Rs. '000
Required minimum amount of liquid assets	8,783,382	7,381,141
Total liquid assets	18,804,854	11,705,814
Excess liquidity	10,021,472	4,324,673

B.II Maturity analysis for financial liabilities and financial assets

Detailed maturity analysis is given in Note 47 on page 242.

The amounts shown in the maturity analysis above have been compiled by applying discounted cash flows which exclude future interest which is applicable. Some estimated maturities will be vary due to changes in contractual cashflows such as early repayment option of loans and receivables. As a part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and debt securities which can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of Company's non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date:

As at 31 March	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Financial assets				
Loans and receivables to customers	23		38,417,524	34,284,158
Other investment securities	24		9,421,176	2,907,131
Total financial assets			47,838,700	37,191,289
Financial liabilities				
Due to banks and financial institutions	32		19,138,568	2,743,611
Deposits from customers	33		6,320,762	5,779,047
Debt securities issued and subordinated debt	34		1,436,981	2,305,700
Total financial liabilities			26,896,311	10,828,358

B.III Liquidity reserves

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2024 Rs. '000	2023 Rs. '000
Cash and balances with other banks	2,972,067	2,850,568
Other cash and cash equivalents	3,062,799	2,749,736
Investments in Government securities	12,769,988	6,105,510
Total liquidity reserves	18,804,854	11,705,814

B.IV Financial assets available for future funding

The table below sets out the availability of the Company's financial assets to support future funding.

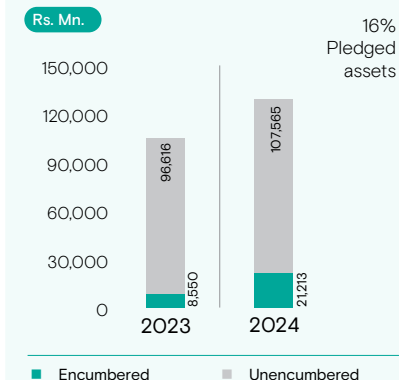
As at 31 March 2024	Assets	Note	Page No.	Encumbered			Unencumbered		Total
				Nature of liability	Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	
	Cash and cash equivalents	18	208		-	-	-	3,642,333	3,642,333
	Loans and receivables to banks	21	210	Due to banks and financial institutions	326,463	-	-	7,686,756	8,013,219
	Deposits with financial institutions	22	211	Due to banks and financial institutions	11,204,040	-	3,704,931	-	14,908,971
	Loans and receivables to customers	23	211	Due to banks and financial institutions	5,209,233	-	54,049,925	22,231,547	85,963,874
				Debt securities issued and subordinated debt	4,473,169	-	-	-	-
	Other investment securities	24	214		-	-	-	7,126,742	7,126,742
	Non-financial assets			Property, plant and equipment	634,000	-	8,448,846	-	9,122,846
	Total assets				21,846,905	-	66,243,702	40,637,378	128,777,985

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.

As at 31 March 2023	Assets	Note	Page No.	Encumbered		Unencumbered		Total
				Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	
	Cash and cash equivalents	18	208	-	-	-	3,267,193	3,267,193
	Derivative financial assets	19	208	-	-	-	925,656	925,656
	Financial assets measured at FVTPL	20	210	-	-	-	37,041	37,041
	Loans and receivables to banks	21	210	311,972	-	-	854,458	1,166,430
	Deposits with financial institutions	22	211	3,960,376	-	3,257,948	-	7,218,324
	Loans and receivables to customers	23	211	4,277,271	-	55,895,326	16,304,292	76,476,889
	Other investment securities	24	214	-	-	-	7,519,968	7,519,968
	Non-financial assets			-	-	8,554,210	-	8,554,210
	Total assets			8,549,619	-	67,707,484	28,908,608	105,165,711

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.

**FINANCIAL ASSETS PLEDGED
AS COLLATERAL**

B.V Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and the undiscounted cash flows of its financial liabilities as at 31 March 2024 and 31 March 2023.

As at 31 March 2024	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Financial Assets							
Cash and cash equivalents	3,642,333	-	-	-	-	-	3,642,333
Loans and receivables to banks	-	8,030,140	-	-	-	-	8,030,140
Deposits with financial institutions	-	4,289,937	796,000	5,729,489	3,945,856	2,954,000	17,715,282
Loans and receivables to customers	7,116,338	7,721,527	24,626,517	39,132,001	12,778,265	752,966	92,127,614
Other investment securities	-	6,993,924	300,000	-	-	-	7,293,924
Total undiscounted financial assets	10,758,671	27,035,528	25,722,517	44,861,490	16,724,121	3,706,966	128,809,293
Financial Liabilities							
Due to banks and financial institutions	193,360	3,640,368	5,164,954	9,950,337	8,448,172	8,471,342	35,868,533
Deposits from customers	3,180,897	38,739,456	28,878,027	5,309,672	4,070,410	-	80,178,462
Debt securities issued and subordinated debt	-	1,812,661	2,073,567	-	-	-	3,886,228
Lease liabilities	-	62,181	180,640	442,429	395,247	431,664	1,512,161
Total undiscounted financial liabilities	3,374,257	44,254,666	36,297,188	15,702,438	12,913,829	8,903,006	121,445,384
Net liquidity position	7,384,414	(17,219,138)	(10,574,671)	29,159,052	3,810,292	(5,196,040)	7,363,909
As at 31 March 2023							
Financial Assets							
Cash and cash equivalents	3,267,193	-	-	-	-	-	3,267,193
Derivative financial assets	-	925,656	-	-	-	-	925,656
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	50,000	-	-	-	50,000
Loans and receivables to banks	-	1,032,633	153,674	-	-	-	1,186,307
Deposits with financial institutions	-	2,963,922	2,559,162	1,797,003	-	-	7,320,087
Loans and receivables to customers	7,071,193	6,818,234	19,665,226	35,914,740	12,547,555	835,012	82,851,960
Other investment securities	-	5,174,569	1,113,316	1,350,000	-	-	7,637,885
Total undiscounted financial assets	10,338,386	16,915,014	23,541,378	39,061,743	12,547,555	835,012	103,239,088
Financial Liabilities							
Due to banks and financial institutions	723,621	2,728,979	8,051,022	3,333,013	84,945	-	14,921,580
Deposits from customers	2,730,101	30,254,479	31,205,767	4,465,048	3,702,525	-	72,357,920
Debt securities issued and subordinated debt	-	1,640,312	3,405,648	-	-	-	5,045,960
Lease liabilities	-	61,961	161,541	377,081	328,508	327,343	1,256,434
Total undiscounted financial liabilities	3,453,722	34,685,731	42,823,978	8,175,142	4,115,978	327,343	93,581,894
Net liquidity position	6,884,664	(17,770,717)	(19,282,600)	30,886,601	8,431,577	507,669	9,657,194

B.VI Commitments and Guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 March 2024				
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	Total Rs. '000
Guarantees	2,000	23,150	29,750	54,900
Litigations against the Company	-	38,952	53,054	92,006
Undrawn commitments	-	4,788,886	-	4,788,886
Capital commitments	-	-	1,076,711	1,076,711
Total contingencies and commitments	2,000	4,850,988	1,159,515	6,012,503

As at 31 March 2023				
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	Total Rs. '000
Litigations against the Company	-	129,254	-	129,254
Undrawn commitments	-	4,073,316	-	4,073,316
Capital commitments	-	-	477,553	477,553
Total contingencies and commitments	-	4,202,570	477,553	4,680,123

C. Market risk

c. i. Exposure to market risk

The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at 31 March 2024					Market risk measure	
	Note	Page No.	Carrying amount Rs. '000	Trading assets Rs. '000	Non-trading assets Rs. '000	
Assets subject to market risk						
Cash and cash equivalents	18	208	3,642,333	-	3,642,333	
Loans and receivables to banks	21	210	8,013,219	-	8,013,219	
Deposits with financial institutions	22	211	14,908,971	-	14,908,971	
Loans and receivables to customers	23	211	85,963,874	-	85,963,874	
Other investment securities	24	214	7,126,742	-	7,126,742	
Total assets subject to market risk			119,655,139	-	119,655,139	
Liabilities subject to market risk						
Due to banks and financial Institutions	32	230	27,849,165	-	27,849,165	
Deposits from customers	33	231	73,258,779	-	73,258,779	
Debt securities issued and subordinated debt	34	232	2,788,338	-	2,788,338	
Total liabilities subject to market risk			103,896,282	-	103,896,282	

As at 31 March 2023

	Note	Page No.	Carrying amount Rs. '000	Market risk measure	
				Trading assets Rs. '000	Non-trading Assets Rs. '000
Assets subject to market risk					
Cash and cash equivalents	18	208	3,267,193	-	3,267,193
Derivative financial assets	19	208	925,656	925,656	-
Financial assets measured at FVTPL	20	210	37,041	37,041	-
Loans and receivables to banks	21	210	1,166,430	-	1,166,430
Deposits with financial institutions	22	211	7,218,324	-	7,218,324
Loans and receivables to customers	23	211	76,476,889	-	76,476,889
Other investment securities	24	214	7,519,968	-	7,519,968
Total assets subject to market risk			96,611,501	962,697	95,648,804
Liabilities subject to market risk					
Due to banks and financial Institutions	32	230	16,610,517	-	16,610,517
Deposits from customers	33	231	62,875,226	-	62,875,226
Debt securities issued and subordinated debt	34	232	3,850,182	-	3,850,182
Total liabilities subject to market risk			83,335,925	-	83,335,925

C.ii. Value at Risk (VaR)

Value at risk (VaR) is a statistical technique used to quantify the level of financial risk within a company or investment portfolio over a specific time period. It estimates how much a set of investments might lose in given normal market conditions.

VaR has been implemented in the Company to measure the market risk exposure of our trading assets on monthly basis. Company calculates VaR monthly using 95% confidential level and one month holding period. Our VaR Model is based on variance-covariance method which calculates portfolio's maximum loss by analysing historic market prices.

A summary of VaR positions as at 31 March 2023 is given below:

As at 31 March 2023

	2023			
	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted Portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	37,041	50,000	62,947	12,947
Total financial assets measured at FVTPL	37,041	50,000	62,947	12,947

C.iii Exposure to interest rate risk

Interest rate risk exists in interest-bearing assets and liabilities, due to the possibility of a change in the asset's value resulting from the variability of interest rates. Since interest rate risk management has become imperative, CDB takes proactive measures to manage the exposure by forecasting the rate fluctuations. We perform scenario analysis in the course of observing liquidity position, market movements and reprise products-based thereon.

The following table exhibits the gap between the interest-earning financial assets and interest-bearing financial liabilities of the Company:

As at 31 March 2024			Carrying amount Rs. '000	Market risk measure			
Note	Page No.	Less than 12 months Rs. '000		1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000	
Interest-bearing assets							
Loans and receivables to banks	21	210	8,013,219	8,013,219	-	-	-
Deposits with financial institutions	22	211	14,908,971	14,908,971	-	-	-
Loans and receivables to customers	23	211	85,963,874	47,546,350	15,478,639	22,298,765	640,120
Other investment securities	24	214	7,126,742	5,169,885	-	-	1,956,857
Total interest-bearing assets			116,012,806	75,638,425	15,478,639	22,298,765	2,596,977
Interest-bearing liabilities							
Due to banks and financial institutions	32	230	27,849,165	8,710,597	5,663,399	8,182,944	5,292,225
Deposits from customers	33	231	73,258,779	66,938,017	3,542,948	2,777,814	-
Debt securities issued and subordinated debt	34	232	2,788,338	1,351,357	1,436,981	-	-
Lease Liabilities	27	224	912,177	242,820	228,862	608,815	431,001
Total interest-bearing liabilities			104,808,459	77,242,791	10,872,190	11,569,573	5,723,226
Net interest-bearing assets gap			11,204,347	(1,604,366)	4,606,449	10,729,192	(3,126,249)

As at 31 March 2023			Carrying amount Rs. '000	Market risk measure			
Note	Page No.	Less than 12 months Rs. '000		1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000	
Interest-bearing assets							
Derivative financial assets	19	208	925,656	925,656	-	-	-
Financial assets measured at FVTPL	20	210	37,041	37,041	-	-	-
Loans and receivables to banks	21	210	1,166,430	1,166,430	-	-	-
Deposits with financial institutions	22	211	7,218,324	7,218,324	-	-	-
Loans and receivables to customers	23	211	76,476,889	42,192,731	13,151,503	20,341,768	790,887
Other investment securities	24	214	7,519,968	4,612,837	-	1,032,685	1,874,446
Total interest-bearing assets			93,344,308	56,153,019	13,151,503	21,374,453	2,665,333
Interest-bearing liabilities							
Due to banks and financial institutions	32	230	16,610,517	13,866,906	2,022,083	721,528	-
Deposits from customers	33	231	62,875,226	57,096,179	2,702,973	3,033,719	42,355
Debt securities issued and subordinated debt	34	232	3,850,182	1,122,252	1,300,587	1,427,343	-
Lease Liabilities	27	224	832,102	223,501	195,911	509,678	327,343
Total interest-bearing liabilities			84,168,027	72,308,838	6,221,554	5,692,268	369,698
Net interest-bearing assets gap			9,176,281	(16,155,819)	6,929,949	15,682,185	2,295,635

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that considered are increase and decrease in interest rate by 100 basis points. This analysis assumes the financial position and performance is constant over the remaining financial year and movement of interest rate is immediate.

As at 31 March	2024		2023	
	100 bp		100 bp	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Sensitivity of projected net interest income	(27,901)	27,901	(35,708)	35,708
Sensitivity of reported net assets	(27,901)	27,901	(35,708)	35,708

Foreign currency exposures of the Company is shown below:

As at 31 March	2024			2023			Net exposure Increase/ decrease (%)
	Amount	Rate	Value	Amount	Rate	Value	
		LKR	Rs. '000		LKR	Rs. '000	
USD	325,272	295.54	96,132	188,593	318.28	60,025	60
SGD	15,228	217.57	3,313	9,210	239.26	2,203	50
GBP	27,965	371.85	10,399	20,868	393.83	8,218	27
EUR	151,081	318.32	48,092	90,494	346.72	31,377	53
CAD	18,132	216.40	3,924	10,618	233.91	2,484	58
AUD	54,500	191.33	10,428	46,925	212.99	9,995	4

C.IV Exposure to currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. CDB oversees the exposure by co-ordinating and being in line with the rates of forex dealing unit. We take initiatives to control the currency stocks in different currencies by exchanging and converting them in the best and a more profitable manner to compose a gain. Future Forex market movements and trends are considered when deciding rates to offer the customers and always intend to maintain in sequence with the Central Bank rate predictions to make the business more competitive.

The Company has obtained foreign borrowing from U.S. International Development Finance Corporation (DFC) in the financial year 2024. The Company has deposit such funds in foreign currency deposit and obtain rupee loan against such deposit.

Exchange rate sensitivity

The management of exchange rate risk by monitoring the sensitivity of the Company's financial performance to various standard and non-standard exchange rate scenarios. Standard scenarios that considered are increased and decreased in exchange rate by 1% to 5%. This analysis assumes the exchange reserve position is constant over the remaining financial year as well.

Subsequent sensitivity analysis shows changes in LKR, against foreign currencies which would have increased/(decreased) impact to Company's financial performance.

As at 31 March	Shock (%)	2024		2023	
		Strengthening Rs. '000	Weakening Rs. '000	Strengthening Rs. '000	Weakening Rs. '000
USD	1	961	(961)	600	(600)
EUR	1	480	(480)	314	(314)
USD	3	2,883	(2,883)	1,800	(1,800)
EUR	3	1,440	(1,440)	941	(941)
USD	5	4,805	(4,805)	3,000	(3,000)
EUR	5	2,400	(2,400)	1,569	(1,569)

C.V Exposure to equity price risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

As at 31 March	2024		2023	
	Financial assets measured at FVOCI Rs. '000	Total Rs. '000	Financial assets measured at FVOCI Rs. '000	Total Rs. '000
Market value of quoted equity instruments	1,956,733	1,956,733	1,874,446	1,874,446

Equity price sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below:

As at 31 March Shock Levels	2024			2023		
	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	-	195,673	195,673	-	187,445	187,445
10% shock (Decrease)	-	(195,673)	(195,673)	-	(187,445)	(187,445)

C.VI Exposure to gold price risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000
2024*	1,101,226	21,261	23,413,450	16,486,801	6,926,649
2023*	1,132,950	20,866	23,640,133	15,789,950	7,850,183

* Gold prices were extracted from Central Bank of Sri Lanka

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price:

As at 31 March Shock Levels	2024		2023	
	Impact on market value Rs. '000	Impact on value excess Rs. '000	Impact on market value Rs. '000	Impact on value excess Rs. '000
10% shock (Increase)	2,341,345	2,341,345	2,360,582	2,360,582
10% shock (Decrease)	(2,341,345)	(2,341,345)	(2,360,582)	(2,360,582)

C.VII Exposure to Government security price risk

Government Security price risks arises as a result of fluctuations in market prices of Government securities and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on Government Security Price.

As at 31 March	2024			2023		
	Financial Assets measured at (FVTPL) Rs. '000	Other financial assets Rs. '000	Total Rs. '000	Financial Assets measured at (FVTPL) Rs. '000	Other financial assets Rs. '000	Total Rs. '000
	Government securities	-	5,028,838	5,028,838	37,041	5,191,463

Government security price sensitivity

The following table exhibits the impact on market value of the Government securities held due to a shock of 10% on market price:

As at 31 March Shock Levels	2024			2023		
	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	16,870	-	16,870	49,768	-	49,768
10% shock (Decrease)	(16,870)	-	(16,870)	(49,768)	-	(49,768)

Rates on Government securities as per Central Bank of Sri Lanka 2023/24 – during the year

	Last traded rate as at 31 March 2023 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2024 %
Treasury Bills				
91 Days	25.99	14.51	25.82	14.51
181 Days	25.79	14.16	25.42	14.16
364 Days	24.31	12.89	23.14	12.93
Treasury Bonds				
5 Years	28.11	14.52	15.74	14.52
8 Years	20.74	13.56	15.67	13.56

Rates on Government securities as per Central Bank of Sri Lanka 2022/23 – during the year

	Last traded rate as at 31 March 2023 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2024 %
Treasury Bills				
91 Days	12.10	12.92	33.14	25.99
181 Days	11.98	12.25	32.53	25.79
364 Days	12.00	12.28	30.50	24.31
Treasury Bonds				
5 Years	14.70	21.18	31.78	28.11
8 Years	11.63	20.74	20.74	20.74

D. Capital management

Central Bank of Sri Lanka (CBSL) has introduced a New Capital Adequacy Framework intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities by repealing the earlier Direction No. 02 of 2006.

Under the earlier Direction risk was confined only to credit risk and no capital requirements for other risks such as market and operational risk. With the introduction of new capital Adequacy Direction No. 03 of 2018, it provides for maintenance of capital adequacy ratios on a more risk sensitive focus covering credit risk and operational risks under basic approach available in Basel II accord.

The minimum requirement for core capital adequacy ratio and total capital adequacy ratio are 10 % and 14% respectively for assets more than Rs. 100 Bn. LFCs.

The core capital represents the permanent shareholders equity and reserves created or increased by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital the revaluation reserves, and unsecured subordinated debts. Excluding regulatory loss allowance reserves.

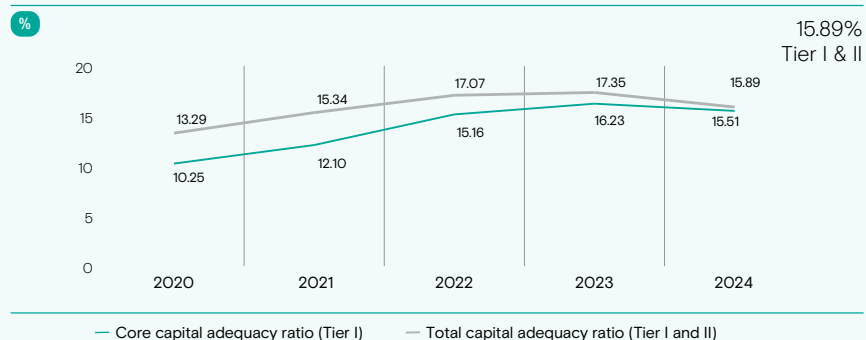
The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka for credit risk and the basic indicator approach is used for operational risk.

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company and its individually-regulated operations have complied with all externally imposed capital requirements.

As at 31 March

		2024	2023
		%	%
Core capital adequacy ratio (Tier I)	Core capital Risk-weighted assets	15.51	16.23
Total capital adequacy ratio (Tier I and II)	Capital Funds Risk-weighted assets	15.89	17.35

CAPITAL RATIOS



D.II Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be fixed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken

independently of those responsible for the operation by Company risk and Company credit and is subject to review by the Company ALCO.

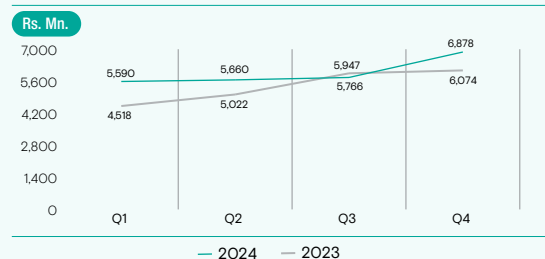
Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision-making and also taken account of synergies with other operations and activities, the availability of Management and other resources, and the fit of the activity with the Company's longer-term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

SUPPLEMENTARY REPORTS

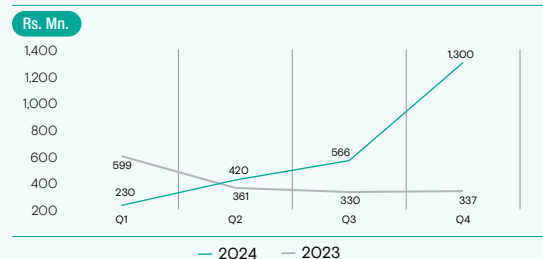
	2024				2023			
	30 June 2023	30 September 2023	31 December 2023	31 March 2024	30 June 2022	30 September 2022	31 December 2022	31 March 2023
For the year ended 31 March								
Statement of profit or loss								
Revenue	5,590,027	5,660,379	5,765,826	6,877,734	4,518,452	5,021,965	5,947,031	6,073,746
Net interest income	1,668,744	1,915,340	2,247,585	3,261,346	2,035,891	1,617,109	1,955,337	1,948,075
Total operating income	1,992,662	2,312,049	2,709,305	3,753,179	2,392,417	1,910,653	2,390,814	2,290,241
Net operating income	1,669,909	2,094,190	2,476,957	4,526,139	2,275,477	1,874,746	2,229,451	1,793,387
Non-interest expenses	1,369,845	1,492,973	1,681,283	1,775,994	1,426,038	1,433,806	1,625,363	1,193,635
Profit before tax	300,064	601,217	795,674	2,009,229	849,439	440,940	604,088	599,752
Income tax expense	70,000	181,000	230,000	709,634	250,000	80,000	274,247	263,089
Profit for the period	230,064	420,217	565,674	1,299,595	599,439	360,940	329,841	336,663
As at 31 march								
Statement of financial position								
Total assets	101,754,024	104,290,560	126,858,762	128,777,985	107,895,704	107,509,665	104,857,610	105,165,711
Loans and receivables to customers	74,389,194	77,456,479	81,211,152	85,963,874	80,038,919	80,564,008	77,642,886	76,476,889
Deposits and borrowings	79,691,951	82,434,563	103,949,495	103,896,282	84,082,126	83,386,258	83,052,657	83,335,925
Shareholder's funds	18,509,805	18,750,956	19,336,834	20,207,838	17,407,227	17,589,224	18,012,039	18,190,221
Key ratios								
Net assets value per share (Rs.)	264.97	268.32	275.99	285.22	249.19	251.79	257.85	260.40
Return on average shareholders' equity (annualised %)(%)	5.12	7.19	8.82	13.10	13.68	10.90	9.65	9.08
Non-performing loans ratio (%)*	9.19	8.79	8.48	6.88	3.55	4.67	5.61	5.12
Core capital adequacy (Tier i) (%)	15.45	15.44	15.79	15.51	14.56	15.17	15.61	16.23
Total capital adequacy (Tier i & ii) (%)	16.56	16.52	16.61	15.89	16.46	17.28	17.46	17.35

* Non-Performing Loans Ratio calculated based on 90DPD in 2024 and 120DPD in 2023.

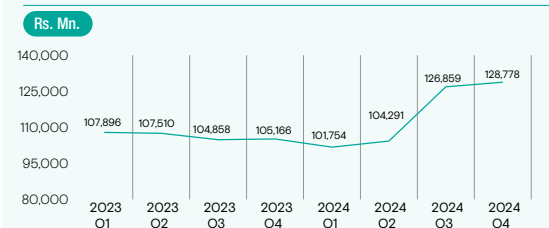
REVENUE



PROFIT FOR THE PERIOD



TOTAL ASSETS



TEN YEAR STATISTICAL SUMMARY

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SUPPLEMENTARY
REPORTS

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating results										
Income	23,893,966	21,561,194	17,572,154	16,622,791	17,362,985	16,240,520	11,784,862	8,591,218	7,486,004	6,907,077
Interest income	22,219,786	20,133,427	15,194,413	14,877,242	15,636,833	14,174,517	10,117,149	7,587,180	6,647,024	6,251,533
Interest expenses	13,126,771	12,577,015	6,156,858	7,282,499	8,998,331	8,949,018	6,662,828	4,699,482	3,588,413	3,381,455
Non-interest income	1,674,180	1,427,767	2,377,741	1,745,549	1,726,152	2,066,003	1,667,713	1,004,038	838,980	655,544
Operating expenses (including VAT)	7,061,011	6,489,960	6,147,352	5,873,339	6,092,731	5,180,136	3,435,217	2,664,235	2,643,648	2,574,201
Profit before income tax	3,706,184	2,494,219	5,267,944	3,466,953	2,271,923	2,111,366	1,686,817	1,227,501	1,253,944	951,420
Income tax expense	1,190,634	867,336	1,655,864	909,999	434,873	401,173	285,629	220,986	248,790	249,686
Profit for the year	2,515,550	1,626,883	3,612,080	2,556,954	1,837,050	1,710,193	1,401,188	1,006,515	1,005,154	701,734
Liabilities and shareholders' funds										
Customer deposits	73,258,779	62,875,226	52,216,802	48,999,341	43,305,775	47,222,578	44,709,832	32,601,836	30,887,693	27,079,134
Borrowings	31,549,680	21,292,801	31,494,028	26,822,967	32,657,672	30,817,488	19,195,517	13,032,648	12,345,820	4,824,245
Other liabilities	3,201,107	2,403,562	3,430,968	4,079,981	5,066,071	3,732,225	3,583,543	1,429,915	1,861,067	1,526,248
Deferred taxation	560,581	403,901	630,110	376,460	609,271	1,336,061	860,819	628,721	479,764	282,079
Shareholders' funds	20,207,838	18,190,221	17,648,075	14,052,220	11,556,360	8,870,269	7,152,399	6,241,165	5,051,968	4,302,003
Total liabilities and shareholders' funds	128,777,985	105,165,711	105,419,983	94,330,969	93,195,149	91,978,621	75,502,110	53,934,285	50,626,312	38,013,709
Assets										
Loans and receivables to customers (net)	85,963,874	76,476,889	78,725,310	75,058,331	72,422,827	71,582,081	59,438,349	43,189,010	38,538,920	29,378,799
Cash and short term funds	33,691,265	20,134,612	18,403,020	11,089,139	11,889,393	14,150,350	10,749,272	5,695,608	7,765,844	4,734,541
Property, plant and equipment	5,126,336	4,965,289	4,256,548	3,090,338	2,950,554	2,384,016	2,029,222	1,839,091	1,606,958	1,421,343
Other assets	3,996,510	3,588,921	4,035,105	5,093,161	5,932,375	3,862,174	3,285,267	3,210,576	2,714,590	2,479,026
Total assets	128,777,985	105,165,711	105,419,983	94,330,969	93,195,149	91,978,621	75,502,110	53,934,285	50,626,312	38,013,709
Ratios										
Growth in income (%)	11	23	6	(4)	7	38	37	15	8	8
Growth in interest expenses (%)	4	104	(15)	(19)	1	34	42	31	6	5
Growth in other expenses (%)	9	6	5	(4)	(10)	51	29	1	3	23
Growth in profit after tax (%)	54.62	(54.96)	41.26	39	7	22	39	1	43	25
Growth in total assets (%)	22.45	(0.24)	12	1	1	22	40	7	33	13
Earnings per share (Rs.)	35.95	23.29	51.75	36.64	26.32	30.05	25.8	18.53	18.51	12.92
Return on average assets (%)	2.15	1.55	3.62	2.73	1.98	2.04	2.17	1.93	2.27	1.96
Dividend per share (Rs.)	7.00*	5.00	3.75	7.50	-	5.00	5.00	3.50	3.50	3.50

* Proposed

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Given below are the set of Financial Statements of the Company and the Group presented using USD denomination as at the reporting date based on the guidelines stated in LKAS 21 – “The effect of changes in foreign exchange rates”.

For the year ended 31 March	2024	2023
	USD	USD
Revenue	79,334	65,886
Interest income	73,775	61,523
Interest expense	43,584	38,432
Net interest income	30,191	23,091
Fee and commission income	799	740
Other operating income	4,760	3,623
Total operating income	35,750	27,454
Less: Impairment charges and other credit losses	2,460	2,479
Net operating income	33,290	24,975
Less: Operating expenses		
Personnel expenses	6,442	5,520
Premises, equipment and establishment expenses	9,633	8,352
Other expenses	1,944	1,631
Total operating expenses	18,019	15,503
Operating profit before taxes on financial services	15,271	9,472
Less: Taxes on financial services	2,965	1,850
Profit before tax	12,306	7,622
Less: Income tax expense	3,953	2,650
Profit for the year	8,353	4,972

For the year ended 31 March	2024	2023
	USD	USD
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes in hedge reserve	(341)	759
Items that will not be reclassified to profit or loss		
Change in deferred tax on revaluation due to rate change	-	(196)
Financial investments at FVOCI - net change in fair value	890	(809)
Less : Deferred tax on Financial investments at FVOCI	(244)	224
Net actuarial gain/(loss) on defined benefit plan	(1,347)	(308)
Total other comprehensive income	(1,042)	-330
Total comprehensive income for the year	7,311	4,642
Earnings per share		
Basic earnings per share	0.119	0.071
Diluted earnings per share	0.115	0.069

Figures in brackets indicate deductions.

Exchange rate of USD was Rs 301.18 as at 31st March 2024 (Rs 327.25 as at 31st March 2023).

The Statement of Profit or Loss is solely for the convenience of Stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	2024 USD	2023 USD
Assets		
Cash and cash equivalents	12,093	9,984
Derivative financial assets	-	2,829
Financial assets measured at fair value through profit or loss (FVTPL)	-	113
Loans and receivables to banks	26,606	3,564
Deposits with financial institutions	49,501	22,058
Loans and receivables to customers	285,420	233,696
Other investment securities	23,662	22,979
Investment property	1,776	1,635
Property, plant and equipment	11,296	10,335
Right-of-Use assets	2,924	2,391
Intangible assets	1,024	812
Goodwill on amalgamation	65	138
Retirement benefit assets	-	1,012
Other assets	13,204	9,816
Total assets	427,571	321,362
Liabilities		
Due to banks and financial institutions	92,466	50,758
Deposits from customers	243,236	192,132
Debt securities issued and subordinated debt	9,258	11,765
Lease liabilities	3,029	2,543
Current tax liabilities	4,282	3,221
Deferred tax liabilities	1,861	1,234
Retirement benefit obligation	221	0
Other liabilities	6,123	4,123
Total liabilities	360,476	265,776

As at 31 March	2024 USD	2023 USD
Equity		
Stated capital	8,468	7,218
Reserves	19,279	13,846
Retained earnings	39,348	34,522
Total equity	67,095	55,586
Total liabilities and equity	427,571	321,362
Net assets value per share (Rs.)	0.95	0.80
Contingencies and commitments	19,963	13,906

Exchange rate of USD was Rs 301.18 as at 31st March 2024 (Rs 327.25 as at 31st March 2023).

The Statement of Financial Position is solely for the convenience of Stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

SUPPLEMENTARY
REPORTS

Statement of use	Citizens Development Business Finance PLC has reported in accordance with the GRI Standards for the period 01 April 2023 to 31 March 2024 with reference to the GRI Standards
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
General disclosures				
GRI 2: General Disclosures 2021	2-1 Organisational details	Corporate Information	Back Inner	
	2-2 Entities included in the organisation's sustainability reporting	Our reporting scope and boundary Compliance	6 4	
	2-3 Reporting period, frequency and contact point	Compliance Our reporting scope and boundary Queries	4 6 7	
	2-4 Restatements of information	Compliance Our reporting scope and boundary	4 6	
	2-5 External assurance	Assurance Independent Auditor's Report	7 178-180	
	2-6 Activities, value chain and other business relationships	Our value creating business model Progressive Partnerships	38-39, 91-94	
	2-7 Employees	Our Team	51	
	2-8 Workers who are not employees	Outsourced Staff	52	
	2-9 Governance structure and composition	Corporate Governance	132-139	
	2-10 Nomination and selection of the highest governance body	Corporate Governance Disclosures Report of the Board Nomination and Governance Committee	140-155, 161-162	
	2-11 Chair of the highest governance body	Corporate Governance Disclosures	140-155	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Disclosures	140-155	
	2-13 Delegation of responsibility for managing impacts	Delegation of Authority	135	
	2-14 Role of the highest governance body in sustainability reporting	Reporting Framework	6	
	2-15 Conflicts of interest	Managing Conflict of interest	139	
	2-16 Communication of critical concerns	Whistleblowing Policy Communication of critical concerns to the board	60 139	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
	2-17 Collective knowledge of the highest governance body	Board of Directors	118-123	
	2-18 Evaluation of the performance of the highest governance body	Board evaluation	137	
	2-19 Remuneration policies	Ensuring Equitable Compensation Corporate Governance Disclosures Report of the Board Human Resources and Remuneration Committee	55 140-155 163-164	
	2-20 Process to determine remuneration	Ensuring Equitable Compensation Report of the Board Human Resources and Remuneration Committee	55 163-164	
	2-21 Annual total compensation ratio	Ratio of Basic Salary	59	
	2-22 Statement on sustainable development strategy	Message from the Chairman Managing Director/ Chief Executive Officer's Review Sustainability Commitment	16-18 20-23 40-44	
	2-23 Policy commitments	Report on adherence with the requirements on corporate governance according to the section 9 of the listing rules of the colombo stock exchange (CSE)	154	
	2-24 Embedding policy commitments	Report on adherence with the requirements on corporate governance according to the section 9 of the listing rules of the colombo stock exchange (CSE)	154	
	2-25 Processes to remediate negative impacts	Grivence Handling Feedback Management Integrated Approach of Managing Risks Compliance	60 89 110-116 137	
	2-26 Mechanisms for seeking advice and raising concerns	Ensuring ethical conduct	60	
	2-27 Compliance with laws and regulations	Annual Report of the Board of Directors Employee Wellbeing Compliance and Customer Safety	4-5 59-60 90	
	2-28 Membership associations	Memberships and Associations	94	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
	2-29 Approach to stakeholder engagement	How we engage and create value for our stakeholders	45-48	
	2-30 Collective bargaining agreements	Ensuring Ethical Conduct	60	
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Identifying Material Matters	49-50	
	3-2 List of material topics	Identifying Material Matters	49-50	
	3-3 Management of material topics	How we engage and create value for our stakeholders	45,	
		Human resource strength	51	
		Progressive partnerships	91	
		Stronger Communities	95	
		Emissions Management	100	
		Ecosystem Restoration	104	
		Integrated approach of managing risks	110	
Economic performance				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Value added statement	14	
		Financial Performance	67	
	201-2 Financial implications and other risks and opportunities due to climate change	Sustainability Commitment	40-44	
		Sustainable Development	102	
		Environmental, social and governance (ESG) risk	116	
	201-3 Defined benefit plan obligations and other retirement plans	Note 30 Retirement benefit obligation - assets	227	
	201-4 Financial assistance received from government	N/A		
Market presence				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Ratio of Basic Salary	59	
	202-2 Proportion of senior management hired from the local community			
Indirect economic impacts				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Stronger Communities	95-98	
	203-2 Significant indirect economic impacts	Stronger Communities	95-98	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
Procurement practices				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	A Sustainable supply chain and smooth support services	91-92	
Anti-corruption				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-corruption	60	
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption	60	
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption	60	
Anti-competitive behavior				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance and customer safety	90	
Tax				
GRI 207: Tax 2019	207-1 Approach to tax	Tax management at CDB	69	
		Note 12 taxes on financial services	196	
		Note 13 income tax expenses	197	
	207-2 Tax governance, control, and risk management	Tax management at CDB	69	
		Note 12 taxes on financial services	196	
		Note 13 income tax expenses	197	
	207-3 Stakeholder engagement and management of concerns related to tax	Tax management at CDB	69	
Note 12 taxes on financial services Note 13 income tax expenses		196 197		
207-4 Country-by-country reporting	N/A			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Waste management	101	
	301-2 Recycled input materials used	Waste management	101	
	301-3 Reclaimed products and their packaging materials	N/A		
Energy				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Energy management	100	
	302-2 Energy consumption outside of the organisation			
	302-3 Energy intensity			
	302-4 Reduction of energy consumption	Energy management	100	
	302-5 Reductions in energy requirements of products and services	Energy management	100	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
Water and effluents				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water management	101	
	303-2 Management of water discharge-related impacts	Water management	101	
	303-3 Water withdrawal			
	303-4 Water discharge			
	303-5 Water consumption	Water management	101	
Biodiversity				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Eco System Restoration	104-106	
	304-2 Significant impacts of activities, products and services on biodiversity	Eco System Restoration	104-106	
	304-3 Habitats protected or restored	Eco System Restoration	104-106	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A		
Emissions				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Emissions Management	100-101	
	305-2 Energy indirect (Scope 2) GHG emissions	Emissions Management	100-101	
	305-3 Other indirect (Scope 3) GHG emissions	Emissions Management	100-101	
	305-4 GHG emissions intensity	Emissions Management	100-101	
	305-5 Reduction of GHG emissions	Emissions Management	100-101	
	305-6 Emissions of ozone-depleting substances (ODS)	N/A		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	N/A		
Waste				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste management	101	
	306-2 Management of significant waste-related impacts	CDB's conservation wheel	99	
		Waste management	101	
	306-3 Waste generated	Waste management	101	
	306-4 Waste diverted from disposal	Waste management	101	
306-5 Waste directed to disposal	Waste management	101		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
Supplier environmental assessment				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	A Sustainable supply chain and smooth support services	91	
	308-2 Negative environmental impacts in the supply chain and actions taken			There were no negative impacts in the supply chain
Employment				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Our team	51	
		Talent attraction, recruitment and retention	52	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Ensuring equitable compensation	55	
	401-3 Parental leave	Return to work and retention rate after parental leave	59	
Labor/management relations				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Ensuring Ethical Conduct	60	
Occupational health and safety				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and safety	57	
	403-2 Hazard identification, risk assessment, and incident investigation	Health and safety	57	
	403-3 Occupational health services	Health and safety	57	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and safety	57	
	403-5 Worker training on occupational health and safety	Health and safety	57	
	403-6 Promotion of worker health	Health and safety	57	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and safety	57	
	403-8 Workers covered by an occupational health and safety management system	Health and safety	57	
	403-9 Work-related injuries	Health and safety	57	
	403-10 Work-related ill health	Health and safety	57	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
Training and education				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Developing and upskilling our team	54	
	404-2 Programs for upgrading employee skills and transition assistance programs	Developing and upskilling our team	54	
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance management	55	
Diversity and equal opportunity				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity, Equity and Inclusion	58	
	405-2 Ratio of basic salary and remuneration of women to men	Ratio of Basic Salary	59	
Non-discrimination				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Upholding human rights	59	
Freedom of association and collective bargaining				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A		
Child labor				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor			
Forced or compulsory labor				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor			
Security practices				
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Employee well-being	59	
Rights of indigenous peoples				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples			
Local communities				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Stonger Communities	95-98	
	413-2 Operations with significant actual and potential negative impacts on local communities	Stonger Communities	95	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE NO.	NOTES
Supplier social assessment				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	A Sustainable supply chain and smooth support services	91-92	
	414-2 Negative social impacts in the supply chain and actions taken	A Sustainable supply chain and smooth support services	91-92	
Public policy				
GRI 415: Public Policy 2016	415-1 Political contributions			
Customer health and safety				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Elevating our brand	87	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services			
Marketing and labeling				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Elevating our brand Compliance and Customer Safety	87 90	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Compliance and Customer Safety	90	
	417-3 Incidents of non-compliance concerning marketing communications	Compliance and Customer Safety	90	
Customer privacy				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance and Customer Safety	90	

No.	Branch	Address	Phone No.
1.	Aluthgama	No. 377, Galle Road, Aluthgama	034-229 1136
2.	Ambalangoda	No. 61, New Road, Ambalangoda	091-225 4271
3.	Ampara	No. 66, D S Senanayake Street, Ampara	063-222 2150
4.	Anuradhapura	No. 521/20, Maithripala Senanayake Mawatha, New Town, Anuradhapura	025-223 4000/025-222 6609
5.	Avissawella	No. 23, Colombo Road, Avissawella	036-223 5220
6.	Badulla	No. 22, Bank Road, Badulla	055-222 5533
7.	Bandarawela	No. 344, Badulla Road, Bandarawela	057-222 1484
8.	Battaramulla	No. 97/1, Main Street, Battaramulla	011-286 9944/011-286 9949
9.	Batticaloa	No. 96, 98, 100, Bar Road, Batticaloa	065-222 8490
10.	Boralesgamuwa	No. 28 A, Maharagama Road, Boralesgamuwa	011-250 9306
11.	Chilaw	No. 80, Colombo Road, Chilaw	032-222 0646
12.	Dambulla	No. 687, Anuradhapura Road, Dambulla	066-228 4088/066- 228 4188
13.	Dehiwala	No. 119, Galle Road, Dehiwala	011-276 1443/011-276 1442
14.	Eheliyagoda	No. 114, Main Road, Eheliyagoda	036-225 9951
15.	Elakanda	No. 30, Hendala Road, Elakanda	011-293 0986
16.	Embilipitiya	No. 21, Main Street, Embilipitiya	047-226 1961/047-226 1962
17.	Galle	No. 99, Sea Street, Galle	091-222 7501/091-222 7502
18.	Gampaha	No. 114, Colombo Road, Gampaha	033-223 3774/033-222 3637
19.	Giriulla	No. 52, Negombo Road, Giriulla	037-228 8183
20.	Horana	No. 119/A, Panadura Road, Horana	034-226 6188/034-226 6177
21.	Ja-Ela	No. 195/A, Negambo Road, Ja-Ela	011-222 8228
22.	Jaffna	No. 208, Stanley Road, Jaffna	021-222 1585/021-222 1586
23.	Kaduruwela	No. 300/2, Sawmill Junction, Kaduruwela	027-222 6710/027-222 6720
24.	Kaduwela	No. 102, Colombo Road, Kaduwela	011-253 8888
25.	Kalutara	No. 296, Main Street, Kalutara	034-222 4400
26.	Kandana	No. 37/1, Negombo Road, Kandana	011-223 7645
27.	Kandy	No. 32, Cross Street, Kandy	081-220 4600/081-220 4246
28.	Katugastota	No. 468, Katugastota Road, Kandy	081-221 2517
29.	Kegalle	No. 227, Kandy Road, Kagalle	035-222 2442/035-222 2599
30.	Kelaniya	No. 159, Kandy Road, Kiribathgoda	011-291 0202/011-291 350 1502
31.	Kochchikade	No. 176, Chilaw Road, Kochchikade	031-227 8695
32.	Kotahena	No. 30, Sri Ramanadan Mawatha, Kotahena	011-242 2465/011-242 2466
33.	Kottawa	No. 35/1, High Level Road, Kottawa	011-278 2706

No.	Branch	Address	Phone No.
34.	Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	037-228 1825
35.	Kurunegala	No. 79, Colombo Road, Kurunegala	037-222 1625/037-223 4444
36.	Kuruwita	No. 85, Colombo Road, Kuruwita	045-226 3371
37.	Mahara	No. 337/2, Mahara Kadawatha	011-292 5000
38.	Maharagama	No. 181, High Level Road, Maharagama	011-284 5945
39.	Mahiyanganaya	No. 01, Padiyathalawa Road, Mahiyanganaya	055 225 8322
40.	Malabe	No. 838/O4, New Kandy Road, Malabe	011-207 8651/011-207 8652
41.	Maradana (HO)	No. 123 Orabipasha Mawatha Colombo 10	011-242 9800/011-738 8388
42.	Marawila	No. 69, Horagolla, Marawila	032-225 0930
43.	Matale	No. 115/117, Trincomalee Street, Matale	066-222 6545
44.	Matara	No. 06, Station Road, Matara	041-222 6655/041-222 9955
45.	Matugama	No. 190, Aluthgama Road, Mathugama	034-224 8888
46.	Mawathagama	No. 58, Kandy Road, Mawathagama	037-229 6470
47.	Minuwangoda	No. 18/A, Siriwardena Mawatha, Minuwangoda	011-229 8864
48.	Moratuwa	No. 760, Galle Road, Moratuwa	011-264 2309/011-264 2310
49.	Narammala	No. 95, Kurunegala Road, Narammala	037-224 9525
50.	Negombo	No. 129, St. Joseph's Street, Negombo	031-223 1391/031-222 4040
51.	Nikaweratiya	No. 113, Puttalam Road, Nikaweratiya	037-226 0387
52.	Nittambuwa	No. 2/1, Colombo Road, Nittambuwa	033-229 6969
53.	Nugegoda	No. 70 A, Stanley Thilakarathna Mawatha, Nugegoda	011-282 8312/011-282 8313
54.	Nuwara-Eliya	No. 120, Kandy Road, Nuwara-Eliya	052-222 4728
55.	Panadura	No. 383, Galle Road, Panadura	038-223 7327
56.	Pelmadulla	No. 11, Main Street, Pelmadulla	045-227 4428
57.	Piliyandala	No. 92, Moratuwa Road, Piliyandala	011-261 4425
58.	Premier Centre	No. 101, Darmapala Mawatha, Colombo 7	011-233 2150
59.	Ragama	No. 26/O5 & 26/O6, Kadawatha Road, Ragama	011-295 2492
60.	Rajagiriya	No. 340, 340 1/1 & 340 2/1, Kotte Road, Welikada, Rajagiriya	011-207 8216/011-207 8218
61.	Ratmalana	No. 105, Galle Road, Mount Lavinia	011-271 0056
62.	Ratnapura	No. 89, Bandaranaike Mawatha Ratnapura	045-222 6636
63.	Thalawathugoda	No. 706, Madiwela Road, Thalawathugoda	011-277 3718
64.	Tissamaharama	No. 54/1, In Front of the Roundabout, Kachcheryagama, Thissamaharama	047-223 9655
65.	Trincomalee	No. 266, 268 Central Road, Trincomalee	026-222 6945/026-222 6946
66.	Vavuniya	No. 11, Horowpathana Road, Vavuniya	024-222 5862
67.	Warakapola	No. 09, Main Street, Warakapola	035-226 8281
68.	Wariyapola	No. 77, Puttalama Road, Wariyapola	037-205 7708
69.	Wattala	No. 237, Negombo Road, Wattala	011-298 1133
70.	Wellawatta	No. 288, Galle Road, Wellawatta	011-236 4699
71.	Wennappuwa	Sterling Building, Chillaw Road, Wennappuwa	031-224 5245

GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

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.

Associate

An entity over which the investor has significant influence.

B

Basis Point (bp)

One-hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

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 by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Generating Unit (CGU)

The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other 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 have been incurred but has not yet been identified at the reporting date.

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 will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost/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 the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

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 in debt securities.

D

Deferred Taxation

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.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. 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.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

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 expressed as a percentage of the profit before taxation.

Equity Method

This 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 and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

Expected Credit Lossess

This is the method of providing for impairment of financial assets held at amortised cost.

F

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value through Profit or Loss Investments

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

G

Global Reporting Initiative (GRI)

The GRI is an international independent standards organisation that helps businesses, Governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

I

Impaired Loans

Loans where the Group 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).

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Rate SWAP

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Investment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by the lessee for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

K

Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

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 and Bonds.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss on initial recognition.

Loan-to-Value Ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

M**Market Capitalisation**

The value of an entity obtained by multiplying the number of ordinary shares in issue multiplied by its market value as at a date.

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 economic decisions of users of Financial Statements.

N**Net Interest Income (NII)**

The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Non-Controlling Interest (NCI)

Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

O**Operational Risk**

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P**Price Earnings Ratio (P/E Ratio)**

Market price of a share divided by the earnings per share.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

R**Related Parties**

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Risk-Weighted Assets

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

S**Segment Reporting**

Disclosure of bank's assets, income and other information, broken down by activity and geographical area.

Substance Over Form

The consideration that the accounting treatment and presentation of 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 (Core Capital)**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital**(Supplementary Capital)**

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

ABBREVIATIONS

AGM	Annual General Meeting	GRI	Global Reporting Initiative
AFS	Available-for-sale	HFT	Held-for-trading
ALCO	Assets and Liabilities Committee	HR	Human Resources
BAC	Board Audit Committee	HTM	Held-to-maturity
BCC	Board Credit Committee	IMF	International Monetary Fund
BCP	Business Continuity Plan	IRMD	Integrated Risk Management Department
BHRRC	Board Human Resources & Remuneration Committee	IRR	Interest Rate Risk
BIRMC	Board Integrated Risk Management Committee	KRI	Key Risk Indicators
BNGC	Board Nomination and Governance Committee	KMP	Key Management Personnel
BRPTRC	Board Related Party Transactions Review Committee	LCB	Licensed Commercial Bank
CAR	Capital Adequacy Ratio	LCR	Liquidity Coverage Ratio
CASL	Institute of Chartered Accountants of Sri Lanka	LSB	Licensed Specialised Bank
CBSL	Central Bank of Sri Lanka	LGD	Loss Given Default
CCF	Credit Conversion Factor	LKAS	Sri Lanka Accounting Standards
CEO	Chief Executive Officer	LTV	Loan to Value Ratio
CFM	Close Family Members	NFR	Net Flow Rate
CFO	Chief Financial Officer	NII	Net Interest Income
CGU	Cash Generating Unit	NIM	Net Interest Margin
COO	Chief Operating Officer	NPA	Non-Performing Assets
CRO	Chief Risk Officer	NPL	Non-Performing Loans
CSE	Colombo Stock Exchange	OCI	Other Comprehensive Income
DRP	Disaster Recovery Plan	PAT	Profit After Tax
EGM	Extraordinary General Meeting	PBT	Profit Before Tax
ESOP	Employee Share Ownership Plan	PD	Probability of Default
EVE	Economic Value of Equity	ROA	Return on Assets
EAD	Exposure at Default	ROE	Return on Equity
ECL	Expected Credit Losses	RPT	Related Party Transactions
FIS	Fixed Income Securities	RWA	Risk Weighted Assets
FS	Financial Statements	SEC	Securities and Exchange Commission of Sri Lanka
FX	Foreign Exchange	SLFRS	Sri Lanka Financial Reporting Standards
FY	Financial Year	SME	Small and Medium Enterprise
FVTPL	Fair Value Through Profit or Loss	SLAR	Statutory Liquid Assets Ratio
GDP	Gross Domestic Product	VaR	Value at Risk
GOSL	Government of Sri Lanka	YoY	Year-on-Year

Ratio	Definition
Earnings per share (EPS) (Rs.)	Profit/loss attributable to ordinary shareholders / Average number of shares
Net assets value per share (NAPS) (Rs.)	Total shareholders' equity / Average number of shares
Market capitalisation (Rs.)	Market price per share x Number of shares
Price earnings (PE) (Times)	Market price per share / Earnings per share
Dividend per Share (Rs.)	Total Gross Dividend (Proposed) / Number of Shares as at the reporting date
Dividend yield (%)	Dividend per ordinary share / Market price per share x 100
Dividend cover (Times)	Profit/loss attributable to ordinary shareholders / Total dividend paid to shareholders
Dividend payout (%)	Total dividend paid to shareholders / Profit/loss attributable to ordinary shareholders x 100
Earnings yield (%)	Earnings per share / Market price per share
Return on equity (ROE) (%)	Profit/loss attributable to ordinary shareholders / Average shareholders' equity x 100
Return on asset (ROA) (%)	Profit/loss attributable to ordinary shareholders / Average total assets x 100
Debt to equity (Times)	Borrowings / Total shareholders' equity
Cost to income ratio (%) (Excluding VAT on FS)	Total operating cost without VAT on financial services / Total operating income x 100
Operating profit margin (%)	Operating profit before VAT on financial services / Total Revenue x 100
Net interest margin (%)	Net interest income / Average total assets x 100
Provision cover	Provisions Accelerated / Non-performing assets
Price to book value (PBV) (Times)	Market price per share / Net assets per share
Total impairment provision to gross portfolio (%)	Total impairment provision / Gross loans and receivables x 100
Non-performing ratio	Gross non-performing portfolio / Gross loans and receivables x 100
Interest Cover	(Profit before tax + Interest expense) / Interest expense
Quick Asset Ratio	(Current assets - Inventories) / Current liabilities
Core capital adequacy ratio (Tier I)	Core capital / Risk weighted assets
Total capital adequacy ratio (Tier I & II)	Capital funds / Risk weighted assets

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC – P B 232 PQ

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC WILL BE HELD AT CDB CORPORATE OFFICE, NO123 ORABIPASHA MAWATHA, COLOMBO 10, ON THURSDAY 18 JULY 2024 AT 10.00 A.M.

AGENDA

- 1) To receive the Annual Report of the Board of Directors on the Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2024 with the Report of the Auditors thereon.
- 2) To declare a First and Final Dividend of Rs. 7.00 per share for the financial year ended 31 March 2024 as recommended by the Directors.
- 3) To re-elect Chairman/ Non-Executive Independent Director Mr. J R A Corera, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
- 4) To re-elect Non-Executive Director Mr. E.R.S.G.S. Hemachandra, who in terms of Article 24 (6) and 24(7) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
- 5) To re-elect Independent Non-Executive Director Snr.Prof Mrs. P. N. Gamage, who in terms of Article 24 (6) and 24(7) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
- 6) To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
- 7) To appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorise the Board of Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS
OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

sgd.

COMPANY SECRETARY

26th June 2024

Note:

A shareholder is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company, addressed to Company Secretary, No. 123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.

FORM OF PROXY (VOTING SHAREHOLDERS)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC- P B 232 PQ

I/We..... (NIC No.....)

of being a member/members

of Citizens Development Business Finance PLC hereby appoint

Mr/Mrs/Ms..... (NIC No.)

of..... whom failing

Mr Joseph Rene Alastair Corera whom failing

Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara whom failing

Mr Tennakoon Mudiyansele Damith Prasanna Tennakoon whom failing

Mr Roshan Hasantha Abeygoonewardena whom failing

Mr Sasindra Virajith Munasinghe whom failing

Mr Dave Anthony De Silva whom failing

Snr Prof Sampath Priyantha Perera Amaratunge whom failing

Mr Jagath Priyantha Abhayaratne whom failing

Mrs Pandithasundara Rajitha Wajirangani Perera whom failing

Mr Sujeewa Kumarapperuma whom failing

Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra whom failing

Snr Prof Prasadani Naganika Gamage whom failing

Mrs Jayomi Lokuliyana

as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held at the Registered Office of the Company No.123, Orabipasha Mawatha, Colombo 10 at 10.00 a.m on Thursday 18 July 2024 and at any adjournment thereof.

Signed this.....day of Two Thousand and Twenty-Four.

.....
Signature/s of Shareholder/s

	For	Against
1. To receive the Annual Report of the Board	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a First and Final Dividend of Rs. 7.00 per share for the financial year ended 31 March 2024 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Chairman/ Non Executive Independent Director Mr. J R A Corera, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Non-Executive Director Mr. E R S G S Hemachandra, who in terms of Article 24 (6) and 24(7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Independent Non-Executive Director Snr Prof Mrs P.N. Gamage, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
7. To appoint Messrs Ernst & Young (Chartered Accountants), as Auditors in Place of Messrs KPMG (Chartered Accountants) and authorise the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

FORM OF PROXY (VOTING SHAREHOLDERS)

Please provide the following details Name of the Shareholder :

Email address of the Shareholder :

CDS A/C No/NIC No/Company Registration No. :

Folio No/No. of shares held :

Name of the Proxy holder :

Email address of the Proxy holder :

Proxy holder's NIC No.(if not a director) :

INSTRUCTIONS AS TO COMPLETION:

- The Full name, address and the NIC No of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
- Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
- The completed Form of Proxy should be deposited at the Registered Office of the company addressed to Company Secretary, No.123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.
- If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the company.
- If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
- In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

FORM OF PROXY (NON-VOTING SHAREHOLDERS)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC- P B 232 PQ

I/We..... (NIC No.....)

of being a member/members

of Citizens Development Business Finance PLC hereby appoint

Mr/Mrs/Ms..... (NIC No.)

of..... whom failing

Mr Joseph Rene Alastair Corera whom failing

Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara whom failing

Mr Tennakoon Mudiyansele Damith Prasanna Tennakoon whom failing

Mr Roshan Hasantha Abeygoonewardena whom failing

Mr Sasindra Virajith Munasinghe whom failing

Mr Dave Anthony De Silva whom failing

Snr Prof Sampath Priyantha Perera Amaratunge whom failing

Mr Jagath Priyantha Abhayaratne whom failing

Mrs Pandithasundara Rajitha Wajirangani Perera whom failing

Mr Sujeewa Kumarapperuma whom failing

Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra whom failing

Snr Prof Prasadani Naganika Gamage whom failing

Mrs Jayomi Lokuliyana

as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held at the Registered Office of the Company No.123, Orabipasha Mawatha, Colombo 10 at 10.00 a.m on Thursday 18 July 2024 and at any adjournment thereof.

Signed this.....day of Two Thousand and Twenty-Four.

.....

Signature/s of Shareholder/s

FORM OF PROXY (NON-VOTING SHAREHOLDERS)

Please provide the following details Name of the Shareholder :

Email address of the Shareholder :

CDS A/C No/NIC No/Company Registration No. :

Folio No/No. of shares held :

Name of the Proxy holder :

Email address of the Proxy holder :

Proxy holder's NIC No.(if not a director) :

INSTRUCTIONS AS TO COMPLETION:

1. The Full name, address and the NIC No of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
2. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
3. The completed Form of Proxy should be deposited at the Registered Office of the company addressed to Company Secretary, No.123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.
4. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the company.
5. If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
6. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - P B 232 PQ

Dear Shareholder/s,

In keeping with the Circular No. 4/2022 dated 27 May 2022 issued by the Colombo Stock Exchange, the Company will not be circulating the Annual Report for the Financial Year 2023/2024 in printed form to shareholders. If you wish to receive a printed copy of the Annual Report 2023/24, please complete the Form of Request attached herewith and forward it to the Registered Office of the Company.

1. The Annual Report of the Company, is available on the
Corporate Website of the Company <https://www.cdb.lk/investor-relations/>
The website of the Colombo Stock Exchange <https://www.cse.lk/pages/company-profile/companyprofile.component.html?symbol=CDB.N0000>

or

2. Shareholders may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.

We also kindly inform the shareholders to update banking details in the following manner so that the dividends can be directly credited into your bank account without any delays.

- Shareholders in CDS (Central Depository Systems of Colombo Stock Exchange) – Update dividend instructions in your CDS account to include bank account number, through your stockbroker.
- Other shareholders who have not yet lodged shares at CDS – Kindly handover the share certificate to CDS through a stockbroker and open a CDS account, because in future share certificates will not be valid as per the rules of Colombo Stock Exchange and give the bank account number for dividend instructions.

For any queries, please contact through +94117-388-388 during office hours.

By order of the Board



CITIZENS DEVELOPMENT BUSINESS
FINANCE PLC
Company Secretary

26 June 2024

CORPORATE INFORMATION

Name of the Company

Citizens Development Business
Finance PLC

Legal Form

A public quoted company incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

The Company is licensed under the Finance Business Act No. 42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000 and CDB is an approved credit agency under mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Date of Incorporation

07 September 1995

Registration Number

PB 232 PQ

Accounting Year

March 31

Board of Directors

Mr. J R A Corera

CFA (USA), FCMA (UK)

Chairman / Independent Non-Executive Director

Mr. W P C M Nanayakkara

B.Sc(Mgt), FCMA(UK), MBA(Sri J), CGMA

Managing Director / Chief Executive Officer/ Executive Director

Prof. S P P Amaratunge

B.A. (Econ) (Sp) (SJP), M.A. Econ (Colombo), M.Sc.Econ. of Rural Dev. (Saga, Japan); Ph.D. (Kogoshima,Japan)

Independent Non-Executive Director

Mr. T M D P Tennakoon

FCMA(UK), CGMA

Deputy CEO / Executive Director

Mr. R H Abeygoonewardena

FCMA(UK), ACMA(Sri), MCPM , CGMA

Executive Director - Corporate Finance

Mr. S V Munasinghe

MBA (Fed. Uni. Aus)

Executive Director - Sales and Business Development

Mr. D A De Silva

B. Sc.(Hons) , ACMA, CGMA

Executive Director - Business Operations

Mr. J P Abhayaratne

MBA, B.Sc (Admin)

Non-Executive Director

Mrs. P R W Perera

FCA, ACMA

Independent Non-Executive Director

Mr. E R S G S Hemachandra

MBA (Australia), Dip M (UK), FCIM(UK)

Non Executive Director

Mr. S. Kumarapperum

B.Sc (Science), MBA (Colombo),

PG Dip (Acturial Science)

Independent Non-Executive Director

Prof. P N Gamage

B.Sc (Admin), PhD (HRM), M.Sc (Management), Attorney-at-Law

Independent Non-Executive Director

Mrs. Jayomi Lokuliyana (wef 1 April 2024)

MBA (PIMA,SJP), PGDipM (CIM -UK), Graduate CEO (SMU SG), Design Thinking Certified (MBS Aus)

Independent Non-Executive Director

Registered Address of Head Office

No 123, Orabipasha Mawatha,

Colombo 10,

Sri Lanka

Tel : +94 11 738 8388

Fax : +94 11 242 9888

E mail : cdb@cdb.lk

Web : www.cdb.lk

Company Secretary

Ms. Laavanya Paheerathan
(Attorney At Law)

No 123, Orabipasha Mawatha,

Colombo 10,

Sri Lanka

Tel : +94 11 738 8388

Fax : +94 11 242 9888

E mail : company.secretary@cdb.lk

Credit Rating Agency

Fitch Ratings Lanka Ltd

Company Registrar

SSP Corporate Services (Private) Ltd

101, Inner Flower Road,

Colombo 03,

Sri Lanka

Tel : +94 11 257 3894, +94 11 257 6871

Fax : +94 11 257 3609

E mail : sspsec@slt.net.lk

Company Auditors

Ernst & Young

(Chartered Accountants)

Rotunda Towers, No 109, Galle Road,

Colombo 03,

Sri Lanka

Tel : +94 11 246 3500

Lawyers of the Company

Nithya Partners

No 97A, Galle Road,

Colombo 03,

Sri Lanka

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Deutsche Bank

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Union Bank PLC

This Annual Report is conceptualised, designed and produced by Redworks.



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