CDB
Your Friend

It's all about...

ANNUAL
REPORT
2022|23

CONTENTS

ADVANCING

It's all about...**People, Planet, Profit**

As Sri Lanka progresses towards a socio-economic revival, there is a cautious optimism growing across the country. CDB's technology - infused, sustainability - driven strategy meshes well with the positivity with which Sri Lanka advances. We are up for the challenge to work towards the progress of society and the country, proceeding always with exemplary environmental stewardship.

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Annual Report

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The Board of Directors is pleased to present to the shareholders the tenth integrated Annual Report of the Company.

The Report has been structured in a manner that provides a balanced and comprehensive evaluation of our financial, social, and environmental impacts resulting from our value creation activities and processes. It includes the Audited Financial Statements for the Company's financial year ended on 31 March 2023, along with the Independent Auditor's Report meeting all statutory requirements. The Financial Statements are certified by the Chief Financial Officer, 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. Please refer to pages 168 to 264 for the Audited Financial Statements.

The Directors assume responsibility for preparing the Company's Financial Statements and ensuring compliance with Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, and Finance Business Act No. 42 of 2011. They are of the view that the Financial Statements on pages 168 to 264 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 pages 154 to 155 is an integral part of this Report.

Names of the persons holding office as Directors of the Company at the reporting dates 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 130 to 133 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.

The Report, where applicable, has been prepared in accordance with the Guiding Principles and Content Elements outlined in the International <IR> Framework issued by the International Financial Reporting Standards (IFRS) Foundation. We present 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. We emphasise the significant connections between stakeholders, strategy, and the value-creation process, which shape the content of the report. Sustainability reporting principles such as stakeholder inclusiveness, sustainability context, materiality, and completeness have been duly considered.

Having reviewed the Company's business plan; the Board of Directors is of the view that the Company's resources are sufficient to sustain its operations in the foreseeable future. The Report explains our value creation efforts during the reviewed year, offering a comprehensive assessment of the operational status. This fosters stakeholders' confidence in the Company's potential for future growth and sustainability.

Reporting period and boundary

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

The Report covers the operations of Citizens Development Business Finance PLC (CDB), identified as "the Company".

The Report covers the timeframe from 01 April 2022, to 31 March 2023, 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. Our latest report for the period ended on 31 March 2023, can be accessed on our website: http://www.cdb.lk. During the year under review, 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.

Key frameworks and compliance

GRI 2-14

The Company's social and environmental impacts are presented in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The following laws, regulatory frameworks, standards, guidelines and protocols have been followed in the preparation of this Report.

- The <IR> Framework (https://www.integratedreporting.org/resource/international-ir-framework)
- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- "A Preparers Guide to Integrated Corporate Reporting", and "Guidelines for Presentation of Annual Reports 2023" published by The Institute of Chartered Accountants of Sri Lanka
- Sustainable Development Goals (SDGs) - The UN initiative with 17 aspirational "Global Goals"
- Smart Media Methodology for Integrated Reporting™
- Central Bank of Sri Lanka Corporate Governance Direction No. 05 of 2021, Colombo Stock Exchange (CSE) listing rules and the CA Sri Lanka Code of Best Practice on Corporate Governance 2017.

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 2 to 5 of the Annual Report.

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 2023, including comparative figures for 2022, have been duly approved and authorised for release by the Board of Directors, in accordance with the resolution passed on 28 June 2023. 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.

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.

Improvements in reporting

This Report has been organised in a manner that effectively conveys our endeavours to generate value for all stakeholders in the short-, medium-, and long-term, as outlined in our business model on pages 50 to 51. In line with this, we have recognised emerging developments and trends that are expected to influence our business model and the process of value creation. These trends have been categorised into risks and opportunities based on their relative significance to the Company and the stakeholders that are likely to be affected most. The Report includes an in-depth explanation of the Value Creation Story (pages 52 to 106), which offers a comprehensive overview of the strategic imperatives and the strategies implemented to address risks and leverage opportunities. The governance structure and the risk management framework underlying these efforts are thoroughly outlined on pages 107 to 143.

Supporting sustainable development

CDB believes that businesses have an important role to play in the achievement of the United Nations Sustainable Development Goals (UN SDGs). The Company remains committed to supporting this global initiative, recognising that the long-term sustainability of CDB is closely intertwined with the value created for its stakeholders.

Based on the Company's business model and context, sustainability goals and targets have been aligned with 7 of the 17 SDGs. The following icons are used throughout the section "CDB in Action" to show connectivity between initiatives during the year under review and SDGs where relevant.

External auditors and assurance

GRI 2-5, 2-22

The Financial Statements and sustainability indicators presented in this Report have been audited by Messrs KPMG, who have provided their professional opinion on the accuracy and fairness of the Annual Financial Statements (pages 168 to 171) and have also provided assurance on the sustainability indicators (pages 282 to 284) as disclosed in this Annual Report. 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.

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 45 on pages 233 to 234 of this Annual Report. Additionally, a summary of these transactions conducted during the fiscal year was presented to the Board on 28 June 2023.

Good health and well-being

Quality education

Clean water and sanitation

Affordable and clean energy

Responsible consumption and production

Life on land

Partnerships for the goals

Queries

GRI 2-3

We welcome your comments and suggestions on our Report. Please direct your feedback to:

Vajeesha Edirisinghe
Assistant Manager – Sustainability

Citizens Development Business Finance PLC.
No. 123, Orabipasha Mawatha,
Colombo 10.
vajeesha.edirisinghe@cdb.lk

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

Mahesh Nanayakkara
Managing Director/
Chief Executive Officer/Director

Senior Prof Sampath Amaratunge
Non-Executive Independent Director

Damith Tennakoon
Deputy CEO/Chief Financial Officer/
Executive Director

Roshan Abeygoonewardena
Executive Director

Sasindra Munasinghe
Executive Director

Dave De Silva
Executive Director

Karthik Elangovan
Executive Director

Prof Prasadini Gamage
Non-Executive Independent Director

Jagath Abhayaratne
Non-Executive Director

Ms Rajitha Perera
Non-Executive Independent Director

Sujeewa Kumarapperuma
Non-Executive Independent Director

Samitha Hemachandra
Non-Executive Director

28 June 2023
Colombo

We have established ourselves as a prominent player in the financial services sector, ranking among the top four Non-Bank Financial Institutions (NBFIs) in Sri Lanka. As one of the largest financial institutions in Sri Lanka, we have built an impressive asset base surpassing Rs. 100 Bn. Moreover, our dedicated team comprises over 1,600 professionals who are committed to empowering the aspirations of every Sri Lankan.

Our Organisation stands out as a beacon of innovation in the financial services industry, earning recognition for our pioneering approach and steadfast dedication to sustainability. Through ground-breaking technological advancements, we have disrupted and transformed the landscape of financial services industry in Sri Lanka. Our commitment to innovation has not only allowed us to stay ahead of the curve but has also positioned us as a trailblaser within the industry.

Central to our success is our disciplined culture and forward-thinking approach. These qualities have been instrumental in delivering consistent and impressive financial performance over the past decade. We have experienced substantial growth in both size and profitability, as a testament to our ability to adapt and capitalise on opportunities in the market.

Our purpose

Empowering Aspirations

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

Our vision

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.

Advancing generations

CDB has emerged as an essential pillar within both the financial services sector and the broader social fabric of Sri Lanka. 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.

Over the course of 28 years, we have faithfully served our nation and stakeholders, building strong bonds based on perseverance, empathy, reliability and innovation. We have strived to understand and address the diverse aspirations of our clients and stakeholders, empowering them to achieve their goals and contribute to the growth and development of Sri Lanka.

Our dedication to innovation has driven us to stay ahead of the curve in a rapidly evolving financial landscape. 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.

Through such single-minded dedication, we have earned the respect and trust of our stakeholders, solidifying our position as a trusted financial partner and a catalyst for positive change in Sri Lanka.

Our values

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 VALUE CREATION JOURNEY

1995

- CDB incorporation

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

OUR JO

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
- 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.**

HIGHLIGHTS OF THE YEAR

CDB continued to meet the aspirations of its stakeholders through numerous initiatives in FY 2022/23

Uplifting communities

- CDB invested Rs. 20.6 Mn. to advance social sustainability
- 37% of CDB's lending supported women entrepreneurs
- Commenced construction of a fully-fledged autism intervention centre at Karapitiya Teaching Hospital to enhance support for individuals with autism and their families
- The number of CDB *Sisu Diri* scholarships awarded was increased to 150 from 100 scholarships
- Two deserving schools received state-of-the-art smart computer labs, benefiting students in the Central and Uva Provinces

Environmental stewardship

- Construction began on the Concept Centre for three-wheeler (electric vehicles) EV conversions
- CDB Advance Green Challenge engaged over 400 team members, promoting sustainability and triple bottom line awareness
- Energy consumption decreased by 2.07% YoY
- A beach cleanup programme was organised as part of the "Life to Our Beaches" Project on International Coastal Cleanup Day
- CDB achieved Carbon verification for the eighth consecutive year, affirming its commitment to carbon reduction

Employee engagement and development

- CDB recruited 442 team members, with 47% joining from outside the Western Province and 36% being women
- Invested Rs. 8.5 Mn. in providing 64,443 hours of training to team members
- 33% of the 352 promotions granted were to female team members
- 22% of female team members and 16% of male team members were recognised with well-deserved promotions based on the beginning-of-period staff career data
- CDB's excellent team performance was recognised at the National Sales Awards, winning 16 awards including two gold awards
- Numerous team member engagement activities were conducted throughout the year to foster team spirit and camaraderie

Enhancing customer experience

- The customer base increased by 31.21% YoY to 54,454 customers
- 15% of customers adopted digital self-service channels
- The iNet app had 43,963 downloads, and the iControl app had 6,789 downloads
- Enhanced customer relationship management systems for personalised and efficient support, ensuring a seamless experience
- Conducted targeted marketing through customer segmentation to meet unique customer needs
- The Call Centre provided efficient assistance and prompt query resolution

Enhancing customer experience

- Enhanced its compliance and governance framework to adapt to evolving regulatory requirements and the digitalisation of financial services. This involved revisiting the Board Charter and AML policy
- Provided 16 training sessions (by Internal and External resource persons) on Anti-Money Laundering and other regulatory compliance specifically focusing on CBSL, SEC, and CSE regulations
- Compliance team have uploaded 5 questionnaires to CDB E-learning platform covering Department level and Branch team members
- The Senior Management and the Compliance representatives were briefed on two new Directions issued by the NBFI of the Central Bank of Sri Lanka and three new circulars issued by the NBFI and FIU of the Central Bank of Sri Lanka by the Compliance Team
- CDB maintained full compliance with relevant laws and regulations and received the ISO/IEC 27001:2013 information security standard for the sixth consecutive year

Awards and accolades

Appreciation award for presenting case study on Best Practices of Citizens Development Business Finance PLC at the 6th CIPM International Research Symposium

Winner of Non-Banking Financial Sector at National Business Excellence Awards by National Chamber of Commerce

Winner of Excellence in Corporate Governance at National Business Excellence Awards by National Chamber of Commerce

Most Innovative Company of the Year Award at Dare to Dream Awards Sri Lanka Edition by SAP together with John Keells IT awards

Best Corporate Citizen Sustainability Award in Ten Best Corporate Citizens awarded by the Ceylon Chamber of Commerce

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

Bronze award for Online Brand of the Year by Sri Lanka Institute of Marketing

Merit Award for Inhouse Category at National ICT Awards NBQSA 2021 by NBQSA

National Winner of "Most Innovative Global Business Service/BPM" at National Ingenuity Awards by SLASSCOM

GRI 2-22, 2-23

Our business model has undergone a continuous and sustained transformation. Our crowd sourcing strategy continues to be developed and refined.

Dear stakeholders,

Navigating turbulent times

Sri Lanka faced an inauspicious start as it grappled with an acute balance of payments crisis that affected almost every aspect of life from early 2022 onwards. Access to international bond markets for Sri Lanka was effectively denied since mid 2020 due to the downgrades of the Country's sovereign credit ratings by the international credit ratings agencies. In April 2020, Fitch Ratings, downgraded Sri Lanka's sovereign rating to B-, followed by further, frequent downgrades to end up at a C rating by April 2022. Other international agencies effected similar downgrades. By December 2021, the country had depleted a significant portion of its foreign exchange reserves, leading to crippling shortages of fuel, gas, and other essential commodities in the first quarter of FY 2022/23. In May 2022, Sri Lanka defaulted on foreign debt obligations for the first time in its history.

To address the dire situation, policymakers understandably imposed drastic measures, which caused significant disruptions to both general and financial markets. The Sri Lankan Rupee (LKR) was allowed a free float from March 2022, resulting in a sharp depreciation. In April 2022, policy rates were raised by an unprecedented 700 basis points, nearly doubling the previous levels. Around May 2022, the Sri Lanka Rupee (LKR) hit a record low of around Rs. 377 against the US Dollar (USD), representing a 86.6% depreciation from the USD exchange rate before free float exchange of Rs. 202 to the USD. Additionally, strict import controls and higher taxes were implemented.

These measures had a direct and adverse impact on the operations of non-bank financial institutions (NBFIs) such as CDB, where vehicle financing makes up a major portion of their loan book. The NBFIs predominantly offer fixed-rate, long-term lease and hire purchase products, funded primarily by customer deposits and other borrowings. The spike in interest rates, resulting in increased funding costs could not be passed on to borrowers and had to be absorbed by the NBFIs.

Adapting to evolving conditions

Our management swiftly shifted into containment mode, implementing rigorous scrutiny of the loan portfolio, maintaining consistent contact and communication with borrowers, and customising payment terms to accommodate their altered circumstances. These proactive measures effectively mitigated, to some extent, the impact on asset quality brought about by the deteriorating credit conditions. It is appropriate to acknowledge the efforts of the Regulator in this regard. Anticipating potential balance sheet strain on the entire financial system due to the adverse credit environment that has prevailed since the COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) introduced measures to conserve and reinforce capital within the financial sector. Consequently, most financial institutions faced the current crisis with improved capitalisation levels. These measures included imposing restrictions on dividend payments by financial institutions, to bolster capital reserves. CDB also complied by reducing our dividend payout during the previous year.

During this challenging period, we adeptly manoeuvred through the turbulence, demonstrating resilience and maintaining our strategic framework without the need for a major overhaul. Furthermore, we proactively implemented a range of measures to address the evolving conditions. Notably, we strategically adapted our product offerings to better suit the highly volatile exchange and interest rate landscape. An example of this was our deliberate focus on Gold loans, which have shorter durations and more frequent re-pricing. This prudent decision helped in mitigating the adverse effects of extreme interest rate fluctuations, enabling us to navigate the uncertainties with greater stability.

During this challenging period, we adeptly manoeuvred through the turbulence, demonstrating resilience and maintaining our strategic framework without the need for a major overhaul.

Our business model has undergone a continuous and sustained transformation. Our crowd sourcing strategy continues to be developed and refined and is increasingly proving useful in allocating resources. Weaning ourselves away from being predominately a financier of vehicles is a long term initiative that is underway. In addition to being a responsible corporate citizen, we see sustainable alternatives and solutions as a growth area and intend seeking out and designing ways to finance same. These are still early days, but mobility solutions and renewable energy solutions for households are two tangible areas we have commenced working on.

Despite a temporary setback in loan portfolio growth over the last couple of years, we are optimistic about achieving our Quarter Trillion Asset Base (Q-Tab) target by 2030. The pandemic has accelerated customer adoption. The nature and scope of the vehicle financing market is undergoing structural change. Competitive intensity and also additional strictures on recovery measures that NBFIs could employ has reduced the risk reward payoff on some segments. Recognising these trends, CDBs strategic plan directed its attention towards developing new segments and new ways of delivering value and remaining relevant to both existing and potential customers.

Importantly, many of these developments would not have been possible without the corresponding investments in technology and automation. CDB implemented a Robotic Process Automation in 2020. This enabled our sales team to onboard customers and book business 24 x 7 bypassing the branch network. In 2022/23 we implemented an automated credit decision model bearing in mind that a credit decision should have speed and accuracy. Today, 75% of credit applications receive a credit decision in machine speed time. The results on the accuracy of the model have been very encouraging. These developments augur well for the modern economy and changing customer behaviours we see and also anticipate.

Managing interest rate challenges

CDB and other NBFIs confront a maturity mismatch. As discussed previously, a rising rate environment, impacts our spreads. The extreme volatility of interest rates was one of the difficult challenges we faced this year and our Managing Directors review discusses the impact in greater detail.

I would like to dwell on the manner in which CDB managed these challenges. It serves as a litmus test for the effectiveness of our existing risk control measures, which have proven resilient. The strength and diversity of our funding sources were also put to the test and, reassuringly, showcased their resilience. At the start of the year, corporate borrowings from local institutions, which are highly susceptible to market rates and rapid shifts in volatile periods, constituted 26% of our funding. To manage such volatility, we consciously reduced our reliance on corporate borrowing from local institutions, pivoting instead to customer deposits. By 31 March 2023, we successfully reduced corporate borrowing from local institutions by 32%, comprising 17% of the overall funding. Customer deposits on the other hand increased by 20% and comprised 75% of funding. Accomplishing this feat in a liquidity-constrained environment is a testament to the capabilities of our team and the robustness of our deposit franchise.

Our performance

In terms of our financial performance, our profit before taxes declined by 53% YoY to LKR 2,494 Mn. as of 31 March 2023. This can be attributed to the steep 50% reduction in our spreads that was discussed previously. It should also be viewed in the context of the sharp economic contractions that Sri Lanka experienced, where its GDP shrank by 7.8% in 2022. In a highly inflationary environment (reported inflation touched 69% in September 2022), CDB contained expenses well. Overheads increased by only 15%. Asset quality was impacted and is a factor of the economic environment. Our NPL ratio (120 days past due) was 10.98% as at year end, a 4% increase. CDB leases are always against collateral and therefore we are confident of our ability to work through and resolve these NPLs. Our balance sheet remains highly liquid and we have consistently improved our capital levels in recent years and met all regulatory capital adequacy requirements satisfactorily. Please refer our Managing Directors review for a more detailed discussion on CDB's financial performance. Notwithstanding the challenges faced, you would be pleased to know that the Company declared a Rs. 5 dividend for the financial year 2022/23.

Fostering financial inclusion

Our commitment to mobilising finances from urban areas to finance rural borrowers remains unwavering. We are deeply dedicated to promoting financial inclusion, with a strong focus on empowering women entrepreneurs and supporting the SME sector. The integration of advanced technology and the expansion of virtual channels have significantly bolstered our ability to reach out to these segments. As a result, access to financial services has improved, empowering these groups and fuelling their economic progress. This in turn has led to an enhancement in their lifestyles and increased participation in the economic mainstream.

Embedding sustainability across all operations

We have made significant efforts and investments to educate our employees about the importance of environmental sustainability, fostering green awareness, and encouraging employee volunteerism. Additionally, we actively manage our carbon footprint and continuously strive to optimise energy, water, and waste management. We actively support initiatives that have positive environmental impacts, preserve biodiversity, and collaborate with business partners to protect the environment. We participate in community projects to contribute to sustainability goals.

I earnestly encourage you to see Impact section on pages 63 to 106 of this Annual Report which details the exemplary projects CDB continues to undertake in this space.

Strengthening risk management

The challenging circumstances of the year presented a real-life test of our risk management, which demonstrated commendable performance. Our prudent strategies and diversified balance sheet positioning, combined with a range of funding sources, facilitated successful navigation through what could be considered the most severe conditions faced. Continuous improvement in risk management remains a priority. This year we commissioned a team of international experts for 18 months assignment to assess our risk management processes against best in class practices and make recommendations to further strengthen same.

Addressing domestic debt optimisation

With the government presenting its domestic debt optimisation (DDO) on the 28 June 2023 a prominent factor weighing on market sentiment and interest rates has been dispelled. As we write this report interest rates on government securities have plummeted by over 1,000 basis points from what it was prior to the presentation of the DDO plan. Assuming the plan is implemented largely as proposed, we anticipate a further easing of interest rates and a reduction in uncertainty. It will enable economic actors in various sectors to make more accurate assessments and contribute to widespread economic growth. Encouragingly, we were already witnessing a recovery in interest and demand for financing within our operating sectors, and we expect this trend to expand and strengthen. We anticipate a rebound in profitability this year driven by lower funding costs and an increase in demand. Although not immediate, we also foresee a gradual resumption of vehicle imports, which will serve as a significant source of growth in the future.

Acknowledgement

In the face of the challenges that lie ahead in the year 2023, we remain resolute in our commitment to pursue our purpose. I would like to express my sincere gratitude to our dedicated employees for their unwavering engagement and dedication during these unprecedented times. Their efforts have been instrumental in our collective success. I extend my deep appreciation to my esteemed colleagues on the Board for their invaluable counsel in steering the Company through difficult circumstances. I wish to commend Mr Mahesh Nanayakkara, our Managing Director and CEO, for his exceptional leadership, which has inspired our entire organisation. I also extend my thanks to the senior officials of the Central Bank of Sri Lanka for their valuable counsel, guidance, and support. Additionally, I express my appreciation to our auditors, KPMG, for their valuable services. To our customers, I offer my sincere appreciation for your loyalty and continued patronage. I would like to thank our shareholders for their unwavering confidence and steadfast support.

Alastair Corera
Chairman

28 June 2023
Colombo

CDB remains unwaveringly committed to leverage on the synergies we are now seeing, emerging stronger from the crisis, building on our foundation of stability and strength and creating strong pillars within a sustainability and tech-driven business model and strategy which will fuel our exceptional team to optimise on their passion and spirit to make a difference.

Dear stakeholders,

As you read through our results this year, you will observe the tremendous impact the economic crisis had on the country with the cascading effects not leaving any part of the country unscathed. This has undeniably been the toughest year in our history.

Profit After Tax is reported at Rs. 1.6 Bn., a decline of 55% against the historically high profit we reported in the corresponding period last year. This fall is in the backdrop of the worst economic crisis Sri Lanka has ever experienced post-independence, where GDP contracted by 7.8%.

However, despite this catastrophic economic crisis and the extremely challenging environment we operated in, our key regulatory ratios strengthened with Tier I and Tier II capital ratios strong at 16.23% and 17.35% respectively, well above the required regulatory thresholds. CDB also remained within the well capitalised category under the Prompt Corrective Action (PCA) framework, while our liquidity ratio stood at 16.16%, once again well above the statutory diktat.

Operating environment

The one-year Treasury Bill rate increased to approximately 24% in April 2022, having been at single digit levels just three months prior. It was at this rate that TBs remained when last year's Annual Report was published in June 2022. Since then, the rate has risen to above 30% and remained within that percentage until the rate began declining from January 2023.
At the time of writing this report, the rate hovers at approximately 17%.

The permeating impact of the turbulent interest rates and market response resulted in changes in client behaviour which included requests for premature renewals. This led to our entire deposit base, which had a single digit weighted average rate of <9% at the beginning of April 2022, had to be repriced to about 16 percent plus in May. Since then, it gradually increased and peaked at 21% plus in February 2023, before starting to descend, following movement in market interest rates.

This trend was echoed in the Prime Lending Rate (PLR) too, which is linked to some of our debt funding. At the beginning of the reporting period, the rate was in single digits but increased rapidly to over 20% by May 2022. It peaked at over 29% in November 2022 before its descent. The repricing of the lending portfolio being at a much slower pace and magnitude resulted in a severe impact on our margins and profitability given our asset portfolio profile.

Facts and figures

Despite Sri Lanka's GDP contracting during the period under review, our recoveries and asset quality remained strong, although the 120 Days Past Due (DPD) inclined from 7.48% to 10.98% given the operating milieu and conclusion of the moratorium period.

From the current year onwards, DPD will be moving to a 90-day regime and our target is to bring it down to single digits. In the backdrop of high interest rates, subdued credit demand coupled with extremely conservative lending sentiments resulted in lending disbursements (excluding gold backed lending) amounting to only Rs. 12 Bn. during the year, compared to Rs. 33 Bn. in the previous year. Thus, the loan book excluding gold backed lending, contracted by 10 percent which is by Rs. 7 Bn.

The gold backed lending portfolio recorded a net increase of Rs. 5 Bn., which is a growth of 47%, leading to the portfolio percentage increasing to 21% of the loan book from 14% at the beginning of the year.

Currency depreciation, utility price revisions and inflation pressures led to considerable increases in overheads. All possible avenues were explored to institute cost saving measures that would minimise the impact. When US dollar denominated invoicing was applicable, especially in the technology area, the impact was substantial.

These negativities impacted some of our ratios including ROE, ROA and cost to income. EPS recorded a figure of Rs. 23.29 and the net assets value (NAV) per share stood at Rs. 260.40 as at the balance sheet date.

Another evident consumer trend that emerged due to the high-interest scenario was a substantial reduction in premature settlement of contracts. This reduced to Rs. 5.8 Bn. during the period under review compared to Rs. 17 Bn. in last year. This caused a slowing down of the retiring low yield loan book.

CDB's debt to deposits reflects a change of 25%:75%, in comparison to 37%:63% at the beginning of the financial year, although the funding base remained unchanged. The debt portfolio declined by Rs. 10 Bn., while the deposit portfolio saw an increase by Rs. 11 Bn. There is a high probability of this composition changing again due to our intense focus on debt funding including foreign funding.

Building on community, green and tech

While these shocks continued to bellow around us, we strengthened and augmented our business model and strategy, which are founded on the key pillars of sustainability and technology. We have also developed a new digital banking platform which will replace CDBiNet with a host of new features. This platform will go live in second half of the current financial year.

The RPA (Robotic Process Automation) and API (Application Programming Interface) ecosystems are now well established in every aspect of the business, continually evolving. The areas in focus include frontline business origination, credit approvals, operations, recoveries, analytics and compliance and assurance.

Concentrating heavily on expanding our digital presence which has worked very much in our favour judging by the fact that we doubled our capacity via virtual capabilities and worked on complementing our net zero aspirations, CDB has not opened a single brick and mortar outlet in the last five years. We are also ready to synergize a unique capability we possess under our crowd sourcing strategy, the patpat.lk platform with the emerging turnaround of the economy.

The digital wave has taken over especially since the pandemic. Having focused many years ago on creating a digitally empowering environment for our team and customers, CDB was well prepared for the influx of digital demand that stemmed since that time and has continued unabated since. While over-the-counter transactions have reduced, the use of digital and online channels have increased exponentially. We intend to further augment these trends which will enable us to release capacity so we can aggressively follow up on some of the non-conventional business verticals including money remittances under CDB Fast Cash and Authorised Money Dealer businesses.

A groundbreaking project in sustainable mobility solutions was initiated under the net-zero vertical which is a focus area in our sustainability pillar. We commenced the construction of a Concept Center to convert three wheeler vehicles into Electric Vehicles (EVs) in partnership with an expert company in this field.

The socially conscious pillar under community initiatives gained impetus on the launch of construction of an Autism Intervention Center at the Karapitiya Teaching Hospital, which will cover the entirety of the Southern region. This project is under the umbrella of The Autism Trust, making it the third project in this focus area. Our first was the very first sensory garden in Sri Lanka at the Ampara Base Hospital and the Autism Intervention Center at the Anuradhapura Teaching Hospital.

While our regular community initiatives continued during the year, staff engagement activities had to be halted due to the pandemic, were reactivated with much fervour. Bike to Work (Ninja Cruisers) and the Green Ninja Club were two that gained speed during the year.

The focus on conservation and biodiversity initiatives including reforestation, clean beaches and mangrove preservation in collaboration with Biodiversity Sri Lanka (BSL) and the University of Sri Jayewardenepura's Department of Forestry & Environmental Science also gained added fillip.

The commitment to our mission of being a socially and environmentally conscious and responsible corporate citizen is gathering force. On our journey of becoming a quarter trillion asset base company within the 2021-2030 decade and moving toward a net zero company remain high on our priorities. Under this wide focus, we are expanding our portfolios of green assets, women-based lending and support for the agri and fisheries sectors.

We remain very cognizant of the need to ensure the well-being of our team members and have added multiple initiatives that create a learning, constantly developing and empowering environment for each to thrive and be the best of themselves.

In retrospect

As the country was yet grappling with the fallout of the economic crisis, our "look, feel and tone" when engaging with our staff in October 2022 was about remaining extremely conservative and cautious. In January 2023, as we embarked on a new year, we focused on our outlook as being cautiously optimistic, while when we ceremonially launched the new financial year 2023/24, it was with a sense of optimism and positivity.

At the time, Sri Lanka was slowly and gradually on a path to recovery, although the hurdles were many. However, the IMF's Extended Fund Facility to Sri Lanka, the confidence extended by The Paris Club and the country's main creditors, the concerted efforts to restructure debt, the turnaround in tourism and remittances, the rupee showing signs of appreciation and inflation decreasing pointed to better times. The funding agencies and the IMF remain cautious but confident of Sri Lanka's recovery process, with the IMF expecting GDP to contract by 3% in 2023 but gain upward momentum in 2024.

The key remaining challenge of debt restructuring and overcoming uncertainty surrounding Domestic Debt Optimization (DDO) is expected to be finalized within a few days.

Stepping into the next year
All the signs point towards Sri Lanka regaining some of her past glory. In one year since the onset of the unprecedented upheavals on the political stage, Sri Lanka has once again proven beyond doubt of her resilience. As the country navigates the next chapter of change, CDB intends to augment the strong foundations we have already laid with well-informed decisions, a strong business model and astute judgment of external forces which impact the country and business. We have a clear visionary stance on the future journey of the country and know that this foundation we have laid, will foster a better future for the people of this nation to grow and prosper.

The country itself has traveled a checkered path in the last year but that path has been a source of many lessons learned. CDB remains unwaveringly committed to leverage on the synergies we are now seeing, emerging stronger from the crisis, building on our foundation of stability and strength and creating strong pillars within a sustainability and tech-driven business model and strategy which will fuel our exceptional team to optimize on their passion and spirit to make a difference.

Appreciations

It has certainly not been an easy year. While we navigated a stormy course, I sincerely appreciate the words of wisdom which have been shared with me by the Chairman and Board of Directors. Their leadership and astute focus have paved a sure and stable path for CDB to travel on, even in the most turbulent times. And in giving wings to that vision and ensure we navigate these times with courage, tenacity and alacrity, our team has excelled. Challenges are not unique to us but what is unique is how each challenge is tackled by our team with amazing mettle and an eagerness to overcome it, while exploiting opportunities along the way. My heartfelt thanks to our winning team.

To our customers and valued business partners, I am thankful to have your loyalty and confidence on our side because those ingredients are what adds clarity to our formula for the future.

As we step into a new financial year and an era that promises to be better than the catastrophic period we endured in the last financial year, CDB sees signs of a better future for the nation and her people. It is this future that CDB is well positioned to move forward into, adding a foundation of strong fundamentals, a transformational optimistic outlook and a vision for a greener future for the country and the planet.

Sincerely,

Mahesh Nanayakkara
Managing Director/Chief Executive Officer

28 June 2023
Colombo

GRI 201-1

Keeping aside our plans for growth, we quickly shifted gears during the year to focus on adapting to the highly uncertain economic, social, and political conditions, amidst muted credit demand and waning debt repayment capacity of borrowers.

An overview

For several years Sri Lanka has been facing multiple challenges hampering its prospects of progress – the drought in 2017, political turmoil in 2018, Easter Sunday Terrorist Attacks in 2019 and the COVID pandemic in 2020 following through to 2021, that constrained Sri Lanka's economic prospects. These events along with the impact of significant tax and fiscal relaxation effected in 2019, further pushed Sri Lanka towards a vulnerable economic position, and led to 2022/23 being a tougher year. In 2022, Sri Lanka saw depletion in foreign reserves and marked depreciation of the currency against the USD, defaulted on bilateral and commercial public debt, and experienced sovereign rating downgrades. A surge in inflation along with the uncertainties on debt restructuring resulted in high interest rates. These developments coupled with a deep recession and social unrest led the country to witness political changes. Amidst the chaos, hope came about in the form of Sri Lanka receiving the IMF Board level approval in March 2023 for an Extended Fund Facility, approximately USD 3 Bn. is to be received over a period of four years, with the continuity and completion depending on the stipulated criteria being met by each review date, especially with regard to achieving debt sustainability.

NBFI sector performance

As a country, we entered the financial year 2022/23 with numerous adversities in the background mentioned above and the Non-Bank Financial Institutions (NBFIs) sector was no exception. Muted economic activities and weak investor confidence meant that the NBFIs sector too had to contend with limited opportunities for credit expansion and all other business activities.

Overall, the performance of the NBFIs sector suffered a setback during the financial year 2022/23 in terms of new business, asset quality, and profitability. Although the overall net assets of the industry recorded a 12% growth, the total assets of the sector increased by just 3% or Rs. 46 Bn. during the year mainly due to an increase in short term investments in government securities and short term bank deposits.

The lending portfolio of the sector recorded a 4% negative growth due to the contraction of the finance leases and other secured loans portfolio. Lending gradually reduced because of the contraction of the leasing portfolio, mainly due to the continuation of restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict foreign currency outflows.

The overall investment portfolio of the sector however increased by 28% due to investment of excess liquidity in short term government securities. Customer deposits continued to dominate the liabilities of the sector accounting for 56%, and the deposit base grew significantly at the rate of 13% during the year. As a result, total borrowings significantly declined.

The sector earnings and profitability was impacted mainly due to the repricing effect on the deposit base and the drop in repayment capacity of customers under the current economic conditions.

Performance of the Company

Asset quality and loan portfolio

Asset quality

Keeping aside our plans for growth, we quickly shifted gears during the year to focus on adapting to the highly uncertain economic, social, and political conditions, amidst muted credit demand and weakening debt repayment capacity of borrowers under near hyperinflationary context and ever rising interest rate scenario. On average, our lending portfolio accounts for 73% of our total assets and hence, the quality of our assets portfolio depends heavily on the quality of the lending portfolio. In addition, a detailed regulatory direction was issued for the classification and measurement of credit facilities to establish stringent credit risk management framework for the NBFI Industry which came into force with effect from 1 April 2022, as tabulated below.

Minimum criteria on impairment of financial instruments of the NBFIs that opted for transitional provisions are as follows. CDB too opted for transitional provision option considering deteriorating economic and macro conditions.

- Stage 1 – All credit facilities which are not categorised under Stage 2 or Stage 3 below.
- Stage 2 based on the past due dates given below.

Facility type	2022/23 days	2021/22 days
Credit facilities repayable on a daily basis	7	7
Credit facilities repayable on a weekly/bi-weekly basis	30	30
Credit facilities repayable monthly or more	60	60

Stage 3 based on the past due dates given below.

Facility type	2022/23 days	2021/22 days
Credit facilities repayable on a daily basis	15	15
Credit facilities repayable on a weekly/bi-weekly basis	60	60
Credit facilities repayable monthly or more	120	150

Below is a detailed account of how CDB effectively faced the challenges and managed external volatilities during the financial year.

Stage wise loan composition based on the previous loan classification criteria applicable for the financial year ended 31 March 2022 is given below. Stage 3 classification was based on 150 past due dates.

As at 31 March	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross portfolio (Rs. Bn.)	72.04	6.60	4.81	83.45
Portfolio Composition (%)	86.34	7.90	5.76	100.00

Based on the adoption of 120 DPD Stage 3 classification, behaviour of the stage wise composition of the loans portfolio on a quarterly basis for the Financial Year ended 31 March 2023 are follows.

	2023			
	Stage 1	Stage 2	Stage 3	Total
Q1 Portfolio (Rs. Bn.)	67.70	7.74	9.44	84.88
Q1 Portfolio Composition (%)	80	9	11	100
Q2 Portfolio (Rs. Bn.)	71.35	3.60	11.63	86.58
Q2 Portfolio Composition (%)	83	4	13	100
Q3 Portfolio (Rs. Bn.)	60.09	11.62	9.61	81.32
Q3 Portfolio Composition (%)	74	14	12	100
Q4 Portfolio (Rs. Bn.)	61.32	9.62	10.47	81.41
Q4 Portfolio Composition (%)	75	12	13	100

The loan portfolio in Stage 1 came down to 74% as at 31 December 2022. However, we improved it to 75% by the end of the financial year. Similarly, Stage 3 (impaired loans) ratio increased to its highest level of 13% by the quarter ended 30 September 2022. However, by the year end, we maintain at 13%. Furthermore, we witnessed a significant increase in Stage 2 loans from 4% to 14% level during the year mainly due to the unfavourable macroeconomic conditions, coupled with the changes to the loan classification criteria implemented by regulatory directions. This trend of bucket movement of the portfolio is almost in line with the recovery path of the country which showcases the level of sensitivity of our customers to the macro conditions.

Loan portfolio

Gross loan portfolio also recorded a negative growth of 3% or a decline of Rs. 2.2 Bn. This was mainly due to the deliberate decision taken to curtail the growth of the loan book following the subdued credit appetite under highly stressed market conditions. Especially, given the near hyperinflationary environment, the demand for long-term loan products such as leasing, housing, and other long-term loans came to a complete standstill. In line with the management of the balance sheet position, our focus was mainly on recoveries and short-term loans. Accordingly, loan growth during the year under review came from gold loan and credit card portfolios. Gold loan portfolio increased to Rs. 15.79 Bn. from Rs. 10.77 Bn. as of the last year end, reflecting an increase of Rs. 5.02 Bn. or 47% growth. Credit card portfolio also recorded a 47% growth to Rs. 1.29 Bn. from Rs. 878 Mn. as of the last year end. With these changes of the loan portfolio, our exposure to gold loans increased to 21% of the total loan portfolio from 14% of the previous year end. Risk management section of this annual report details how we managed market and operational risks of the gold loan business considering the fact that the business growth mainly came from gold loan portfolio.

Concentration of the loan book under different product categories

As at 31 March	2022/23 Rs. '000	Composition %	2021/22 Rs. '000	Composition %	Change Rs. '000	% Change
Leasing and other long-term loans	63,982,848	78.60	70,887,732	84.94	(6,904,884)	(9.74)
Gold Loans	15,789,950	19.40	10,773,585	12.91	5,016,365	46.56
Credit Cards	1,287,710	1.58	877,949	1.05	409,761	46.67
Margin Trading	345,696	0.42	919,000	1.10	573,304	(62.38)
Total Portfolio	81,406,204	100.00	83,458,266	100.00	(2,052,062)	(2.46)
Impairment	(4,929,315)	6.06	(4,732,956)	5.67	196,358	4.15
Portfolio net of provisions	76,476,889		78,725,310			

Deposits from customers

Our deposit base grew by 20% YoY to Rs. 62,875 Mn. in FY 2022/23 from Rs. 52,216 Mn. in FY 2021/22. The growth in the deposit base mainly came from time deposits which recorded a growth of Rs. 10.9 Bn. or 22%. It is also evident that the average cost of the customer deposits also increased substantially from 7.29% of the year ago to 15.68% for the current year showcasing the impact of the current high inflation rate.

GROWTH IN THE DEPOSIT BASE AND THE MOVEMENT IN AVERAGE COST

Facility type	2022/23 Rs. Mn.	2021/22 Rs. Mn.	2020/21 Rs. Mn.	2019/20 Rs. Mn.	2018/19 Rs. Mn.
Time Deposits	58,256	48,844	45,468	40,783	44,945
Savings Deposits	2,730	3,004	2,915	2,267	2,014
Other Deposits	1,889	369	436	256	264
Total Deposits	62,875	52,217	48,999	43,305	47,223
Interest Cost on Deposits	9,027	3,809	4,283	5,171	5,756
Average Cost (%)	15.68	7.29	9.28	11.42	12.52

Local and foreign borrowings

Our Corporate and Foreign Borrowings portfolio reduced by 33% to Rs. 20,460 Mn. in FY 2022/23 from Rs. 30,436 Mn. in FY 2021/22. Given the high borrowing cost and the muted demand for credit, there were no new borrowings during the year. Further, it is noteworthy to mention that even amidst the heightened foreign currency shortages, we honoured our foreign loan settlement commitments to our foreign funding partners who had placed enormous confidence in us for years.

Income

Fund based income

Net Interest income for the period decreased by 16% to Rs. 7,556 Mn. from Rs. 9,037 Mn. in the previous year mainly due to the sharp increase in market interest rates leading to the repricing of the customer deposit base faster than the assets portfolio. Interest expenses increased by a massive 104% to Rs. 12,577 Mn. compared to the 33% increase in interest income. Consequently, Net Interest Margin reduced to 7.18% for the year from 9.05% a year ago.

More than 90% of assets represents income generation assets while interest expense yield in liabilities are at 79%. Interest earning assets to interest bearing liabilities was maintained at around 115% (2021/22 – 115%).

Fee based income

Fee- based income from fees, commission, and other fee based income recorded a decrease of 60% YoY to Rs. 1,427 Mn. from Rs. 2,378 Mn. a year ago mainly due to substantial decline of pre-closures in comparison to the last financial year.

Decline in net interest income coupled with the decrease in other operating income contributed to a 21% negative growth in total operating income to Rs. 8,984 Mn. for the year from Rs. 11,415 Mn. in FY 2021/22.

Operating expenses

Total operating expenses swelled by 15% YoY to Rs. 5,073 Mn. from Rs. 4,412 Mn. a year ago. The increase was mainly contributed by premises, equipment, and establishment expenses due to the impact of inflationary pressures and rupee depreciation on the services obtained from both local and overseas suppliers. Total increase in the operating expenses amounted to Rs. 661 Mn. of which Rs. 629 Mn. (90% of the increase) was on account of premises, equipment and establishment expenses. As a result of the lower net interest margin, lower other operating income and increase in operating expenses, the cost to income ratio for the year under review increased to 56.47% from 38.65% of the year ago.

Profitability

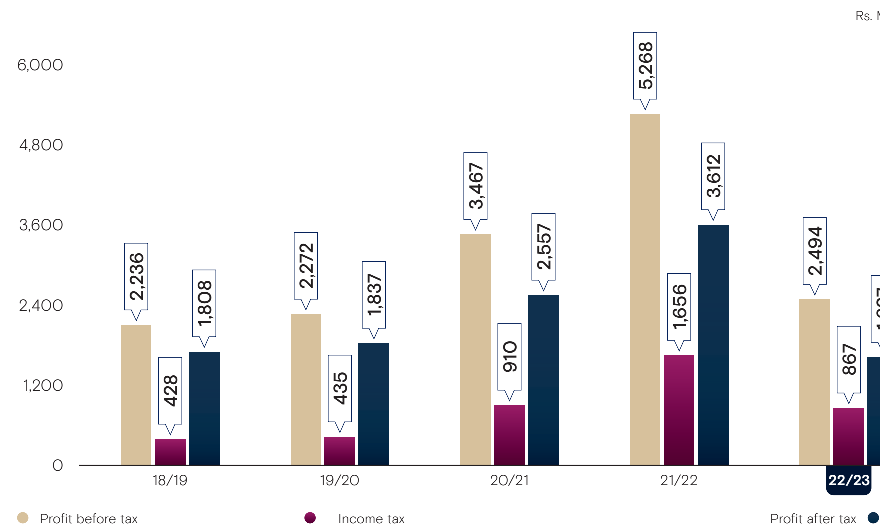
Profit before taxes for the year decreased by 53% to Rs. 2,494 Mn. from Rs. 5,268 Mn. in the previous year. This can be attributed to decreases in net interest income by 16% and other operating income by 40%, which led to a decrease in total operating income by 21%, and an increase in operating expenses by 15%.

Increase in taxes on financial services and NBT during year also contributed to the lower Profit before taxes. Income tax expenses decreased by 48% to Rs. 867 Mn. compared to Rs. 1,656 Mn in FY 2021/22.

Consequently, CDB recorded a Profit after tax of Rs. 1,626 Mn. for the year under review as against Rs. 3,612 Mn. in FY 2021/22, a decrease of 55%.

Accordingly, both Return on Average Assets and Return on Average Equity also reduced to 1.55% and 9.08% respectively for the year compared to 3.62% and 22.79% reported in FY 2021/22.

PROFIT BEFORE TAX AND PROFIT AFTER TAX



Liquidity

We continued to maintain liquidity levels above the regulatory minimum and stringent ALCO targets were maintained during the year. The fact that ours is a highly liquid balance sheet with 90% of regular cash flow generating assets, along with low contractual assets and liability maturity mismatches contributed to maintain liquidity at compatible levels. However, the impact of the upward movement in interest rates and the market response resulted in changes in client behaviour, disturbing the contractual maturity patterns leading to mass premature renewal of the deposit base. This resulted in an increase in interest cost despite having acceptable level of contractual maturity mismatches.

Capital

We have continued to bolster our capital levels over the past several years and as a result, we are in a satisfactory position today in meeting all the regulatory capital adequacy requirements. The growth in the gold loan portfolio composition from 14% to 21% as well as the contraction in overall assets being limited to 1% during the year had positive impacts on capital adequacy ratios. Our capital augmentation plan is in tandem with our plans for expansion of business and also is aligned to the risk profile of our business.

CAPITAL ADEQUACY RATIOS

Ratio	2022/23	2021/22	2020/21	2019/20	2018/19
Core capital Ratio (%)	16.23	15.16	12.10	10.25	8.09
Total capital Ratio (%)	17.35	17.07	15.34	13.29	11.07

Shareholder returns

We proposed a dividend for 2022/23 of Rs. 5.00 per share which is 33% increase of the dividend declared in the previous year. Net Assets Value of the share as of 31 March 2023 was Rs. 260.40 (2022 – Rs. 252.63). Market Price of the voting and non-voting shares were recorded at Rs. 227.75 and Rs.79.10 respectively. Market price of the voting and non-voting shares recorded marginal declines of 1.30% and 8.13% respectively during the year under review.

Creating value for our investors

Investors play a vital role as key stakeholders in CDB's value creation process. They contribute significant financial capital, shape corporate behaviour, and have a profound impact on socio-environmental and governance aspects. CDB is dedicated to effectively managing risks and achieving sustainable growth, ensuring strong relationships with investors that foster transparency, trust, and informed assessments of the Company's present and future prospects.

CDB's investor base consists of both individuals and institutions that provide essential financial capital for investments and development. The Company's primary objective is to generate value for its shareholders by managing risks and delivering sustainable growth and returns. To achieve this, CDB is committed to providing its investors with all the necessary information through regular engagement, cultivating mutual trust, and embracing accountability.

This approach allows investors to accurately assess CDB's performance and make well-informed judgments regarding the Company's future prospects. Moreover, CDB demonstrates its commitment to shareholders by consistently paying dividends. By nurturing these relationships, CDB aims to establish a strong foundation for long-term success and mutually beneficial partnerships with its investors.

A resilient performance

Capital market performance

The Colombo Stock Exchange (CSE) boasts a total of 296 companies, with a Market Capitalisation of Rs. 3,903.5 Bn. as of 31 March 2023. As for the market indices, the All Share Price Index (ASPI) closed at 9,301.10, while the S&P Sri Lanka 20 Index (S&P SL 20) stood at 2,682.8.

Throughout the financial year, CDB's ordinary voting and ordinary non-voting shares experienced a drop of 1.30% and 8.8% respectively. The ASPI showed a year-on-year growth of 4.56% by the end of 31 March 2023.

CDB.N shares were traded within the range of Rs. 160.50 to Rs. 239.00, while CDB.X shares were traded between Rs. 51.00 and Rs. 86.10. In terms of overall market capitalisation, CDB experienced a 1.72% year-on-year depreciation.

Maintaining proactive and effective communication with investors and shareholders has been a priority for us. This commitment has fostered stronger relationships and improved organisational performance. To ensure transparent and timely disclosures, we have utilised various online and offline communication channels to engage with investors and provide them with relevant information.

Stock exchange listing

Citizens Development Business Finance PLC's ordinary shares, which have been issued, are listed on the Main Board of the Colombo Stock Exchange.
The unaudited Interim Financial Statements for the three quarters of the 2022/23 financial year were submitted to the CSE within the required 45-day time frame. The unaudited Interim Financial Statements for the final quarter were submitted to the CSE within the specified 60-day period from the end of the quarter.

COMPARISON OF CDB SHARE MOVEMENT WITH ASPI

	ASPI	CDB.X	CDB.N
April 2022	7,624.26	68.00	201.00
May 2022	8,108.09	62.30	199.75
June 2022	7,342.33	54.20	180.00
July 2022	7,731.15	57.00	175.00
August 2022	9,071.32	65.40	217.75
September 2022	9,931.07	65.40	195.00
October 2022	8,728.60	61.50	190.00
November 2022	8,651.00	55.90	200.00
December 2022	8,490.00	53.40	190.00
January 2023	8,865.00	57.20	190.00
February 2023	9,188.50	60.90	199.25
March 2023	9,301.10	79.10	227.75

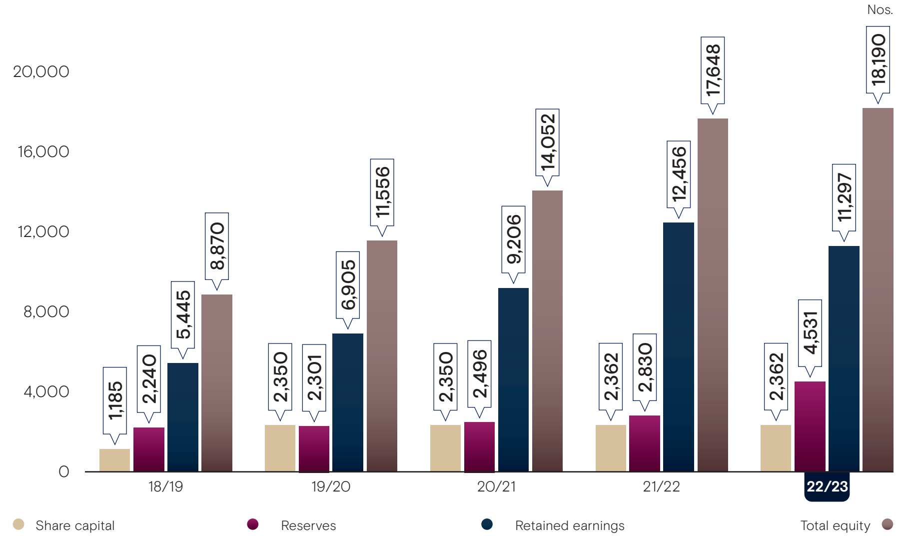
Overall share market

As of 31 March 2023, the Colombo Stock Exchange market capitalisation of Rs. 3,903.50 Bn. This figure represents a growth of 2.01% compared to the previous year's market capitalisation of Rs. 3,826.50 Bn.

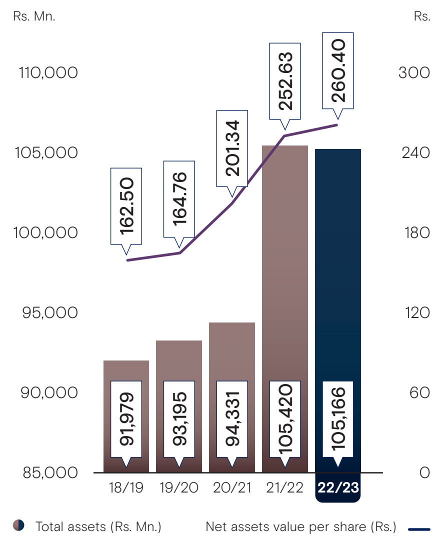
	31 March 2023	31 March 2022
All Share Price Index (ASPI)	9,301.10	8,903.87
S&P Sri Lanka 20 Index (S&P SL 20)	2,682.80	3,031.16
Market capitalisation (Rs. Bn.)	3,903.50	3,826.50

Financial information

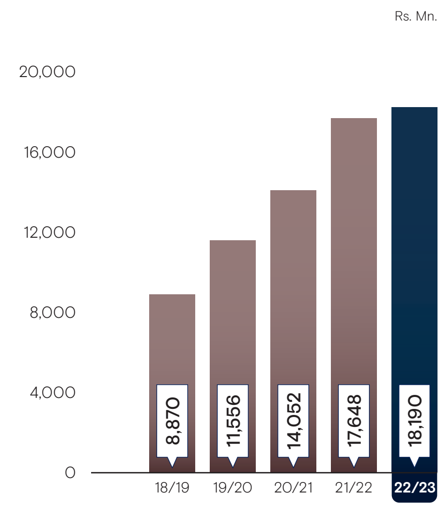
MOVEMENT IN SHARE CAPITAL, RESERVES, RETAINED EARNINGS AND TOTAL EQUITY



TOTAL ASSETS AND NET ASSETS VALUE PER SHARE



TOTAL EQUITY



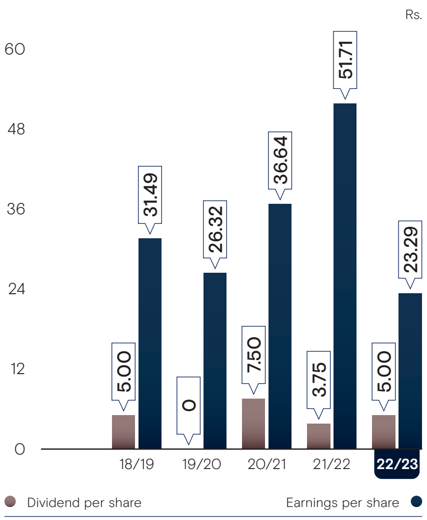
HIGHLIGHTS

	2022/23	2021/22
Price earnings ratio (Times)	9.78	4.46
Earnings per share (Rs.)	23.29	51.71
Net assets value per share (Rs.)	260.40	252.64
Price to Book value (Times	0.87	0.91
Return on Equity (%)	9.08	22.79
Return on Assets (%)	1.55	3.62
Earnings Yield (%)	10.23	22.41
Dividend Yield (%)	2.20	1.63
Dividend payout (%)	21.47	7.25
Dividend Cover (Times)	4.66	13.80
Net interest margin (%)	7.18	9.05
Debt/Equity Ratio (Times)	4.65	5.23
Quick Assets Ratio (Times)	0.83	0.95
Interest Cover (Times)	1.25	1.94

Dividends

For the fiscal year that concluded on 31 March 2023, CDB announced a first and final cash dividend of Rs. 5.00 per share for both its voting and non-voting shares subject to shareholder approval in the Annual General Meeting on 02 August 2023. The total dividend amount declared for voting shares was Rs. 297,561,875, while for non-voting shares it was Rs. 51,718,340. When combined, the dividend payouts amounting to Rs. 349,280,215.

DIVIDEND PER SHARE AND EARNINGS PER SHARE



Share price information

Price (Rs.)	Voting 2022/23	Voting 2021/22	Non-voting 2022/23	Non-voting 2021/22
High	230.00	275.00	80.10	135.00
Low	175.50	100.25	51.00	70.00
Last traded	227.75	230.75	79.10	86.10

Share trading information

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of transactions	638	2,703	1,556	1,401	1,970
Number of shares traded	5,682,209	1,928,617	2,497,879	5,647,980	2,735,334
Value of shares traded (Rs.)	1,135	282,060,872	240,347,905	500,892,517	229,888,715

ANNUAL TRANSACTION INFORMATION – ORDINARY NON-VOTING SHARES

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of transactions	3,381	10,459	3,341	1,267	789
Number of shares traded	1,303,693	5,905,811	4,322,586	1,175,929	755,533
Value of shares traded (Rs.)	82.43	564,400,918	306,053,238	76,157,195	55,384,111

MARKET CAPITALISATION

	Number of shares	MPS	2022/23	Number of shares	MPS	2021/22
Voting	59,512,375	227.75	13,553,943,406	59,512,375	230.75	13,732,480,531
Non-voting	10,343,668	79.10	818,184,139	10,343,668	86.10	890,589,815
Total	69,856,043		14,372,127,545	69,856,043		14,623,070,346

FLOAT ADJUSTED MARKET CAPITALISATION

	Number of shares	MPS	Market capitalisation Rs.	Percentage of public holders %	Float adjusted market capitalisation Rs.
Voting	59,512,375	227.75	13,553,943,406	44.19	5,989,487,591
Non-voting	10,343,668	79.10	818,184,139	83.88	686,292,856
Total	69,856,043		14,372,127,545		6,675,780,447

The Company's float adjusted market capitalisation conforms to Option 5 outlined in Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange. Additionally, the Company has successfully met the minimum public holding requirement specified under this particular option.

Outlook for 2023 and beyond

Serious implementation of the reforms will contribute to the improvement of the investment and business climate by financial stabilisation and the streamlining of outdated administrative procedures through digital transformation initiatives.

Otherwise the unique opportunities provides a unique opportunity to implement deep and permanent structural reforms that may be difficult under normal circumstances. We believe that Sri Lanka should use this opportunity to build a strong and resilient economy for our future generations.

We "Team CDB" have gone through many a shock during the first generation and had the resilience to come out of them. We are confident that our purpose coupled with exemplary governance and meticulous execution of strategy enables us to build an organisation that is highly resilient to the volatile and uncertain times expected to impact the next level of leadership.

Despite the challenges posed by the uncertain macroeconomic context, we will strongly commit ourselves to the three strategic priorities of Tech-Fin Transformation, one million customer base, and A Quarter Trillion Asset Base (Q-TAB) by 2030, in the immediate future.

Damith Tennakoon
Chief Financial Officer

28 June 2023
Colombo

Our vision for the next decade is to transform into a Quarter Trillion Asset Base (Q-TAB) Company by leveraging two key pillars: Tech Disruption and Sustainability Agenda that encompasses both social and environmental dimensions.

CDB IN ACTION

OUR STRATEGY FOR 2021–2030

Our business model and strategy aim to transform our Company into a quarter trillion asset base by embracing sustainability and technology disruption. With a David vs Goliath mindset, we position ourselves as a disruptor in the industry, competing with larger incumbents. Our strategy includes two verticals: Deliberate and Emergent. Deliberate strategy focuses on redefining conventional business lines through tech disruptions, while Emergent Strategy 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. We also reach remote and vulnerable markets, becoming a net lender to the rural economy and promoting financial inclusion.

The sustainability pillar consists of two verticals: Net-Zero and socially conscious, complementing our business strategy and creating new opportunities. Under Net Zero, we prioritise Sustainable mobility and renewable energy. Financial Inclusion and Community Impact are prioritised under socially conscious pillar. Our business strategy emphasises "extraordinary results through ordinary people" and "strategy bets on people." We recruit team members from diverse backgrounds, providing employment, a positive working culture, and extensive training. Mindful and engaged team members are a core area of our business strategy.

Overall, our business model combines sustainability, technology disruption, and a people-centric approach to drive growth, efficiency, and social impact. As a regulated institution, we maintain high compliance standards and a responsible corporate citizen culture.

2011–2020 TOTAL ASSETS:

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

2021 FINANCIAL SERVICES

SUSTAINABILITY AGENDA

CDB ADVANCE Advancing the green economy

Socially impacting sustainability-driven brand positioning

Green assets and decarbonisation led business growth

NET ZERO

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

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

SOCIALLY CONSCIOUS

- Financial inclusion
  Reach out to most vulnerable, remote and base of the pyramid market segments.
- Community Impact
  - Child Health and Well-Being
  - Child Education and Literacy
  - Volunteerism
  - Empower entrepreneurs, youth and women

Engage mindful team members

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

2025
FINANCIAL SERVICES + TECHNOLOGY

2030
TECH MINDSET WITH FINANCIAL SERVICES LICENSE

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

QUARTER TRILLION ASSET BASE

TECH DISRUPTION

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

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

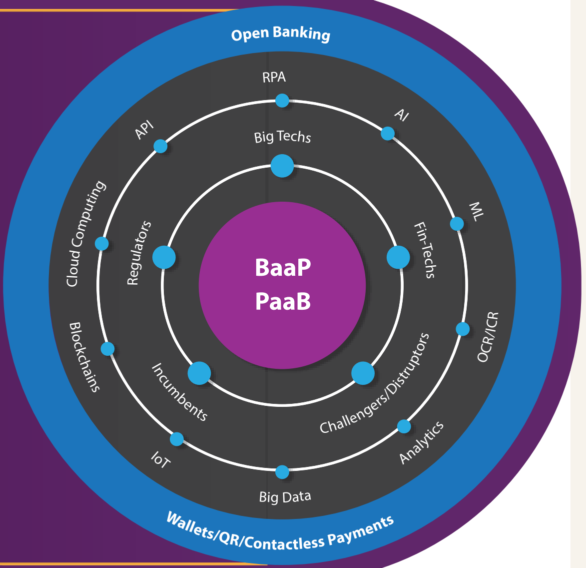
BUSINESS STRATEGY

Enabler to compete with incumbents as a disruptor

David vs Goliath Mindset enabler

DELIBERATE

EMERGENT



Compliance & assurance binding the organisation as a listed public deposit-taking corporate citizen

Our vision for the next decade is to transform into a Quarter Trillion Asset Base (Q-TAB) Company by leveraging two key pillars: Tech Disruption and Sustainability Agenda that encompasses both social and environmental dimensions.

Our tech disruption strategy aligns with sustainability strategy enabling net zero and resource efficiency. It empowers us to reach underserved markets, promote financial inclusion, and to compete as a responsible corporate citizen. We position CDB as a disruptor, driven by our purpose and shared values, transcending social and geographic boundaries.

Our sustainability agenda is comprehensive, encompassing both social and environmental dimensions. We are deeply committed to minimising our carbon footprint and achieving net zero status. Our agenda prioritises key verticals of promoting renewable energy-based mobility and household solutions, fostering a shared economy, conserving biodiversity, ensuring financial inclusion, driving community impact initiatives, and cultivating an engaged and mindful team members, a responsible and a sustainable brand.

Together, the pillars of tech disruption and sustainability drive our transformation towards becoming a Quarter Trillion Asset Base Company. We are dedicated to leaving a lasting and positive legacy, while actively shaping a sustainable future for all.

Surveying our operating context

Understanding and adapting to the operating environment is crucial to navigate challenges, seize opportunities, comply with regulations, meet customer needs, and maintain long-term sustainability in an ever-evolving financial landscape.

The operating environment of a financial institution is a complex ecosystem comprising various factors and players. The political environment, global financial trends and economic stability, social and market conditions, technological advances, the prevailing legal framework, and various other factors influence the environment. This, in turn, shapes the institution's strategic decisions, risk management practices, customer interactions, and competitive landscape.

Trust, transparency, and effective risk management strategies are vital for maintaining customer confidence and ensuring the smooth functioning of its operations. Compliance with stringent regulatory frameworks, security measures, and privacy policies is essential. In addition, technological advancements drive digital transformation, offering customers convenience, accessibility, and personalised services.

Political – Sri Lanka's efforts to address economic crisis with IMF support

In March 2022, the Government of Sri Lanka sought assistance from the International Monetary Fund (IMF) to address the economic crisis that occurred in 2022. Approval was obtained for a 48-month extended arrangement under the IMF's Extended Fund Facility (EFF) totalling almost USD 3 billion. One of the key objectives within this arrangement is to restructure public debt and achieve debt sustainability, which is essential for long-term economic growth and stability.

The Government and the Central Bank of Sri Lanka (CBSL) have already implemented policy measures and reforms that have yielded positive results. Inflation, which had reached a historic peak in September 2022, has now returned to a favourable disinflation trend. The exchange rate, after experiencing a significant depreciation in the first half of 2022, has stabilised and even appreciated in early 2023. Additionally, the external current account deficit has remained modest, and official reserves have gradually increased. As a result, the country was able to reintroduce exchange rate flexibility in March 2023.

Looking ahead, it is crucial to execute consistent and well-coordinated policies, as outlined in the IMF-EFF supported programme, to prevent future crises. Normalising foreign exchange flows, completing the debt restructuring process, and implementing comprehensive reforms in the public sector are expected to contribute to improved and sustainable economic prospects for Sri Lanka.

By prioritising data-driven decision-making and avoiding ad hoc policy experiments, the government can mitigate the negative consequences of populist policies and ensure the welfare of the general public and businesses.

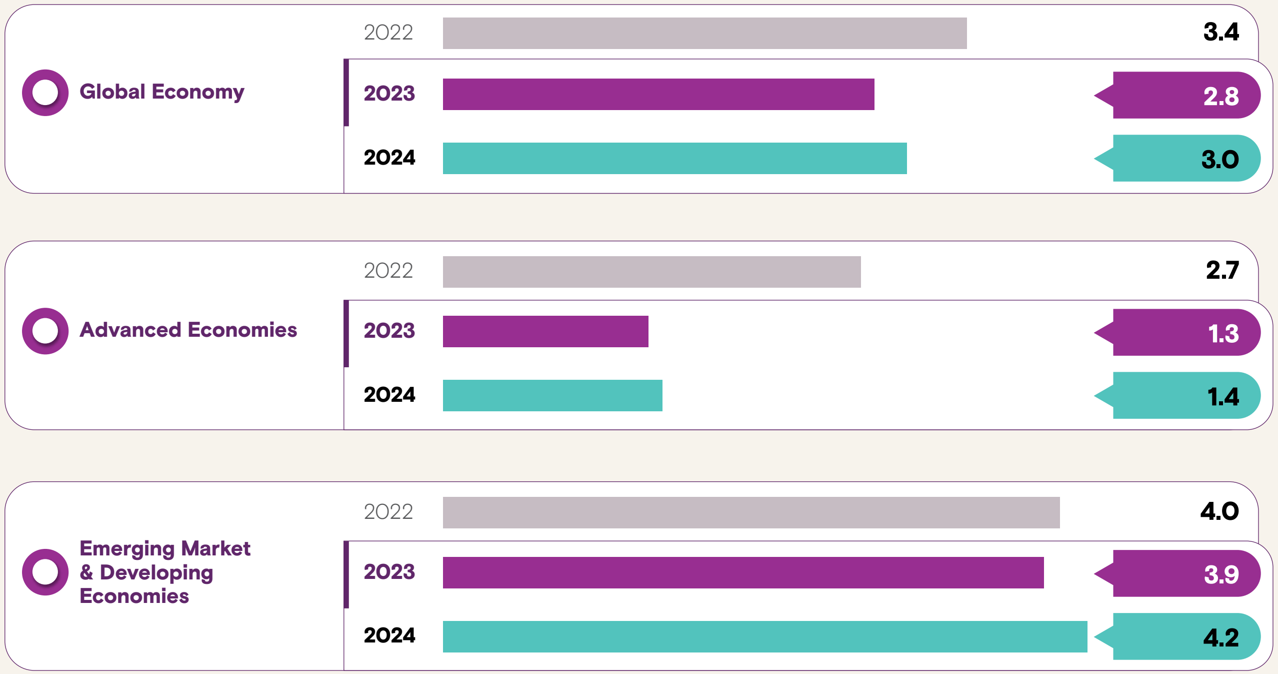
Economic - Unprecedented challenges and signs of economic recovery

Global economy

The global economy faces a challenging path to recovery, according to the International Monetary Fund (IMF). Growth is projected to decline from 3.4% in 2022 to 2.8% in 2023, with a subsequent stabilisation at 3.0% in 2024. Advanced economies are expected to experience a significant slowdown in growth, dropping from 2.7% in 2022 to 1.3% in 2023. In the baseline scenario, global headline inflation is anticipated to decrease from 8.7% in 2022 to 7.0% in 2023. However, achieving the target inflation rate is unlikely before 2025. The situation across Asia and developing economies indicates positive growth, headed by China and India. Overall, the next few years appear to be uncertain due to turbulence in the financial sector, elevated inflation, persistent repercussions from Russia's invasion of Ukraine, and the enduring impact of three years of the COVID-19 pandemic.

World Economic Outlook April 2023

Growth Projections by Region

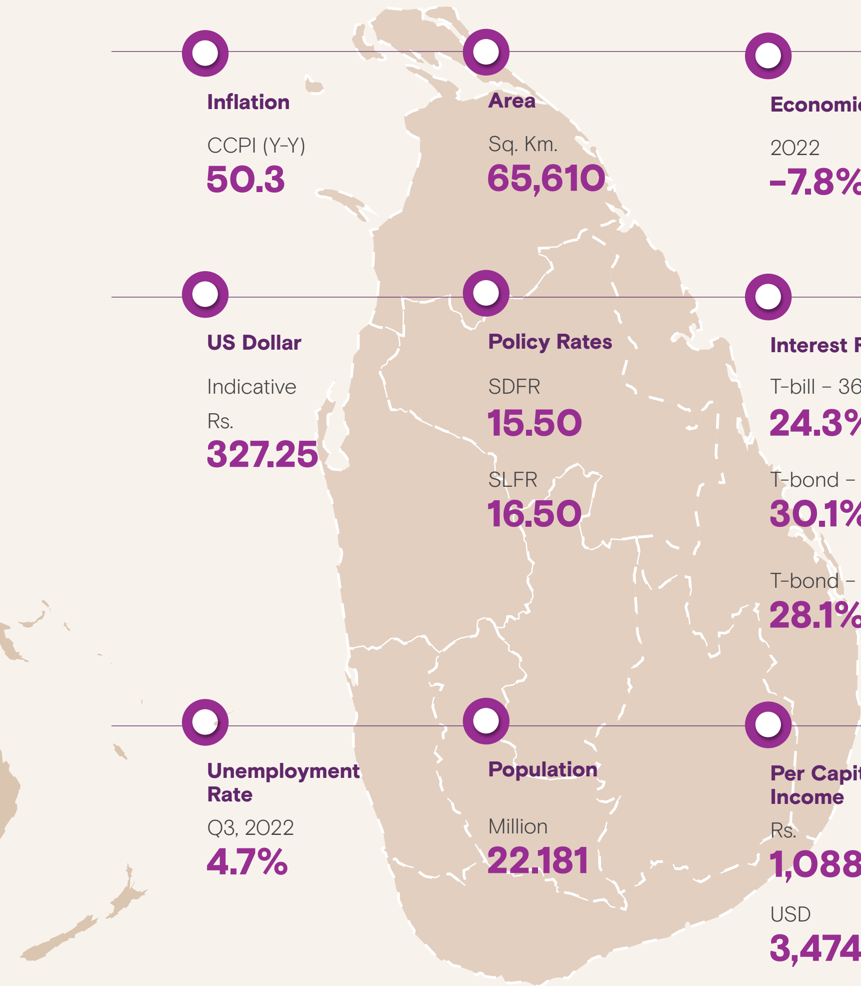


World Economic Outlook April 2023

Growth Projections by Region

	2022	2023	2024
United States	2.1	1.6	1.1
Europe Area	3.5	0.8	1.4
Middle East and Central Asia	5.3	2.9	3.5
Latin America and The Caribbean	4.0	1.6	2.2
Sub-Saharan Africa	3.9	3.6	4.2
Emerging and Developing Asia	4.4	5.3	3.5

Sri Lanka Economy Snapshot



Inflation
CCPI (Y-Y)
50.3

Area
Sq. Km.
65,610

Economic Growth
2022
-7.8%

US Dollar
Indicative
Rs.
327.25

Policy Rates
SDFR
15.50
SLFR
16.50

Interest Rates
T-bill – 364 days
24.3%
T-bond – 2 years
30.1%
T-bond – 5 years
28.1%

Unemployment Rate
Q3, 2022
4.7%

Population
Million
22.181

Per Capita Income
Rs.
1,088,667
USD
3,474

The Central Bank of Sri Lanka reports a 7.8% contraction in the economy in 2022. Additionally, the per capita income declined to USD 3,474, resulting in the country once again being classified as a lower middle-income nation.

The outlook for Sri Lanka appears highly concerning, as per the IMF's projections, with an anticipated decline of 2% in 2023, followed by a modest growth of 3.3% in 2024. However, the IMF is of the view that the macroeconomic situation in Sri Lanka is showing tentative signs of improvement, with inflation moderating, the exchange rate stabilising, and the Central Bank rebuilding reserves buffers.

In nominal terms, the Sri Lankan economy experienced a significant increase of 37.2% in 2022 compared to 12.3% in the previous year, indicating a high inflation rate. However, when considering the US dollar value, the overall size of the economy shrank to USD 77.1 Bn. in 2022 from USD 88.5 Bn. in 2021 due to a substantial depreciation of the exchange rate. The per capita GDP also decreased to USD 3,474 in 2022 from USD 3,997 in 2021. Analysing the expenditure approach, consumption expenditure, which accounted for 69.2% of the GDP, grew by 34.3% in 2022, a significant increase compared to 8.4% in 2021, contributing significantly to the overall growth of the economy. This growth was mainly driven by a sharp increase in inflation, with household consumption expenditure growing at a higher rate of 39.0% in 2022 compared to 9.4% in the previous year. Additionally, government consumption expenditure increased by 3.8% in 2022, compared to 2.3% in 2021.

However, as the year progressed, the economy began showing gradual signs of recovery, with improvements in export earnings, inward remittances and tourism. Imports too were reduced owing to the high exchange rates, leading to less pressure on the balance of payment situation.

The Non-Bank Finance sector

Despite challenges faced from shrinking credit growth, declining profitability, and the increase in non-performing loans as indicated by Stage 3 loans, the NBFI sector grew in terms of assets and deposits with adequate capital and liquidity buffers during 2022. The asset base of the sector expanded by 3% and stood at Rs. 1,635 Bn. by end March 2023, compared to the 14% growth recorded in March 2021.

During 2022, debt moratoria and concessions on loan repayments were extended to assist affected borrowers of the NBFI sector due to the prevailing extraordinary macroeconomic conditions.

The Masterplan for consolidation of NBFI (the Masterplan) is implemented with the objective of establishing strong and stable LFCs in the medium term and thereby safeguarding the interest of depositors of the sector and preserving the financial system stability.

Future outlook

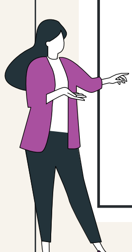
The IMF programme is expected to trigger additional financing assistance with budget support from the World Bank and the Asian Development Bank of USD 3.75 Bn., of which USD 900 Mn. is expected in 2023. It is also expected that with the recovery in the economy and building of reserve buffers, Sri Lanka would be able to access international markets to raise funds in terms of sovereign bond issues in the future.

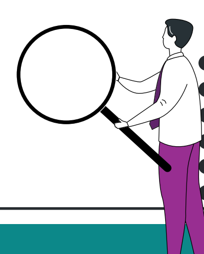
Foreign exchange earnings are likely to receive a boost as Sri Lanka Tourism has set an ambitious target of 1.5 million arrivals and an income of USD 5 Bn. by attracting high-end travellers who spend more on a broader range of activities.

Meanwhile, Sri Lanka has been listed on the Forbes magazine as one of the 23 best places to visit in 2023, providing an added incentive for potential travellers.

Currently, the Government of Sri Lanka shoulders the financial burden of 420 government institutions and enterprises. Among the major 52 State-Owned Enterprises (SOEs), there is an annual loss amounting to Rs. 86 Bn. In an effort to address this situation, the government plans to restructure certain SOEs, including many leading institutions. The proceeds generated from these entities will be utilised to bolster the country's foreign exchange reserves.

Given the above positive developments, the Sri Lankan economy is likely to post a reasonable performance overcoming the adverse predictions. This is likely to have a positive impact on the performance and growth of CDB in the coming year.





Social – Navigating demographic changes and workforce challenges

The demographic landscape in Sri Lanka is experiencing profound transformations, propelled by factors including economic, social, and political concerns, digital transformation, health dynamics, and skill shortages. This ongoing transformation presents significant challenges for organisations as they strive to reimagine their business models and effectively manage their workforce. To navigate these challenges successfully, adaptability, strategic workforce management, and addressing the needs of different generations will be crucial.

Sri Lanka, a developing country, is experiencing a notable demographic shift characterised by an increase in its elderly population. It currently has the highest proportion of elderly people in Southeast Asia, a trend expected to continue in the future. This presents specific challenges due to the country's lower economic growth rates compared to developed nations.

In 2022, there was a substantial rise in the number of Sri Lankans leaving the country for foreign employment, particularly skilled and unskilled labourers and housemaids. This phenomenon can be attributed to the country's ongoing economic, social, and political crises.

The global shift in work patterns, driven by ongoing uncertainty and unprecedented circumstances, has had a profound impact on the human capital agenda of organisations, particularly in the financial services sector. Technological advancements have reduced headcount through intelligent automation and created a demand for technology skills. Financial institutions face intensified competition from technology companies in recruiting and retaining critical talent.

In uncertain and challenging operating environment, business operations have had to adapt to meet customer expectations while prioritising employee well-being and productivity. However, within this context, generational differences in work expectations and shifting demographics can result in higher turnover.

Technological – The digital transformation of financial institutions and cybersecurity concerns

The world is undergoing a digital transformation, and financial institutions are at the forefront of this change. They have embraced digitalisation in various aspects of banking, leading to new opportunities and enhanced customer experiences. The COVID-19 pandemic further accelerated the adoption of digital technologies to overcome the limitations of reduced mobility.

Digitalisation in financial services involves leveraging mobile technology, fintech partnerships, cloud computing, big data, advanced analytics, machine learning, blockchain, AI, robotics, and biometrics. These technologies optimise existing IT infrastructure and open up new revenue channels. Financial institutions are increasingly collaborating with fintech companies to deliver innovative solutions at a faster pace. Virtual video conferencing and remote collaboration tools have also transformed the manner in which businesses operate and how people interact with technology.

Sri Lanka, in particular, has experienced a rapid acceleration in mobile phone penetration, which has facilitated the growth of digital transactions. The improvements in mobile services have contributed to increased productivity and efficiency in financial transactions.

However, alongside the positive aspects of the digital revolution, there is also a dark side that cannot be ignored. One of the most concerning issues is the significant increase in financial crime and cyberattacks which has become more frequent, intense, and sophisticated. Financial institutions are primary targets for cyberattacks due to their involvement in payment systems and possession of sensitive customer information. These attacks are aimed to gain access, alter, or destroy valuable data, extort money, or disrupt banking services.

Consumer and employee behaviour is continually evolving in the digital world, with technology enabling seamless and secure connections across multiple devices. Financial institutions need to adapt to these trends and meet evolving customer demands. Investment in new products and capabilities is necessary to deliver convenient banking and provide access to financial solutions.

Environmental – Addressing climate risks and promoting sustainable finance

Sri Lanka, as a small island nation, faces significant vulnerability to the adverse effects of climate change, including extreme weather events and natural disasters that impact various economic sectors and livelihoods. The country's financial sector is also exposed to climate-related risks and needs to urgently address these risks to mitigate potential financial and reputational losses. By making responsible investment choices and ensuring transparent reporting, financial institutions can contribute to the transition to a sustainable economy and support climate mitigation and adaptation initiatives.

Financial institutions are under growing pressure from both regulators and the market to safeguard themselves against the impact of climate change and align with global sustainability goals. This involves implementing new rules for managing climate risks, conducting stress tests, and integrating environmental, social, and governance (ESG) factors into investment decisions.

The financial sector plays a crucial role in shaping future economies, as its capital allocation decisions can either accelerate or hinder the transition to a sustainable economy. To fulfil this role responsibly, financial institutions need to reduce investments in environmentally harmful industries, increase sustainable finance initiatives, divest from fossil fuels, and make responsible investment decisions. Many financial service institutions have committed to achieving net-zero emissions and pledged to provide funding for climate mitigation, adaptation solutions, and sustainable development.

Legal – Promoting responsible financial services and enhancing data privacy

Regulatory bodies are enacting new rules and regulations to promote responsible financial solutions, maintain global stability, and safeguard customers and financial institutions from the impact of increased competition, technological advancements, and disruptive business models. These regulations are taking into account various factors such as public access to financial products, financial stability, consumer protection, digital transformation, cybersecurity, climate change, payments, diversity and inclusion, and regulations specific to the financial sector. Regulators are adopting a collaborative approach by engaging with industry bodies and stakeholders to develop regulations that keep pace with the rapid changes brought about by digital advancements. Recent initiatives indicate that regulators will continue to monitor the conduct of financial institutions and impose further requirements on digital management in the medium to long term.

In 2022, the regulatory landscape in Sri Lanka focused on updating existing laws to align with recent developments in the financial sector. Amendments were introduced to the Foreign Exchange Act, Finance Business Act, Finance Leasing Act, and Payment and Settlement Systems Act. Sri Lankan financial institutions have introduced digital services such as online banking and payment gateways, but the country's digital laws are still in the early stages of formation.

Data privacy has become increasingly important in recent years due to political, social, and ethical factors. Many countries, including Sri Lanka, have been actively drafting data protection laws. Sri Lanka passed the Personal Data Protection Act (PDPA), No. 9 Of 2022, which aims to protect individuals' rights and ensure consumer trust in information privacy in online transactions and information networks resulting from the growth and innovation of the digital economy. Additionally, a draft Cybersecurity Bill is being finalised under the National Cyber Security Strategy (2019-2023) to establish a comprehensive framework for preventing and managing cybersecurity threats and protecting critical information infrastructure.

Engaging with our stakeholders and identifying their concerns

GRI 2-29, 3-3

Our primary focus is on the stakeholder groups that have the greatest influence on our value creation process and are greatly impacted by our operations. Our key stakeholders include investors, customers, business partners, regulators, employees, the community, and the environment. Given the exceptional circumstances we faced during the year, it was crucial for us to deeply engage with our stakeholders and understand their concerns during these challenging times. Through ongoing and transparent communication across various platforms, we strengthened our relationships with stakeholders throughout the year. As a premier financial services institution, we are committed to playing an active role in the rebuilding of our nation and providing unwavering support and empowerment to our stakeholders.

CUST Customers

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Customer experience (Technological) • Convenience and speed of service (Technological) • Accessibility (Technological) • Reliability (Legal) • Real-time information (Technological) • Assurance of privacy (Legal) • Product innovation (Technological) • Technology-driven financial solutions (Technological) • Ethical lending practices (Legal) • Speedy complaint resolution (Technological)	• CDB iNet app – Ongoing • Customer Relationship Management (CRM) unit – Ongoing • Dealer network – Ongoing • Media advertisements and website – Ongoing • Product launches – As and when needed • Social media – Ongoing • Call Centre - 24x7	• Technology-driven financial solutions • Ensure high customer confidentiality • Avert unsolicited communication and intrusive surveillance • Ensure Company brand values and code of conduct • Provide positive customer experiences	• Customer service and support point of contact • Annual customer surveys • Island-wide customer touchpoints • Face-to-face interactions at CDB branches • Regular correspondence with account and facility holders • Access to ATMs

EMPL Employees

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Career progression (Economical, Social) • Remuneration and benefits (Economical) • Skills development (Economical) • Work-life balance (Social) • Human Rights in the workplace (Legal) • Occupational health and safety (Legal) • Favourable working environment (Legal)	• Managers' meeting/Branch meetings – Weekly • Regional review meeting – Monthly • Employee engagement – Weekly • HR space integrated system – Annually • Performance evaluation and reward mechanism – Bi-annually and annually • Virtual staff meetings – As and when needed • Virtual training programs – Ongoing • WhatsApp/Viber groups – Ongoing	• Provide a safe and inspiring working environment • Support personal and professional growth • Provide fair remuneration and talent development • Groom future leaders • Promote and maintain harmonious relationships • Recognise exceptional performers	• Regular updates on company performance • Encourage career development via lifelong learning programmes and internal/external training • Comprehensive integrated HR system • Annual social events • Open door policy and a safe work environment • Performance reviews • Grievance handling procedures

ENV Environment

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Conservation practices (Environmental) • Environmental protection (Environmental) • Resource efficiency (Environmental) • Energy conservation (Environmental) • Environmental protection (Environmental) • Reducing carbon footprint (Environmental) • Contribution to SDGs (Environmental, Social, Governance)	• Greenhouse gas emission analysis - Annually • Emission reduction – Ongoing • Paper recycling – Ongoing • E-waste recycling – Ongoing • Engagement activities – Ongoing • Renewable energy – Ongoing • Green Ambassadors - Ongoing • Conservation projects – Ongoing	• Monitoring and analysis of greenhouse gasses • Stakeholder awareness on best practices • Adopt environmentally friendly green initiatives – waste management, energy consumption management and emission reduction • Adopt green policies, practices and approaches	• Conform with applicable environmental laws and regulations • Undertake and publicise relevant CSR projects • ESMS policy • Engagement activities

COMU Community

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Safety, health and welfare (Economical) • Education and literacy (Economical) • Societal health and well-being (Economical) • Living standard (Economical) • Social investment (Economical) • Community development (Economical) • Education and literacy (Technological) • Ethical sourcing (Social) • Employment generation (Economical)	• Employee volunteering activities – Annually • Smart classroom donation and *Sisu Diri* scholarship programme – Annually • Outreach programme for autism awareness - Quarterly • Press releases – Ongoing • Investment on community and conservation - Ongoing • Lending for rural economic development - Ongoing • Social media – Ongoing • SMB Friday to promote entrepreneur – Ongoing	• Uplift the quality of life of communities and support community health and well-being, and uplift education • Provide solutions for rural youth empowerment • Support entrepreneurs • Support women's economic empowerment	• Child health and well-being and child education and literacy programme • Employee volunteering Activities • Supporting entrepreneurs through "SMB Friday" • Community development through investments • Adopt and publicise the green policies and practices followed by CDB

BUS.P Business partners

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Ethical conduct (Legal) • Profitability (Economical) • Professionalism and on-time service (Technological, Economical) • Competitive advantage (Economical) • Accountability • Sustainability and functionality of the supply chain (Environmental) • Partner wealth maximisation (Economical)	• Supplier screening - As and when needed • Individual meetings – As and when needed • Joint promotional campaigns – As and when needed • Business partner gatherings - Annually	• Address issues related to supplier chain • Ensure healthy partnerships • Encourage sustainable sourcing	• Joint promotional Campaigns • Sustainable sourcing • Extended dealer network and marketing channels • Promote sustainable consumption and production

REGU Regulators

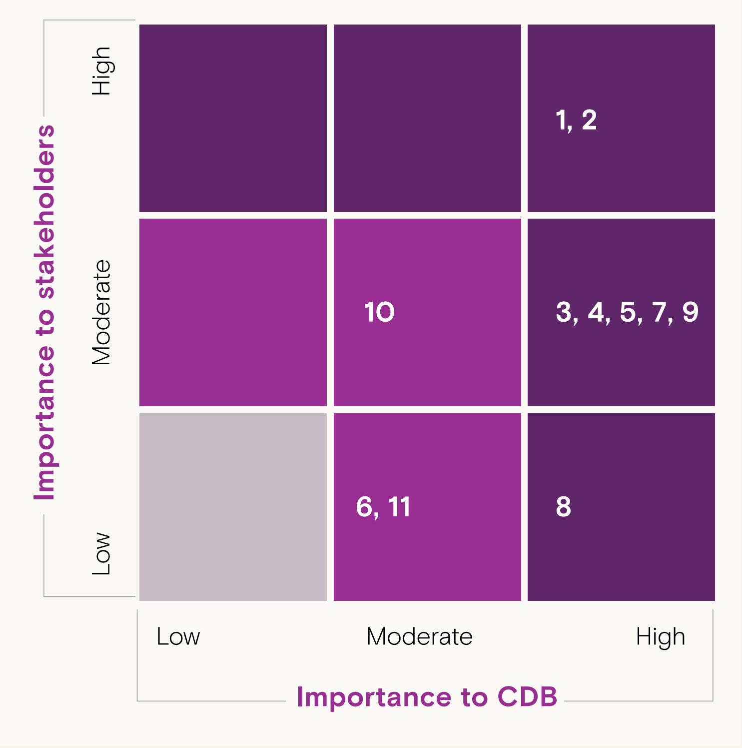
Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Good governance practices (Legal) • Ethically-driven business model (Legal) • A fair and transparent framework and work practices (Legal) • Legal compliance (Legal) • Promote voluntary compliance codes (Legal)	• Regular directives and circulars – Ongoing • Compliance forums, and discussions – Quarterly • Inspection of new rules and regulations – Daily • Press releases - Ongoing • Regular Audit	• Develop, communicate, and promote good governance and ethical behaviour at all levels • Provide timely and accurate information • Immediate response to queries made by the authorities • Ensure full compliance • Comply with rules and regulations	• Compliance meetings • Regular discussions on regulatory matters • Adhere to all mandatory regulatory requirements • Comply with all reporting standards and disclosures

Determining our priority material issues

GRI 3-1, 3-2

We firmly believe that value creation is closely linked to the needs and priorities of our stakeholders, taking into account the dynamic operating environment in which we operate. As a result, we place high priority on addressing material matters that have the greatest impact on our ability to generate value over the short, medium, and long term. These matters can affect our stakeholders and our Company to varying degrees. To assess the materiality of each matter, we consider three factors: its relevance, the magnitude of its impact, and the likelihood of its occurrence. While market drivers may introduce trends that bring risks, opportunities, or both, the matrices provided below outline the material topics based on their impact on our stakeholders and organisation.

1.	Financial resilience, stability, and profitability (Investors, Customers, Environment, Regulator, Community, Employees, Business Partners)
2.	Good governance and compliance (Investors, Customers, Environment, Regulator, Community, Employees, Business Partners)
3.	Digital product innovations and process automations (Customers, Employees, Business Partners)
4.	Responsible and sustainable financing solutions (Investors, Customers, Community)
5.	Cyber security, data integrity, and privacy (Customers, Regulators)
6.	Career progression and skill development (Employees)
7.	Occupational health and safety and favourable work environment (Employees, Regulators)
8.	Reducing carbon footprint (Environment)
9.	Contribution to SDGs (Environment, Community)
10.	Community development and social investments (Community, Environment)
11.	Ethical sourcing (Community, Partners, Environment)



Assessing our risks and opportunities

GRI 3-3

As a leading Non-banking Financial Institution (NBFI), we firmly believe that challenges and risks often bring forth opportunities for growth and innovation. While economic uncertainties may pose risks, they also present opportunities to adopt proactive risk management strategies and diversify our portfolios. Regulatory changes and increased competition, although challenging, can be viewed as catalysts for enhancing operational efficiency, streamlining processes, and exploring new avenues for revenue generation. Technological advancements, despite their inherent risks, offer opportunities to deliver digital services, improve customer experiences, and expand our market reach.

By adapting to evolving customer expectations and preferences, we can seize the opportunity to provide personalised solutions and foster long-term relationships. Embracing sustainability and social responsibility not only addresses pressing societal concerns but also creates avenues for entering new markets and engaging with different customer segments. We firmly believe that by embracing these challenges and risks head-on, we can unlock new opportunities for growth and differentiation.

Our proactive and innovative approach enables us to view risks as opportunities for growth. By effectively managing risks, we can identify and capitalise on the potential opportunities that arise from changing market dynamics, technological advancements, and evolving customer demands. This mindset allows us to leverage challenges as catalysts for our continued success and to stay ahead in the competitive landscape of the financial industry.

Strategic risk

Strategic risk (Material topics 1, 2, 3, 5)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Overall macroeconomic stability, including factors such as inflation, exchange rates, and government fiscal policies, affects the financial institution's strategic risk. Unstable economic conditions can lead to higher uncertainty, currency fluctuations, and increased systemic risks. Furthermore, during economic downturns or recessions, there may be increased credit risk, higher loan defaults, and reduced demand for financial services. Financial institutions certainly face challenges in maintaining profitability and achieving strategic objectives in such adverse economic conditions. In this context, the strategic risk includes the possibility of losses or reduced profits arising from the institution's strategic direction and execution, as well as external factors like competition and adverse economic conditions. This risk can result in organisation's inability to provide adequate returns to investors and shareholders.	• By identifying untapped markets or niche segments, the Company can strategically position itself to capture new business opportunities and increase its market share. • By staying responsive to changing market dynamics, the Company can change its strategic direction to minimise risks and capitalise on emerging opportunities. • By continuously innovating and differentiating its offerings, the Company can gain a competitive edge and attract more customers.	• Continued investment in product offerings and diversification of the lending product portfolio, along with the growth of digital businesses and channels. • Adoption of the latest technology to enhance process efficiency, reliability, and deliver superior customer service. • Ongoing monitoring of key risk indicators (KRIs) related to strategic risk and performance at ALCO (Asset and Liability Committee) and BIRMC (Board Integrated Risk Management committee) meetings to ensure that CDB stays on track in achieving set strategic objectives.	• Leveraging big data and data analytics to support informed business decisions. • Enhancing risk dashboards and monitoring tools including behavioural aspects of its customer portfolios to measure and monitor the strategic risk status of CDB and to obtain sound business decisions. • Continuously improving the maturity of risk management practices within CDB, including refining risk modelling, monitoring, and reporting processes.

Year on year trend	Anticipated short term trend	CDB's level of control
Increased	Stable	Medium

Credit risk

Credit risk (Material topics 1, 2)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Economic downturns increase default rates, increased inflation affects repayment capability of borrowers specially individuals and corporates who are exposed to risk elevated industries. Interest rates, regulatory changes, and collateral values also influence credit risk. The impact on CDB includes concentration risk, credit default risk, counterparty/settlement risk, and securitisation risk. Improper credit risk management can reduce profitability, affect asset quality, increase credit losses and non-performing loans, and potentially lead to financial distress. This can result in inadequate returns for investors and shareholders.	• By implementing robust credit risk assessment practices, institutions can identify potential risks early on and make informed lending decisions. • Exploring opportunities to diversify the lending activities across different sectors and borrower profiles. • Offering loan restructuring options and support mechanisms to help borrowers manage their financial obligations. • Implementing sophisticated credit risk assessment models, utilising data analytics, and leveraging artificial intelligence can enable institutions to proactively identify emerging credit risks, monitor portfolio performance, and obtain timely risk management decisions.	• Implemented automated credit decision-making for 3W (three-wheelers) and credit card facilities to enhance the quality of credit decisions. • Diversification of asset classes, particularly focusing on gold loans and credit cards, to reduce concentration risk. • Close monitoring of non-performing loan (NPL) ratios and successful recovery campaigns leading to a significant improvement in credit quality of the portfolio. • Improved data analytics capabilities through the business intelligence (BI) team to design optimal follow-up strategies based on customer behaviour and early warning signals. • Further enhancement of credit risk management processes, including robust loan monitoring to detect doubtful loans early and actively manage them to prevent non-performance. • Maintaining strong client relationships and obtaining reliable insights into their financial positions.	• Implement automated credit decision for auto finance facilities to enhance the quality of credit decisions. • Implement credit underwriting processes/ systems for new product verticals (Agri, fisheries, EV etc.). • 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. • 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. • Further enhance the automated recovery follow-up systems by implementing a more intelligent approach based on customer repayment patterns and recovery history. This would involve incorporating advanced data analysis techniques to identify and adapt to individual customer behaviours in order to optimise the recovery process and increase the chances of successful repayments.

Year on year trend	Anticipated short term trend	CDB's level of control
Increased	Stable	Medium

Operational risk

Operational risk (Material topics 1, 2, 3, 6)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Impact on CDB includes, financial loss due to internal process inadequacies or failures, system issues, human error, or external events. The impact of these failures can be material, unexpected, and pervasive. Staffing challenges and turnover further heighten operational risks while internal and external frauds resulting from lack of preventive and detective controls may result in significant irrecoverable financial losses to the institute.	• By providing training programmes, career advancement opportunities, and competitive compensation packages, institutions can attract and retain skilled professionals. A well-trained and motivated workforce can contribute to the risk culture by effectively adapting to risk management framework and minimizing/avoiding frauds. • By identifying inefficiencies, streamlining workflows, and leveraging automation and technology solutions, institutions can enhance operational efficiency and reduce the likelihood of errors or failures. This can result in cost savings, improved productivity, and more reliable risk control framework.	• Continuously promote a risk reporting culture by appointing risk representatives for each division. • Continuous investment in IT infrastructure to improve internal efficiency and effectiveness of business processes, and reducing bottlenecks. • Enhanced business continuity planning (BCP) and disaster recovery (DR) planning for operational resilience against unforeseen incidents. • Immediate response to operational risks through an ERP-based operational risk reporting mechanism. • Review and update existing procedures, subject to the approval of the Senior Management to ensure sufficient controls are in place addressing process-related risks. • Radical operational changes were effected subject to detailed review by a cross functional team including representatives from risk, compliance, and internal audit to reasonably assure that related operational risks are adequately mitigated.	• Develop a centralised dashboard for monitoring and reporting operational risk status and related key risk indicators (KRIs). • Automate risk registers with an improved follow-up and monitoring mechanism. • Ongoing training programmes to enhance team awareness in identifying and proactively responding to operational risks. • Strengthen stress testing scenarios to clearly identify points of failure ensuring our resilience and appetite against potential operational losses.

Year on year trend	Anticipated short term trend	CDB's level of control
Stable	Stable	High

Liquidity and funding risk

Liquidity and funding risk (Material topics 1, 2, 3)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
The economic environment significantly impacts the liquidity and funding risk of financial institutions. During economic downturns, institutions may face reduced market liquidity and increased challenges in accessing funding sources. Depositor confidence may decline, leading to deposit withdrawals and decreased external funding. Increasing portfolio default levels also may further strain liquidity status of the Company. Regulatory measures implemented including the changes in market interest rates also may influence liquidity and funding risk as a result of depositors' behavioral changes and increased borrowing costs.	• Proactive and effective liquidity and funding risk management practices assures an optimum return from liquid assets while safeguarding the Company from liquidity stresses. • Ability to explore alternative funding channels such as accessing capital markets, establishing relationships with multiple funding partners, and developing innovative funding mechanisms ahead of a stressed liquidity condition. • Financial institutions can instil confidence and strengthen relationships by maintaining open lines of communication, providing transparent information about the institution's financial health, and demonstrating prudent risk management practices.	• Strategic goal of increasing foreign borrowing for a more stable funding base and lower cost of funding. • Continued and proactive assessment of macro-economic variables and their impact on CDB assured that liquid assets were maintained at an optimum level balancing risk and return. • Conducted regular stress testing to assess the Company's tolerance for liquidity risk. • Ongoing monitoring of maturity mismatch position to ensure availability of sufficient cash flows to meet the contractual obligations. • Regular updates to cash flow forecasts considering expected business movement and fund inflows to implement precautionary measures to ensure financial stability in the face of unexpected changes.	• Effectively improve the contingency funding plan covering various stress scenarios • Further strengthen relationships with both local and foreign counterparties to secure funds at a reasonable cost/interest rate • Automate liquidity report with real time alerts

Year on year trend	Anticipated short term trend	CDB's level of control
Increased	Stable	High

Market risk

Market risk (Material topics 1, 2)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Financial Institutions get significantly impacted by the unfavourable fluctuations in the value of investments in companies, funds, or financial instruments. These fluctuations can arise by adverse market movements such as changes in interest rates, exchange rates, equity prices, or commodity prices. Financing against precious metal indirectly increases financial institutions exposure to commodity price risk in a customer default scenario. Economic factors such as interest rates, inflation, and economic growth directly impact asset prices, market volatility, and investor behaviour. Economic downturns increase market risk, with declining asset values, whilst changes in interest rates may squeeze margins from its impact on interest rate sensitive balance sheet items resulting from maturity mismatch composition which is called as repricing risk. Geopolitical events and regulatory changes also result in increasing market risks.	• Collaborating with strategic partners, such as asset managers, investment advisors, or research firms, can provide financial institutions with valuable insights and expertise. By leveraging external resources, institutions can gain a competitive edge in identifying market trends, assessing investment opportunities, and making informed decisions. • Technologies such as artificial intelligence, data analytics, and digital platforms can provide institutions with real-time market insights, improved risk assessment capabilities, and streamlined investment processes supporting sound decision making.	• Optimum pricing on lending and deposit products by analysing the movement in WAR (Weighted Average Rate) and anticipated NIM and top-line impact based on comprehensive forecast based analyses. • Maintaining an optimal balance between interest-earning assets and interest-bearing liabilities based on different maturities to ensure sufficient net return. • Ongoing monitoring of gold price movements and adjusting gold loan advances to manage the gold loan portfolio and mitigate commodity price risk ensuring portfolio exposure is managed with the risk appetite. • Fully hedging foreign currency exposures with adequate mechanisms to minimise the impact of adverse fluctuations in exchange rates. • Regularly conducted stress testing on market risk elements measuring their impact on capital adequacy in order to obtain proactive measures if any probable scenario gets triggered against set risk appetite.	• Implementing and practicing a fund transfer pricing framework to improve product pricing and maximise profitability at the product and branch level. • Continued focus on maintaining an optimal balance between assets and liabilities. • Enhancing capability in forecasting macroeconomic variables and their impact on financial performance through Business Intelligence (BI) tools.

Year on year trend	Anticipated short term trend	CDB's level of control
Increased	Stable	Medium

Capital risk

Capital risk (Material topics 1, 2)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Economic conditions impact capital risk, affecting profitability, credit defaults, and asset quality. Regulatory changes may require higher capital buffers. Increased losses due to financial risks may result in squeezing capital buffer due to their impact on retained earnings and subsequently challenge on organisational growth. Effective capital management through stress testing, planning, and proactive risk management ensures resilience in adverse economic scenarios.	• Robust risk management practices and capital forecasts measuring impact from economic downturns and financial crises supports institutions in adopting adequate strategies ensuring organisational resilience. • Effective capital management and adherence to capital adequacy regulations can enhance investor confidence and attract capital investments.	• CDB successfully maintained capital adequacy in accordance with its capital plan, even amidst challenging macro-economic conditions. Through effective capital management, CDB ensured that it remained within the Well Capitalised category as per the PCA framework of the CBSL during the financial year under review. • ALCO routinely monitored capital adequacy levels. • Performed regular stress testing to ensure Company's capability in maintaining capital ratios at an acceptable level.	• CDB is committed to adopting international best practices in capital management. This includes Internal Capital Adequacy Assessment Process (ICAAP) and following BASEL III practices.

Year on year trend	Anticipated short term trend	CDB's level of control
Stable	Increasing	High

IT and Cyber security risk

IT and Cyber security risk
(Material topics 2, 5)

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
Inadequate system controls, system failures and cyber-attacks may result in financial and reputational losses to the Company. New vulnerabilities which arises as a result of obsolete security measures may result in sensitive information leakages as well as misusing those may cause reputation damages and/or financial damages through ransom-ware attacks.	• By implementing robust system controls and continuously monitoring and updating the systems, the Company can enhance the security and reliability of its operations. • By demonstrating the commitment to cybersecurity, institutions can build trust with clients and stakeholders, leading to increased business opportunities and customer loyalty. • By leveraging its expertise and investing in cybersecurity capabilities, institutions can enhance its resilience against cyber security threats which ultimately safeguard stakeholder interests.	• Staff members were given comprehensive trainings and participated in cyber drills to increase awareness and identify potential cyber-attacks. • Vulnerability assessments were conducted by third parties to identify and address any weaknesses. • Improved BCP and DR Planning to ensure the CDBs' operational resilience against unforeseen incidents. • Establishing the technology risk criteria proposed by the CBSL for all Licensed Finance Companies under the Finance Business Act (Technology Risk Management and Resilience Direction No. 01 of 2022)	• Continuous monitoring of cyber risks and IT risks associated with new and evolving IT platforms. • Proactive measures to enhance system controls, prevent system failures, and mitigate the impact of cyber-attacks. • Implementation of robust cybersecurity measures and ongoing training to keep pace with emerging threats.

Year on year trend	Anticipated short term trend	CDB's level of control
Stable	Increasing	Medium

Regulatory and compliance risk

Regulatory and compliance risk (Material topics 1, 2, 4, 5, 7, 11)

GRI 2-24, 2-25

Potential Impacts for CDB	Potential Opportunities for CDB	CDB's Strategic Response in 2022/23	Future Focus
The risk of exposure to legal penalties, financial forfeiture, and material loss resulting from failure to act in accordance with laws and regulations, internal policies or prescribed best practices. This can lead to grave reputational damage and/or the loss of our financial license.	• By ensuring strict adherence to laws and regulations, internal policies, and best practices, institutions can establish a strong reputation for compliance and ethical conduct. • Building a solid compliance framework can differentiate the entity from competitors and position the Company as a reliable and trustworthy partner in the industry. • By demonstrating its commitment to compliance, institutions can attract high-value clients, secure partnerships, and access new markets.	• Improved training initiatives to enhance compliance awareness and knowledge among team members. • Continued refinement and investment in compliance systems and processes. • Ongoing monitoring and review of compliance-related matters, including newly formed regulations and guidelines, through monthly compliance meetings. • Summary reporting to the Board-level Integrated Risk Management Committee (BIRMC). • Strengthen the processes with regard to anti-money laundering aspects such as revisiting the AML Policy of CDB and introduction of new digital platform for Customer Due Diligence (CDD) process.	• Strengthening processes related to anti-money laundering (AML) to mitigate the risk of financial crime. • Enhancing the capacity for AML and transaction monitoring through the implementation of a real-time automated alert mechanism. • Proactively adapting to new and evolving compliance requirements and best practices to maintain regulatory compliance and prevent legal and financial risks.

Year on year trend	Anticipated short term trend	CDB's level of control
Stable	Stable	High

Business model

GRI 2-6

The business model presented on the right is a graphical illustration of how CDB utilises its resources, through its business activities, to generate stakeholder outputs and outcomes that aim to fulfil the Company's strategic purpose and create value over the short, medium, and long-term. The inputs relate to resources on which CDB depends to conduct its operations. The activities are the material actions that CDB undertakes to operate successfully such as differentiating itself in the market, revenue generation, innovation, etc. Outputs refer to the key products and services, and the outcomes are the internal and external consequences as a result of CDB's business activities and outputs.

CDB's business model aligns these elements to ensure efficient resource allocation and maximise positive impacts on stakeholders. Customers benefit from valuable products or services that meet their needs. Employees experience job security, growth opportunities, and a supportive work environment. Investors gain confidence in returns through revenue generation and profitability. The environment is protected through the mitigation of negative outcomes, and the wider community benefits from economic development, job creation, and social initiatives. Considering the interests of these stakeholders fosters trust, builds strong relationships, and creates shared value for all involved.

Operating Context

Inputs/Resources

Financial Resources
- Equity
- Debt
- Deposits

Physical and Digital Infrastructure
- Core banking system and digital platforms
- Automation and process improvement
- Branch and touchpoint network

Intellectual Capital
- Brand management
- Good governance
- Ethics and compliance
- Risk management
- Sound policies and procedures
- Transparency
- Efficient internal controls

Impact

Indicator	Value as at 31 March 2023	Value as at 31 March 2022	YoY increase/ decrease (%)
Customer base (Nos.)	334,587	310,118	8
Women representation (%)	31	26	
Employees with an over 11-year service period (Nos.)	239	212	13
Employees less than 35 years of age (Nos.)	1,354	1,657	(18)
New hires from outside the Western province (Nos.)	208	313	(34)
Hours of training per employee (Hrs.)	38	52.9	(28)
Net lending to rural areas (Rs. Mn.)	19,620	22,903	14
Number of *Sisu Diri* scholarships granted (Nos.)	150	100	50
Number of computer lab donations (Nos.)	2	1	100
Investment in social initiatives (Rs. Mn.)	20.6	11.8	75

Disrupt

Indicator	Outcomes (2023 Landscape)		
	Value as at 31 March 2023	Value as at 31 March 2022	YoY increase/ decrease (%)
iNet app downloads (Nos.)	10,824	10,830	(0.1)
Customers onboarded digitally (Nos.)	23,103	50,417	(54)
Value of iDeposits (Rs. Mn.)	1,457	989	47
New registrations on digital platforms (Nos.)	12,093	10,830	12

Customer Base

- Broad customer base from every strata
- Customer segmentation and granularity
- Life cycle approach to serving customer
- Customer engagement and experience management

Human Resources

- Performance-oriented culture
- Investment in training and development
- Rural recruitment
- Pipeline for career progression
- Diverse workforce
- Employee engagement and open communication
- Work-life balance

Partnerships

- Network of funding, strategic, and sustainability partners
- Supply chain management
- Transparent and ethical procurement
- Automated payment process
- Supplier relationships

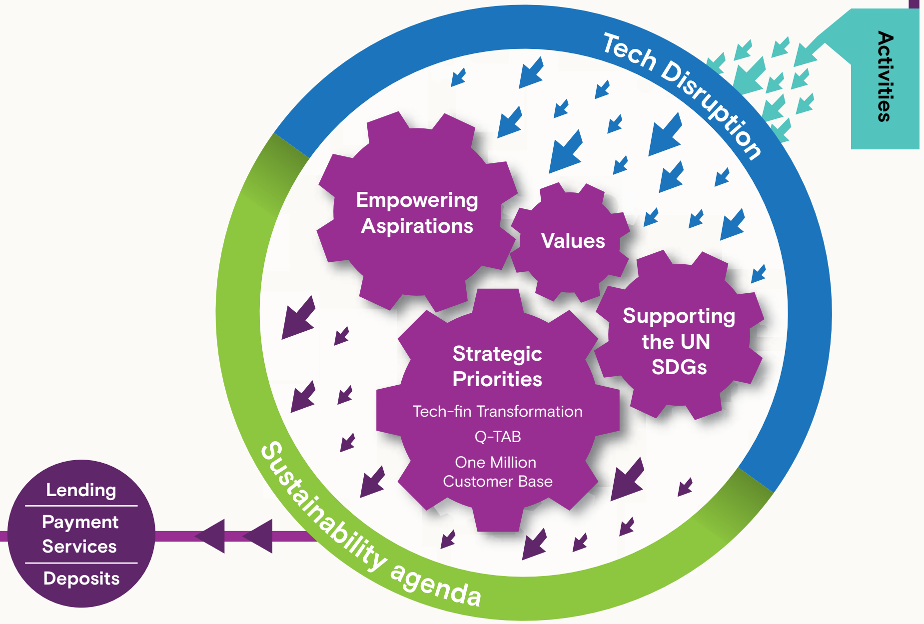
Natural Resources

- Waste and water management
- Energy conservation
- GHG emission analysis
- Conservation of biodiversity
- Green partnerships

Sustain

Outcomes (2023 Landscape)

Indicator	Value as at 31 March 2023	Value as at 31 March 2022	YoY increase decrease (%)
Energy-efficient vehicle portfolio (% of the total portfolio)	20	22	(9)
Carbon Footprint (tCO_2e)	2,434	2,649	(8)
Energy usage (kWh)	2.14	2.19	(2)
Water consumption (Litres)	23,807	23,307	2
No. of fully grown trees saved through recycling (Nos.)	25	327	(92)



FINANCIAL REPORTS

DISRUPT

Leveraging technology,
CDB disrupts traditional time-based
financial practices and enables
the direct delivery of solutions to
customers' doorsteps, even in
remote rural areas.

CDB is currently disrupting the delivery method for its products while revolutionising the financial services industry in Sri Lanka. Through radical technological innovations, CDB has transformed the way financial services are conducted, providing cutting-edge solutions.

CDB's tech disruption strategy is centered around enhancing resource efficiency by integrating digital channels and decreasing reliance on conventional brick-and-mortar distribution methods. By embracing a David vs Goliath mindset as a tech disruptor, the Company gains a competitive edge. Leveraging technology, CDB disrupts traditional time-based financial practices and enables the direct delivery of solutions to customers' doorsteps, even in remote rural areas. This approach allows CDB to act as a conduit, reaching out to underserved markets and ensuring financial inclusion for all with the overarching goal to achieve the widest possible reach throughout Sri Lanka.

CDB's evolution from traditional business to Fintech involved the 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.

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While furthering its transformation to a TechFin company, CDB continues to use its tech capabilities and strategy to advance its sustainability agenda and reduce its dependence on brick-and-mortar channels for reaching out to customers. The Company 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. This has resulted in lowering its carbon footprint, saving on capital expenditure, and reducing the use of human and material resources, as well as vastly improving efficiency and customer satisfaction without impacting its business processes and financial outcomes.

Furthermore, through the widespread adoption of process automation, team members who were engaged in manual processes have been redeployed to value-adding job 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.

Accelerating digital transformation

CDB has successfully embraced digital transformation to adapt to the rapidly evolving digital landscape, ensuring its long-term success and growth in the digital era. The process of digital transformation was built upon four key pillars.

The first pillar, the process transformation, involved reimagining, re-engineering and optimising existing workflows by incorporating digital technologies. This included automating manual tasks, streamlining operations, and leveraging data analytics to drive efficiency and productivity.

The second pillar, being the business model transformation, focused on identifying new revenue streams, exploring innovative business models, and capitalising on emerging digital trends. By doing so, CDB aimed to create value and remain competitive in the market.

The third pillar, domain transformation, involved expanding into new markets enabled by digital technologies. CDB achieved this by offering new products and services, entering strategic partnerships, and utilising digital platforms to reach a broader customer base.

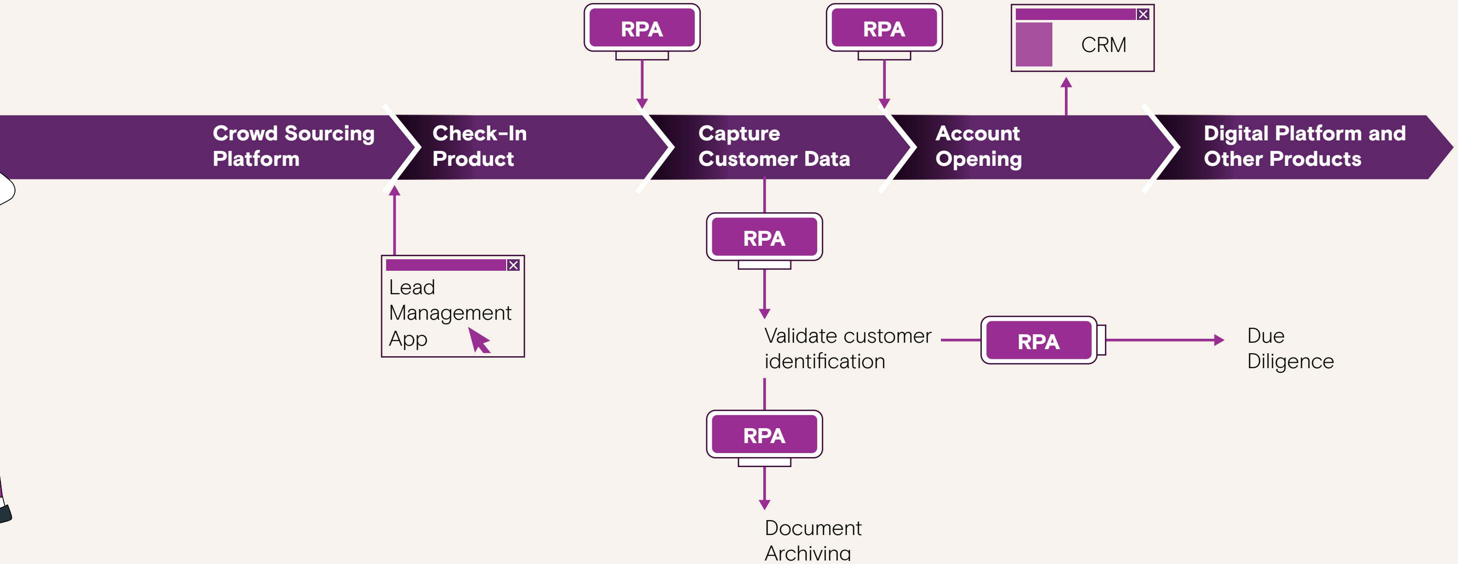
The fourth pillar, being the cultural/organisational transformation, revolved around fostering a digital-first mindset within the Organisation. This was accomplished by nurturing a culture of innovation, promoting collaboration, and empowering team members to effectively embrace and leverage digital tools.

A significant outcome of this transformation was CDB's digital customer acquisition strategy, which was based on a thorough understanding of its customers. To attract customers, CDB utilised crowd-sourcing platforms and efficiently manage the leads generated through these platforms using its affinity sales force mobile application. This ensured that all leads were promptly addressed, fulfilling the promises made to customers.

CDB also implemented a comprehensive approach to enhance customer engagement through various channels, including digital service platforms, mobile apps, social media, live chat, phone, email, self-service tools, and personalised notifications. By doing so, the Company improved customer convenience, accessibility, and satisfaction. While CDB embraced technology, it also valued face-to-face interactions and maintained engagement through branches and relationship managers.

Despite not opening physical branches in the past five years, CDB successfully expanded its reach solely through virtual operations. This exemplified the Company's value proposition of "Tech with a touch", which emphasised people-enabled technology. Overall, 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.

Approximately 50,000 customers, representing 15% of the total customer base, have embraced its digital self-service channels, such as the CDB iNet App and CDB iControl App. In the year 2022/23 alone, CDB witnessed over 12,000 new registrations on these platforms. Additionally, the Company successfully digitally onboarded over twenty three thousand clients and facilitated more than fourteen thousand savings account openings through its efficient RPA technology. Moreover, the Customer Due Diligence (CDD) processes conducted, ensured data privacy and compliance with all necessary regulations, while welcoming new and existing customers based on transaction criteria.



https://www.amptiva.com/cx-financial

Digital onboarding and account opening statistics

- Average credit cards request per month - **367**
- Average credit file requests per month - **1,808**
- Client creation for FY 2022/23
  RPA - **23,103**
  Manual - **8,777**
- Savings accounts openings for FY 2022/23
  RPA - **14,933**
- iNet customers onboarded for FY 2022/23 - **3,410**
- Number of iDeposits placed - **6,018**
  Value of iDeposits placed - **Rs. 1,457 Mn.**
- iNet app downloads - **43,963**
  iControl app downloads - **6,789**
- CDB website visitors - **505,605**
- CDB Facebook followers - **104,037**
- CDB LinkedIn followers - **8,343**

Digitalising customers' loan journey

CDB aims to provide its customers with a fully digital experience right at their doorstep, prioritising their convenience. To facilitate the digitalisation of the customer journey and expedite the decision-making process, CDB has developed a comprehensive and integrated ERP system. In addition, the Customer Due Diligence (CDD) process has been automated with the help of Robotic Process Automation (RPA) which ensures timely verification and compliance with regulatory requirements.

The customer onboarding process has been simplified and made more efficient through the CDB Flexi Capture App given to the field-based marketing staff. This facilitates mobile phone-enabled document submission and Robotic Process Automation (RPA) integrated with data entry through the Optical Character Recognition (OCR) and Intelligent Character Recognition (ICR) options in fulfilling the onboarding cycle.

Additionally, the automation of the process of granting credit facilities to customers has resulted in increased customer acquisition capacity and mobility, enabling field officers to work independently while bypassing the branches they are attached to. It has also helped in reducing the credit process lead time significantly from approximately four days to just one day. The end-to-end automation includes customer onboarding, savings account opening, debit and credit card submission and approvals, Application Programming Interface (API) based CRIB report downloads, credit file submission through CDB Flexi Capture App, Enterprise Resource Planning (ERP) based credit facility approval and delivery of digital delivery order to the customer in real-time.

Successful digitalisation of a customer's loan journey, and embedding it into operational processes, provides a competitive advantage in an environment where customers have a variety of choices in obtaining a loan.

The digitalisation of the customer's loan journey entails implementing an online application process, enabling digital document submission and verification, automating loan decisions, and providing digital updates to customers. This end-to-end digitalisation enhances convenience, reduces paperwork, and expedites the loan journey for customers.

CDB was the first to successfully implement end-to-end lending process automation, which involved the implementation of digital tools, software, and workflows to automate tasks to minimise manual intervention has resulted in reduced turnaround times, enhanced operational efficiency, lower costs, improved risk management, a better customer experience and compliance. Furthermore, in providing oversight, a cross-functional team comprising business operations, information technology, compliance, risk, and credit evaluation was deployed to provide oversight of the process.

The Automated Lending Process introduced during the year enabled CDB to win the award for Process Automation, clinching the "Most Innovative Global Business Service/ BPM", awarded by the Sri Lanka Association for Software Services Companies (SLASSCOM).

Automated credit decisions

To enhance convenience for its customers, CDB has developed capabilities that enables it to complete the entire credit granting process from client acquisition to the final payment to the supplier. This includes the use of OCR/ICR technologies, Robotic Process Automations, API CRIB scoring, its proprietary credit scoring mechanism, and the issuance of digital supply agreements.

Automated credit decisions streamline and expedite the credit evaluation process, leading to faster loan approvals. By leveraging technology such as data analytics and scoring models, automated systems provide efficient and accurate assessments, reducing manual errors, improving risk management, and enhancing customer experience.

CDB has implemented a three-tier automated credit decision system, classifying credit decisions as "Green", "Yellow", and "Red" with "Yellow" based on the creditworthiness of customers with "Green" denoting the highest creditworthiness and "Red" denoting the lowest credit worthiness.

In FY 2022/23, from the total automated credit decision granted facilities of 3,844 with a disbursed value of Rs.2.028 Bn, 95.68% of the facilities granted through automated credit decision accounting for Rs. 1.915 Bn. fell under the "Green" category.

The "Yellow" category comprised 4.32% of the total with 166 facilities and Rs. 112.9 Mn.

The combined data in the automated credit decision section comprised a total of 3,844 facilities, with a disbursed amount of Rs. 2,028 Mn. representing 100% of the total.

To empower its team members and enhance customer convenience, CDB has authorised them to issue debit/ credit cards. This enables customers to enjoy financial freedom and control.

Automation of post-disbursement follow-up

Automation of post-disbursement follow-up of credit ensures timely and effective management of loan repayments. By automating tasks such as payment reminders, payment follow up and monitoring, restructuring processes, and settlement procedures, it minimises human error, improves efficiency, and enhances customer satisfaction by facilitating smooth communication and helping clients fulfil their financial commitments.

This includes the integration of online payment systems such as CEFT and SLIPs, as well as partnerships with major banks in the country to facilitate customer payments through their branches and CRMs, collaborations with the largest retail supermarket to provide customers with ease in fulfilling their repayment commitments by enabling them ample access to timely repayment opportunities.

The Company's post disbursement follow-up mechanism incorporates data analytics tools such as Tableau to ensure optimal utilisation of resources and enable proactive decision-making.

Furthermore, an automation was done using the Debt Collection Monitoring Application built through our own ERP solution known as "Smart Collect" which enabled remote work through smart devices integrated to automated Recovery Call Management System, "Iphonik". These technologies aim to boost efficiency and enhance post-monitoring of credit facilities. Furthermore, CDB has implemented automated processes for facility restructuring and settlement to efficiently deliver required services to clients.

Automation for enhanced efficiency

By embracing automation, financial services organisations gain several benefits including enhanced operational efficiency by reducing manual tasks, and streamlined key processes resulting in faster and more accurate transactions. It minimises human error and improves data integrity, leading to better risk management while also enabling cost savings through reduced labour and improved productivity. Moreover, automation enhances the customer experience by enabling self-service options and faster response times, ultimately driving customer satisfaction and strengthening customer relations. Since automation generally leads to paperless operations, it also adds to the organisation's sustainability credentials.

During the year under review, CDB carried out several key automation processes, resulting in increased operational efficiency, reduced manual errors, streamlined workflows, faster transaction processing, improved customer service, enhanced data accuracy, cost savings through reduced staff utilisation and paper usage, and compliance with regulatory requirements. These processes include:

1. **The e-Statement for savings accounts** eliminates the passbook and related requirements, resulting in reduced paper wastage.
2. **The Digital app** offers a fully automated Customer Due Diligence (CDD) process, in line with the Financial Intelligence Unit (FIU) guidelines of the CBSL. CDB was among the first institutions to implement such an automated platform for CDD. Moreover, the app offers internal memo automation, eliminating the need for paper for memos. Submissions and approvals are carried out digitally through the system leading to paper savings and enabling automated archival for future reference.
3. **Exception report development** ensures compliance with regulatory requirements, data accuracy, better management decisions and customer service. It also enables better record keeping and monitoring as well as safer and sustainable historical record storing.
4. **An automated deposit renewal queue** provides the ability to accommodate changes in customers' renewal conditions. Requests can be made without obtaining new mandates, and the system includes built-in deposit rate approval.
5. **Removing unnecessary letters:** Manual letters have been converted into emails/SMS.
6. **ERP-based client and account creation forms** eliminate the need for Flexi capture and reduce paper usage.
7. **ERP-based credit application creation** eliminates the need for Flexi capture and reduces paper usage.
8. **The ERP Queue-based supplier payment process** speeds up the release of supplier payments with automated controls and minimises data entry.
9. **Data analytics and business intelligence** helps to obtain valuable insights and actionable information to make strategic and tactical decisions to drive growth and maintaining a competitive edge in the market.
10. **Digital forms for onboarding** has significantly reduced paper usage and enabled a contactless onboarding process, eliminating the need for direct customer-staff interactions. This has promoted self-service and empowered customers to conveniently complete necessary procedures independently.
11. **E-pay Slip** enables employees to access and view their payee details as and when they need while reducing the usage of paper.

Going Virtual – CDB's technology vision and journey

CDB embarked on a transformative journey, embracing virtualisation, and revolutionising operations across a substantial number of its departments and processes. With a vision to enhance customer experience and 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 foundation for the virtual journey. As customers embraced these digital offerings and channels, CDB expanded its services, enabling online account openings, effortless fund transfers, convenient bill payments, and streamlined loan applications. The Company prioritised security and reliability, ensuring customers could trust and rely on their virtual journey and experience.

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.

1
- Queue Based Operational Functions
- Digital Image based centralised data entry and processing

2
- OCR/ICR technology
- Enabling working outside the branch platform
- Centralised data verifica-tion with 24x7
- RPA (BOT) based data entry

3
- OCR/ICR/RPA enable single platform for data/document submission
- Virtual data verification platform (PickMe)
- Automated Customer Due Diligence process

4
- E – Forms
- E- signatures
- Virtual/paper-less operation

Strengthening customer due diligence (CDD)

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).

Moreover, CDB places great emphasis on determining the source of funds to guarantee their legitimacy and legality, thereby preventing any involvement with illicit activities, and carrying out enhanced due diligence (EDD) for higher-risk customers. Strong emphasis is placed on ongoing monitoring of customer accounts and transactions to promptly identify any suspicious or unusual activities, using a combination of automated systems and manual review processes.

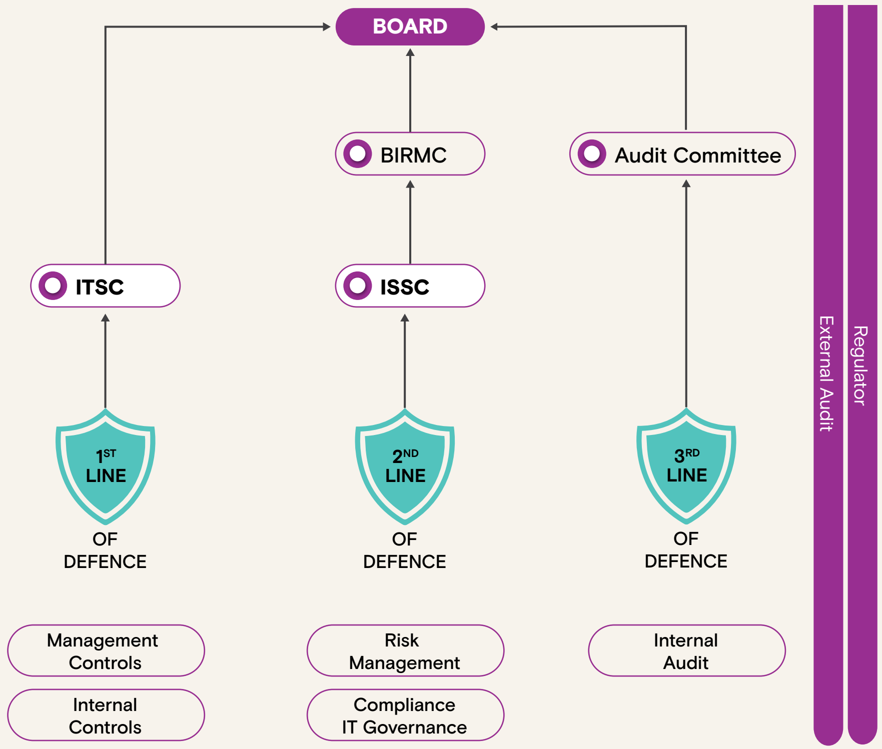
To ensure compliance with Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) regulations, CDB regularly updates its protocols and procedures to align with evolving regulatory requirements. The Company steadfastly reports any suspicious transactions to the appropriate regulatory authorities as mandated by the regulations.

Fortifying IT governance and cybersecurity

As we intend to invest in technology and digital capabilities to build scale and offer best-in-class experience, CDB recognises the need to have a robust IT Governance framework to provide a balanced mix of technological investments that we aligned with strategic and cross-functional business objectives. The IT Governance framework is built on the Three Lines of Defence approach. Refer the diagram on page 59.

As a part of this framework CDB established two main strategic steering committees, namely the Information Technology Steering Committee (ITSC) and Information Security Steering Committee (ISSC) to promote, oversee and support the effective use of technology, information as well as information security across the Organisation as well as create strong security posture and cyber resilience within the Organisation.

TECHNOLOGY THREE LINES OF DEFENCE



BIRMC – Board Integrated Risk Management Committee
ITSC – Information Technology Steering Committee
ISSC – Information Security Steering Committee

The Committee also improves alignment between IT and business strategy, accountability for IT decisions and finally value generation through ongoing evaluation of IT value and performance of IT services.

CDB's Information Technology (IT) Strategy serves as a comprehensive five-year roadmap, outlining the scope of the Company's IT initiatives and their contributions to the CDB ecosystem. Guided by the strategic pillars of "Sustainability" and "Technology Disruption", the IT Strategy prioritises projects and allocates funds accordingly, with a primary goal of enhancing customer service delivery. A key aspect of this strategy involves fortifying the cyber resilience of CDB's IT systems in the face of evolving threats.

To achieve these objectives, CDB focuses on strengthening its cyber team and their capabilities, enabling secure and innovative operations. Additionally, the Company leverages its oversight roles to regulate and promote leading cybersecurity standards, ensuring comprehensive security measures. Collaboration with key partners is also a priority for CDB, as they work together to promote resilience and reduce the occurrence and impact of cybersecurity breaches.

Cybersecurity is of utmost importance to CDB, and the Company adopts a proactive approach to mitigate threats. This involves investing in new technologies, processes, and personnel, and collaborating with public and private sector partners on a national and international level. The cyber security strategy focuses on detecting, responding to, and recovering from cyber intrusions, ultimately bolstering the overall cyber resilience of the Company.

In addition, CDB has received the ISO/IEC 27001:2013 certification for its IT Services and has continued the certification for the last five consecutive years. The certification is a testament to 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. Additionally, CDB has established security solutions and policy management protocols supported to align multi vendor solutions which addresses cyber security challenges and the associated cyber risk.

CDB consistently carries out security assessments 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.

In achieving cyber resilience team members were made aware and kept updated through e-flyers and staff announcements. Further, with the help of industry experts, staff members and the Board of Directors were given cyber security training and awareness.

FINANCIAL REPORTS

Uninterrupted service through our technological partners

With the support of its tech partners, CDB successfully continues to progress its disruptive process while implementing robust governance, and cybersecurity measures. This enabled the Company to establish resilient infrastructure, ensure continuous monitoring, and leverage threat intelligence, resulting in effective incident response planning, conducting security assessments, and audits. Training and awareness programmes aided in reducing human error while compliance and regulatory support minimised legal risks. These measures enabled CDB to bolster stability, resilience, and security, mitigating risks and enabling sustained operations in the face of an uncertain environment.

The technological partners have further enhanced different aspects of the Company, such as risk and regulatory technology, digital transformation, analytics and areas such as IT Governance, IT Cost and Value Management, IT Sourcing, Cloud, IT Operations and Service Management, to name a few. The Company follows a rigorous and transparent selection process to ensure the selection of the best partners who would complement the execution of its strategy. This process includes evaluation by a Board steering committee. The maintenance of Service Level Standards (SLA) is ensured through criteria such as endorsements, testimonials, service standards, after-sales support, and relationship with its trusted partners.

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.

TECHNOLOGICAL PARTNERS

Technology and infrastructure

Network and data communication

Process improvement and automation

Information security services

Assurance and advisory services

Regulators

Empowering team members to thrive through technology

CDB has taken significant steps to empower its team members through the use of technology, resulting in enhanced efficiency, convenience, and a reduced environmental footprint. By leveraging its technological capabilities, CDB has been able to support innovative ways of working, drive efficiency, and reduce its carbon footprint. Majority of these tech initiatives were introduced over the year through the efforts of team members at the operational levels who were able to proactively identify the technologies needed to improve their performance.

One of the key initiatives implemented by CDB is the enablement of remote working through the design of processes and security controls. This move has not only improved efficiency but also resulted in a significant reduction in resource consumption across the Company's network. By enabling team members to carry out remote working when the situation demands, CDB can ensure the safety and well-being of its workforce while maintaining uninterrupted operations.

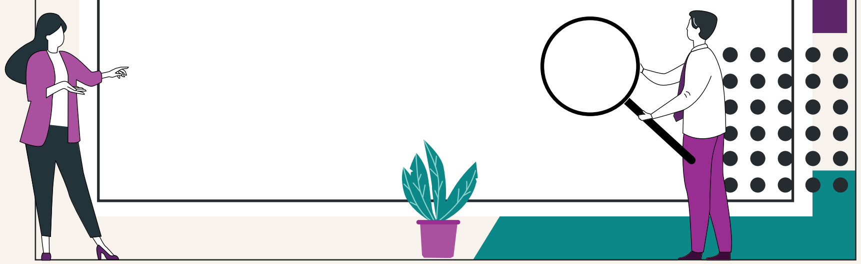
To facilitate seamless communication and collaboration, CDB has embraced virtual channels for meetings and regular updates. By leveraging internal communications and platforms like WhatsApp, the Company ensures that team members stay connected and well-informed about management decisions. This also enables them to be part of the decision-making process. The use of technology not only streamlines communication but also enables team members to work efficiently, regardless of their location.

Furthermore, CDB has integrated technological solutions into its processes, such as the Enterprise Resource Planning (ERP) system, which is used for various tasks, including processing staff loans, vehicle loans, marking attendance, and generating e-pay slips. By centralising these functions within the ERP system, CDB improves accuracy, efficiency, and security while reducing paper waste and energy consumption. This shift to digital processes not only empowers employees with user-friendly tools but also contributes to the Company's efforts in reducing its environmental impact.

By investing in technology and empowering its employees with practical resilience strategies, CDB has created a work environment that supports flexible working arrangements and encourages innovative ways of working. Employees can adapt to interruptions and challenges seamlessly, ensuring that productivity remains high and operations continue smoothly.

Looking to the future

Future plans of CDB in terms of successful disruption of industry practices, will depend largely on the regulatory climate, directives of the CBSL and other authorities, as well as the state of the economy. However, building on its successful digital transformation journey, CDB has significant opportunities to engage in disruption and drive innovation in the future. By embracing emerging technologies, the Company can revolutionise the industry further. Advanced analytics and artificial intelligence can be leveraged to gain valuable insights from customer data, enabling customised products and personalised services, and predictive analytics can be used for financial planning and determining customer preferences. Shifting to the Cloud holds great promise, given its vast capabilities. Exploring blockchain technology can enhance security, transparency, and efficiency in transactions. Moreover, the adoption of open banking APIs can foster collaboration with fintech startups, enabling the creation of innovative solutions and expanding customer offerings. CDB's commitment to continuous technological advancement will ensure its position at the forefront of disruption, delivering exceptional customer experiences and staying ahead in a rapidly evolving financial landscape.



IMPACT

As Sri Lanka advances towards a socio-economic revival, CDB, as a pioneer in technology-infused and sustainability-driven strategies, aligns seamlessly with the nation's positive momentum.

We are firmly established in our customer-centric approach, offering tailored products and services to enhance customer satisfaction. Employee development and engagement initiatives foster a skilled workforce committed to delivering exceptional service.

As Sri Lanka advances towards a socio-economic revival, CDB, as a pioneer in technology-infused and sustainability-driven strategies, aligns seamlessly with the nation's positive momentum. Accordingly, the Company is geared to work towards the progress of the society and the country with exemplary environmental stewardship. CDB has prioritised the creation of a sustainable and positive impact for its stakeholders by implementing strategies that produce desired results in the short, medium, and long-term. We are firmly established in our customer-centric approach, offering tailored products and services to enhance customer satisfaction. Employee development and engagement initiatives foster a skilled workforce committed to delivering exceptional service. We aim to generate sustainable profits and provide value to shareholders through effective risk management. By actively engaging in corporate social responsibility, we support community causes and foster trust. Additionally, we promote environmental sustainability by adopting responsible lending practices and embracing eco-friendly technologies, reducing our carbon footprint and contributing to a greener future. Our commitment to adherence to regulations and ethical practices is paramount. By maintaining a positive relationship with regulators and upholding a strong culture of compliance, we ensure the highest standard of integrity and accountability in all our operations. Integral to our success is our robust technological background, which greatly enhances our performance and provides us with a lasting competitive advantage.

Towards a 1 million customer base

Our business model and strategy reflect our aspiration of becoming a Quarter Trillion Asset Base (Q-TAB) Company within the current decade (2021-2030), driven by our commitment to sustainability and embracing technological disruption as the key enablers. This is in perfect alignment with Sri Lanka's socio-economic revival, and our technology-infused, sustainability-driven strategy seamlessly aligns with the nation's positive momentum. A crucial element is our disruptive approach to technology, positioning CDB as a formidable "David Vs Goliath" competitor challenging large incumbents.

Catering to changing needs of customers throughout their life cycle

Understanding customers' life cycles is of utmost importance for a financial services organisation. It involves analysing the stages a customer goes through, from initial contact to acquisition, and retention. By having a thorough understanding of this cycle, organisations can tailor their marketing strategies, personalise customer interactions, enhance customer experiences, and maximise customer lifetime value. It helps organisations to identify opportunities for cross-selling, upselling, and customer loyalty programmes, leading to increased customer satisfaction, repeat business, and long-term profitability.

CDB is dedicated to meeting customers' evolving needs by offering tailored financial products and services, supporting their goals at every life stage. We strive to make luxury affordable, amplify aspirations, and elevate lifestyles. We begin with minors' savings for children and students. Young professionals benefit from personal loans and credit cards. Families and homeowners can access home loans, savings, and investment options. Business owners and entrepreneurs have access to business loans, gold loan services, specialised accounts, and investment services. Our comprehensive range of offerings ensures that individuals and businesses receive the necessary support to thrive and achieve financial success at every step.

Furthermore, CDB is making affordable roof solar systems accessible to customers, which not only presents business opportunities but also reduces carbon emissions and decreases reliance on imported fuels, taking advantage of Sri Lanka's abundance of over 300 sunny days annually.

Minor	Young Adults	Adults	Senior
CDB *Ranketi* Savings	CDB Aspire Lease	CDB Platinum Saver	CDB *Deegayu* Savings
	CDB Real Saver	CDB *Dhanasurekum* FD	CDB Margin Trading
	CDB Salary Plus	CDB *Ran Naya*	CDB *Deegayu* FD
	CDB Credit Card	CDB Cash Lease	
	CDB iDeposit	CDB Credit Card	
	CDB iTransfer	CDB Business Loans	
	CDB Personal Loan	CDB Home Loans	
		CDB Personal Loan	
		CDB Margin Trading	
		CDB Advance Roof Solar	
		CDB Fast Cash CDB Money Exchange	

Our product portfolio

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 Credit cards

CDB Debit cards

Core products

Leasing and loans

CDB Leasing

CDB Personal Loans

Home Loans

CDB *Ran Naya*

Business Loans

Aspire Lease

Cash Lease

CDB Hybrid Leasing

CDB Advance Roof Solar

Core products

Term Deposits

CDB *Dhana Surekum*

CDB *Deegayu*

Omni Channels

CDB iNet

CDB iDeposit

CDB iTransfer

Other services

CDB Margin Trading

CDB Money Exchange

CDB Meezan

Fast Cash

Enhancing customer experience: Delivering delight and satisfaction

A positive customer experience holds immense value for an organisation, as it cultivates customer loyalty, fuels positive word-of-mouth referrals, enhances brand reputation, boosts revenues, and mitigates the risk of negative feedback. By fostering growth, differentiation, and long-term success, organisations can capitalise on the power of customer satisfaction. Investing in exceptional customer experiences becomes a strategic imperative in today's competitive landscape which in turn drives sustainable business outcomes and foster meaningful customer relationships.

In this context, CDB remains highly focused on leveraging its customer-centric approach to reach a customer base of 1 million by focusing on personalised experiences and tailored services. CDB has invested in customer relationship management systems, backed by emerging technologies, to gather comprehensive data on customer preferences and behaviours. It also emphasises proactive communication, actively seeking feedback and addressing customer concerns promptly.

CDB prioritises the creation of a positive and delightful customer experience by emphasising various aspects of its services that meet multiple facets of customers' lives, ensuring personalised and efficient customer support, as well as offering multiple channels for assistance. This is backed by user-friendly and intuitive digital-based offerings and apps which offer a seamless experience, allowing customers to easily access and manage their accounts online or through mobile applications. This initiative also relates to its endeavour to 'Disrupt' the industry through state-of-the-art digital offerings as detailed in the 'Disrupt' section of the Annual Report.

Our strategy revolves around elevation of aspirations of our customers by making luxury affordable. Our purpose "Empowering Aspirations" enhances and engrave our philosophy into our business strategy and business conduct.

We focus on providing solutions to customer needs via digital platforms which enables them to transact at their convenience. As discussed in the disrupt pillar, we have inbuilt and use digital technology into our processes to ensure speed service to our clients. We place greater emphasis on providing secured platforms to our clients which enables customers transact at ease.

CDB is well on its way to achieving its goal of having a customer base of one million, as evidenced by the addition of 54,454 customers during 2022/23, reflecting a 31.21% YoY increase. The inclusion of several new customer-related initiatives could add further impetus to our customer acquisition drive.

Additionally, the Company emphasises timely and transparent communication, keeping customers informed about any updates, promotions, or changes to their products or services. Seeking customer feedback regularly CDB demonstrates its commitment to continuously improving the overall customer experience. Notably, these initiatives are rooted in digital innovations, which perfectly align with the needs of the younger customers and support the Company's sustainability agenda. Through digital solutions, CDB minimises paper usage and needless travel for both customers and the team members.

Strengthening customer loyalty and retention

CDB prioritises customer loyalty by implementing various strategies that create a positive and personalised experience. 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 offer exclusive benefits and complementary gifts to reward and show gratitude to loyal customers. Feedback channels are established using contactless QR methods, demonstrating responsiveness and a commitment to improving services.

Exclusive benefits, such as waived fees, are extended to loyal customers to incentivise continued engagement. Exceptional customer service is emphasised through comprehensive training, ensuring prompt resolution of inquiries and issues. Building personal relationships is a focus, achieved by using customers' names and integrating systems for enhanced personalisation.

To further reinforce loyalty, each Premier Elite and Premier customer is assigned a dedicated account manager who provides personalised attention and conducts tailored visits.

These comprehensive strategies aim to cultivate and nurture stronger customer loyalty, maintain long-term relationships, and ensure that every customer touchpoint with CDB is met with appreciation and value. By prioritising satisfaction, trust, and a strong bond with customers, CDB strives to create a customer-centric environment that fosters loyalty and ongoing engagement.

Engaging marketing initiatives: campaigns, promotions, and communications

GRI 416-1, 417-1

Customer attraction is important for customer acquisition as it drives initial interest and engagement with a company's products or services. By effectively attracting potential customers through compelling marketing campaigns, appealing offers, and a strong brand presence, businesses can generate leads and initiate the acquisition process. Attraction serves as the initial step in acquiring customers, creating opportunities to showcase the company's value proposition, and convert prospects into loyal customers, ultimately contributing to business growth and profitability.

In this regard, marketing campaigns, promotions, and marketing communications help create brand awareness, promote products and services, and attract new customers. Effective campaigns and promotions drive customer engagement, generate leads, and increase conversions. Marketing communications build trust, educate customers, and communicate value propositions. These strategies differentiate the organisation from competitors, foster customer loyalty, and contribute to revenue growth and long-term success in the competitive financial services industry.

CDB has strategically leveraged social media for its targeting effectiveness and also the capability to target the selected audience more precisely. The Company's social media strategy is built upon a platform-driven content approach, encompassing three strategic pillars. Firstly, influencer-based marketing expands the reach and enhances campaign impact. Secondly, a product-driven content strategy creates innovative and audience-centric content to enhance engagement. Lastly, customer engagement is prioritised through activities including competitions, to actively involve the audience and strengthen relationships.

Given below are key Marketing Campaigns Launched in FY 2022/23:

- **Gold loan:** Campaign using ATL, BTL, and TTL, focusing on confidentiality, security, interest rate, and higher loan advance. It was positioned as "රන්තරන් ණය දෙන ඉස්තරම් තැන", with the value proposition as "පළමු මස පොළියෙන් භාගයක් ආපසු" with the extension of "පළමු දින 10ට පොළී නෑ" We launched this new campaign in August 2022, on-boarded more than 6,000 new customers, and achieved Rs. 1.6 Bn. net business volume for a month, which was the highest-ever in CDB's gold loan history.
- **i-deposit** (Digital Fixed Deposit): Focused on the digital fixed deposit feature of the CDB's digital financial platform, through the Instagram and Facebook campaign, "Be Smart and Stay Safe" to encourage people to open digital deposits with just Rs. 5,000. This campaign was aimed to encourage youth to save for their future, in a hassle-free manner using their mobile phone or any other smart device.

The Company upholds 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 Solar and the digital fixed deposit feature of CDB iNet 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.

Reaching out to customers through multiple touchpoints

Expanding customer touch points offers several benefits for an organisation such as enhancing customer convenience by providing multiple channels for transactions, communication and interaction. This leads to increased customer satisfaction and loyalty. It improves accessibility, allowing organisations to reach a wider audience and engage with customers across different platforms, which fosters faster resolution of issues and personalised support, resulting in enhanced customer experience. Expanding touchpoints also enables organisations to gather valuable customer data and insights, facilitating targeted marketing strategies and informed decision-making.

CDB has adopted a multichannel approach to delivering financial services, offering diverse customer engagement platforms, including mobile platforms, digital solutions, contact centre, branches, and Relationship Managers. In recent years, especially during and after the pandemic, witnessed a notable shift towards digital channels and services. This transformation is driven by consumer and business preferences, fuelled by the surge in online commerce, contactless payments, and digital cash transfers. Younger customers belonging to Gen X, Gen Y and Gen Z also exhibit a preference for such channels, in keeping with their lifestyles and aspirations. CDB's migration to digital channels demonstrates its commitment to meeting evolving customer needs and preferences prioritising accessibility, convenience, and safety in financial transactions. The Company's "Tech with a touch," approach exemplifies its transition towards technology that enhances and empowers individuals.

Our technological capabilities enable us to reach out to the most remote, rural, and vulnerable base of the pyramid markets supporting CDB to be a net lender to the rural economy and providing access to finance, leading to financial inclusion. Due to the technology-based approach, CDB has not opened a single physical outlet during the last five years, whilst more than doubling our business capacity.

Reaping the best rewards from our brand equity

Improving brand equity is crucial as it establishes the reputation and perceived value of a brand, which in turn enhances customer loyalty, trust, and preference, resulting in increased market share and competitive advantage. It helps CDB to attract new customers, encourages continued interaction, and supports the attraction of high net-worth customers. Additionally, strong brand equity generates positive word-of-mouth, fosters brand extensions, and provides resilience during market fluctuations. Ultimately, improving brand equity contributes to the long-term success and profitability of the Company.

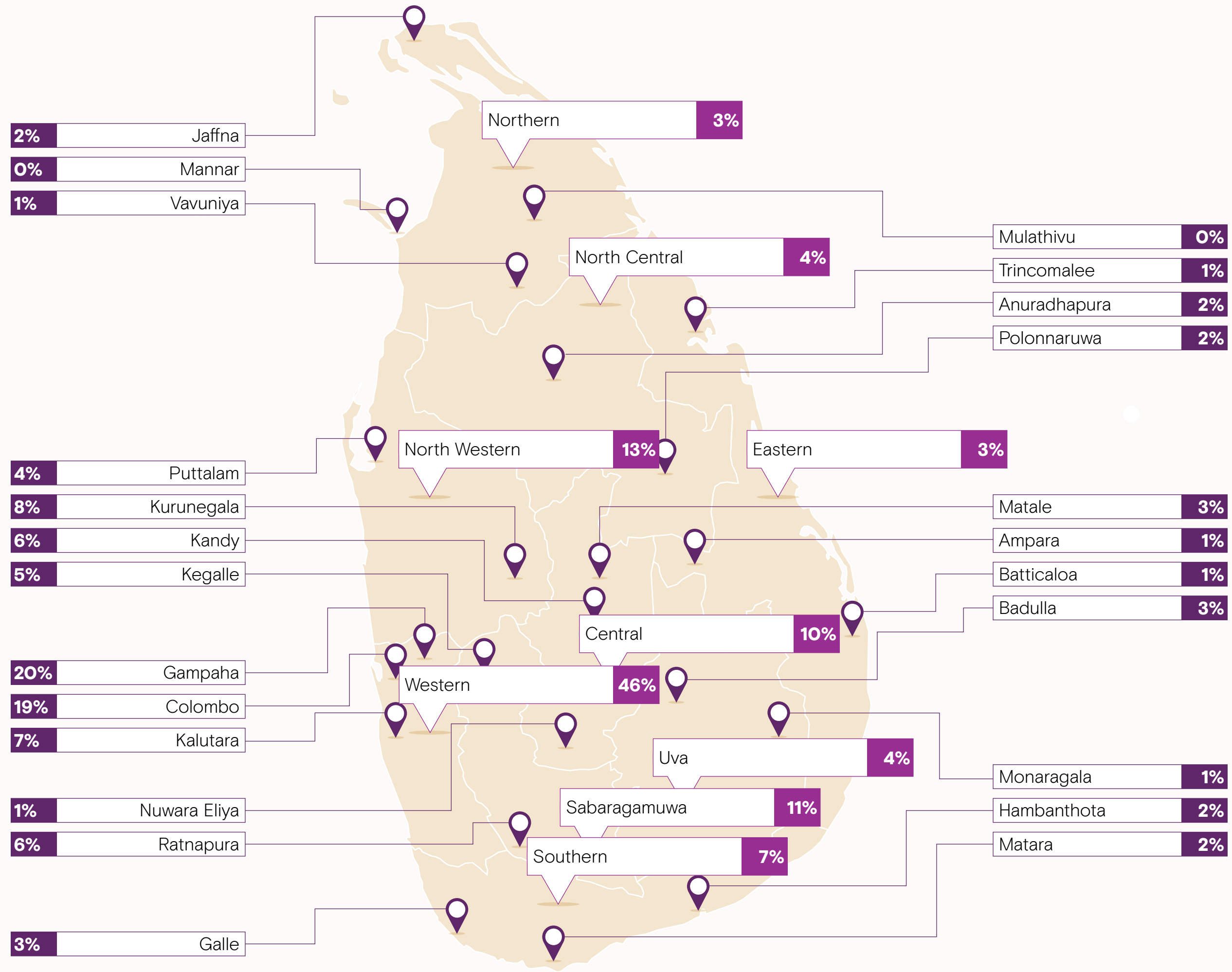
The brand strategy at CDB is centred around positioning itself as an innovative and sustainable brand within the financial services industry. The Company strives to disrupt traditional norms by offering technologically advanced and environmentally sustainable product and service solutions while prioritising financial inclusion and making a positive impact on the community. CDB's overarching brand intent is to "Empower a smart and sustainable Sri Lanka". This commitment to empowering aspirations has earned recognition, as the Company was ranked among the Ten Best Corporate Citizens for 2022, a recognition that has been garnered for the fifth consecutive year. The Ten Best Corporate Citizens are selected from a wide range of corporate stewards in Sri Lanka by an independent panel of judges and evaluators in the Best Corporate Citizen Sustainability Award organised by the Ceylon Chamber of Commerce. CDB consistently enhance its brand equity by embodying its core values of perseverance, empathy, reliability, and innovation in every customer interaction.

An in-depth analysis of customers

Conducting an in-depth analysis of customers is of paramount importance, as it allows organisations to gain a comprehensive understanding of their target audience, their preferences, behaviours, and needs. This analysis helps CDB to develop effective marketing strategies, offer personalised products, and deliver exceptional customer experiences. By uncovering valuable insights, CDB is able to make data-driven decisions, optimise its resource allocation, and enhance customer satisfaction, which enables it to stay ahead of the competition, build long-term relationships, and drive sustainable growth.

Given below is an analysis of various customer segments at CDB:

An in-depth analysis of our customers



Customers' Demographic Analysis

Age Category

Grand Total **334,587**

0-14	15-24	25-34	35-54	55-64	65 & above
2%	**6%**	**23%**	**48%**	**12%**	**9%**

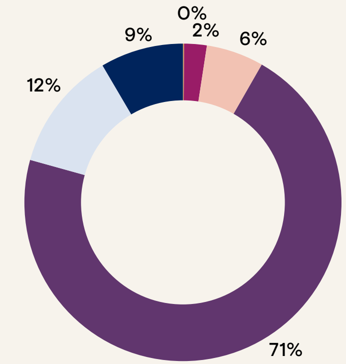
Gender

Female	Corporate	Male
34.49%	**0.13%**	**65.37%**

Age (with CDB)

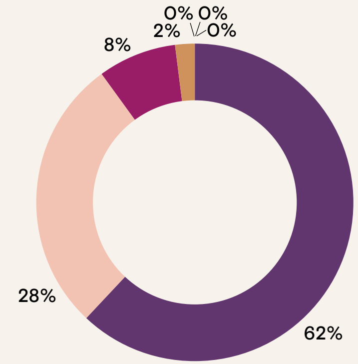
Above 10 years	8-10 years	5-7 years	Below 5
14.93%	**20.63%**	**20.70%**	**43.74%**

CUSTOMER PROFILE BY AGE – 2022/23



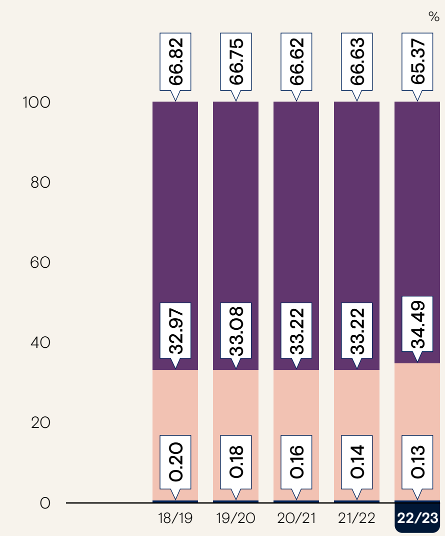
- Corporate
- 0-14
- 15-24
- 25-54
- 55-64
- Over 65

PRODUCT WISE ANALYSIS



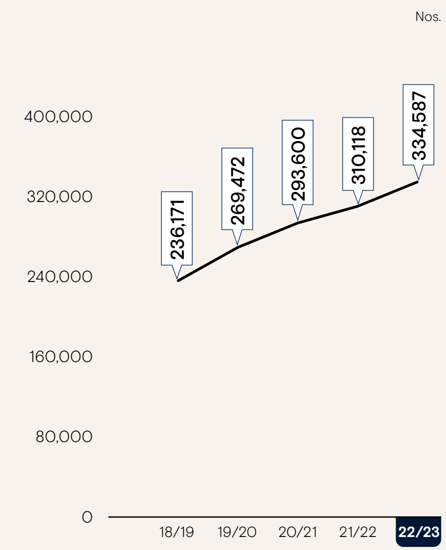
- 1 product
- 2 products
- 3 products
- 4 products
- 5 products
- 6 products
- 7 products

CUSTOMER PROFILE BY GENDER



Corporate Female Male

TOTAL CUSTOMERS



CUSTOMER PROFILE BY REGION

Province	2022/23 %	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Western	46.34	46.52	46.52	47.20	48.09	48.03
North Western	12.81	12.70	12.79	12.82	12.62	12.55
Sabaragamuwa	10.95	10.82	11.04	10.44	10.27	10.29
Central	9.78	9.55	9.68	9.50	9.58	9.63
Southern	6.66	6.70	6.65	6.51	6.25	6.25
North Central	3.91	4.02	4.07	4.11	4.07	4.15
Uva	3.92	3.91	3.45	3.58	3.40	3.46
North	2.84	2.85	2.97	3.15	3.12	3.11
Eastern	2.79	2.91	2.82	2.70	2.59	2.52

Customer segmentation for effective targeting of customers

Customer segmentation is important because it allows organisations to understand and target specific groups of customers with tailored marketing strategies. By dividing a diverse customer base into distinct segments based on characteristics such as demographics, behaviours, needs, or preferences, organisations can customise their offerings, messaging, and experiences to resonate with each segment. This personalised approach increases the effectiveness of marketing efforts, improves customer satisfaction, enhances customer retention, and maximises overall business performance by delivering relevant solutions that meet specific customer needs.

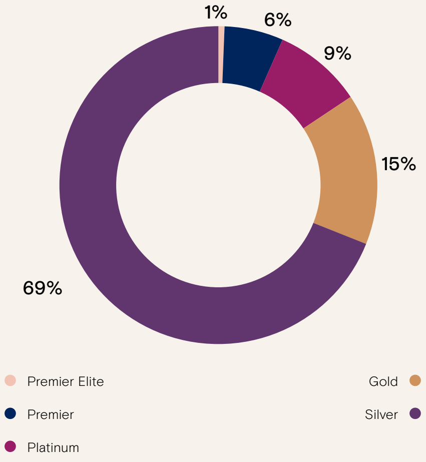
Customer segmentation enables CDB to carry out targeted marketing, allowing the creation of tailored campaigns for specific customer segments. Customised product development enhances customer satisfaction by meeting unique needs. Efficient resource allocation focuses efforts on high-value segments, optimising costs. Risk management identifies and mitigates risks by understanding segment-specific profiles. Cross-selling and upselling opportunities arise from understanding customer preferences. These benefits improve customer satisfaction, operational efficiency, and profitability.

Customer segmentation at CDB is solely based on the customer's portfolio. Segments include Premier Elite, Premier, Platinum, Gold, and Silver.

Customer Lifetime Value (CLV) plays a crucial role in customer identification and provides a comprehensive analysis of the standard segmentation method described earlier. CLV is determined through an extensive evaluation 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: According to CLV analysis, customers are categorised in to five distinct groups as A,B,C,D and E. When executing customer engagement and loyalty initiatives, particular attention will be given to the A and B categorised customers.

Segment	%
Premier Elite	1
Premier	6
Platinum	9
Gold	15
Silver	69

CUSTOMER SEGMENTATION



Identifying customers with the greatest future potential

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.

Customers constantly move ahead in life, elevating their lifestyles and aspirations over time. CDB serves customers based on their future potential through tailored financial solutions, relationship building, education, proactive communication, innovation and technology, and strategic partnerships. The Company offers customised products and assigns dedicated Account Managers to meet the evolving needs of customers, offering them added prestige and recognition. Furthermore, CDB provides education and support to enhance financial literacy and decision-making capabilities. Proactive communication keeps CDB connected and responsive to changing requirements. Embracing innovation and technology enables the delivery of advanced solutions, while strategic partnerships expand the range of offerings. By adopting these strategies, CDB supports customers' growth and helps them achieve their future goals.

Maximising the efficiency of our call centre

GRI 418-1

An efficient call centre is crucial as it serves as a key point of contact with customers, in addition to reducing the time and effort required for direct contact, as well as crowding at branches. It ensures timely and effective customer support, resolution of issues, and dissemination of information. A well-functioning call centre enhances customer satisfaction, builds trust, and strengthens brand loyalty. It provides a platform for personalised interactions, in addition to addressing customer inquiries and concerns promptly. Moreover, an efficient call centre helps gather valuable customer feedback and data, enabling organisations to identify trends, improve processes, and enhance the overall customer experience.

CDB's Call Centre serves as a vital customer service hub, providing assistance and resolving queries efficiently on a trilingual 24x7 basis. Customers can reach the Call 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 Call Centre agents possess comprehensive knowledge of the Company's offerings and procedures, allowing them to provide accurate and timely assistance to customers. By leveraging technology and effective communication skills, the Call Centre ensures a positive customer experience, fostering satisfaction, and building long-term relationships. During the year, several enhancements were carried out to improve the customer experience.

Missed call service

Customers are able to inquire about the arrears of lending facilities and billing information of credit cards through a simple missed call. Customers have 24/7 access to this service with no hold time and no interaction with contact center agents.

Objectives

- Reducing call traffic
- Providing more convenience to customer
- Reducing the traffic in other touch points
- Reducing physical customer visits

ANALYSIS OF MISSED CALL SERVICE USAGE

Month	Credit Card	Lending
November 2022	5,155	6,487
December 2022	8,577	3,480
January 2023	5,618	5,349
February 2023	7,276	3,679
March 2023	9,229	6,796

Priority queue

In 2018, CDB introduced a dedicated hotline number (0117678200) for premier customers, ensuring priority access. Through an API-based system, customers calling from their registered number are directed to the dedicated hotline. This initiative aims to provide customised and efficient service. Internal Service Level Agreements (SLAs) monitor and maintain high customer experience standards, including reduced queue time and timely resolution of inquiries. Contact Center team members receive specialised training to handle premier customers.

OUR CALL CENTRE STATISTICS FOR 2022/23

Total Offered Calls	
Total	262,816
Sinhala	236,657
English	9,523
Tamil	16,636

Answered Calls	
Total	248,117
Sinhala	224,495
English	8,713
Tamil	14,909

Answered within Threshold	
Total	215,327
Sinhala	196,938
English	7,096
Tamil	11,293

	Sinhala	English	Tamil	Total
SLA (KPI – 85%)	83.46	74.98	68.19	82.19
Answered (%)	95	92	90	95
Abandoned (%) (KPI – 5%)	5.08	8.39	10.32	5.53
Average handling time	03:27	03:59	03:22	03.36

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, three separate mystery surveys were conducted at all branches, the contact centre, and the patpat.lk platform. 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 assistance of an external agency to ensure accuracy and impartiality. Based on the findings, appropriate training programmes for all service staff were conducted on:

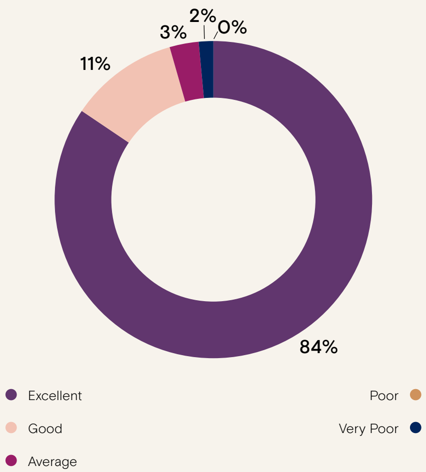
- Customer Service Champions for all branch front line staff, covering "Professionalism in Customer Service and best practices in Customer Handling".
- Call Centre Champions intended for Call Centre Staff (Including Recovery Call Centre) on "Professionalism in call handling".
- Special training on Premier Customer Call Handling for Call Centre Premier Line dedicated staff covering "How to handle premier customer calls properly".
- Training on Telephone etiquette is being conducted or branch staff, covering "Telephone Etiquette and best practices".

Customer feedback for improving customer relationships

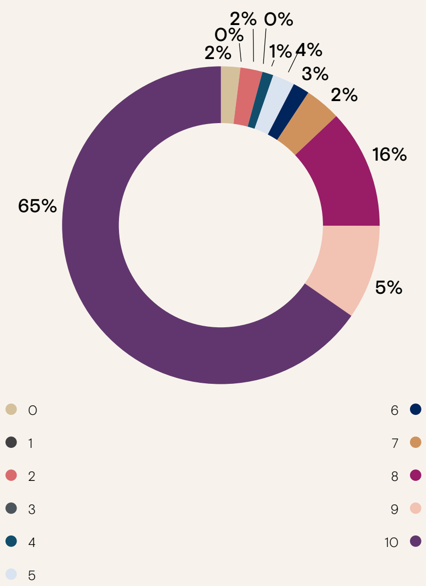
Customer feedback is of utmost importance as it provides valuable insights into customer satisfaction, preferences, and areas for improvement. It enables CDB to understand the needs and expectations of its customers, allowing them to make informed decisions and refine their products or services based on customer preferences. Customer feedback also helps in identifying potential issues or pain points, enabling prompt resolution and enhancing overall customer experience. By actively listening and responding to feedback, CDB is able to foster customer loyalty, drive innovation, and stay ahead in the competitive market.

The contactless customer feedback process was successfully implemented in April 2023. This initiative was launched to assess customer satisfaction utilising the CSAT model and measure customer loyalty using the Net Promoter Score (NPS) model. The implementation of this process allows for efficient evaluation of customer feedback and provides valuable insights to enhance overall customer satisfaction and loyalty. However, since the initiative was launched recently, the feedback received is still in its early stages and has yet to gain momentum.

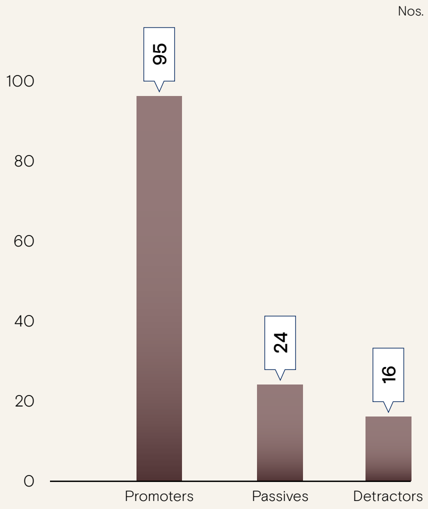
CUSTOMER SATISFACTION INDEX



RATE-WISE NUMBER OF NPS REVIEWS



NET PROMOTER SCORE



58.5%
Net promoter score

Changing the face of the post disbursement function

The post disbursement function in a financial services company is crucial to both customers and company. It ensures clients meet their financial commitments on time and provide assistance to clients to navigate through financial difficulties by providing assistance required. Simultaneously it is important for the organisation to minimise financial losses, manage cash flows and adhering to laws and regulations. It protects the organisation's financial health, reputation, and stability by managing non-performing assets. Additionally, it provides valuable insights into customer behaviour and payment patterns, aiding in future lending decisions and credit risk management. An efficient recoveries function is vital for sustainable growth and risk mitigation.

CDB has enhanced the efficiency and effectiveness of its recovery process through the introduction of new digital apps. Automation of tasks, real-time progress tracking, and improved customer communication have enhanced the overall operational performance. These apps have also facilitated faster and more accurate data analysis, enabling the integration of emerging technologies into analytical processes. As a result, CDB has achieved improved recovery rates and elevated operational performance.

- Debt Recovery Management Systems, including the Smart Collect App (ERP), Recovery Follow-up BI Applications (Tableau), Credit Card Management System (Digiapp), and Disposal Deficit Management System (ERP) bring multiple benefits to CDB. These include enhanced asset quality, reduced recovery costs, improved collection process efficiency, streamlined customer visits, optimal HR utilisation, instant feedback, minimal customer complaints, strengthened risk management, and reduced risk premiums. These systems collectively contribute to CDB's success by optimising operations, mitigating risks, and ensuring customer satisfaction.
- Default Waivers Management System results in improved operational efficiency, reduced manpower requirements, strengthened risk controls, and enhanced overdue interest and rebate on future interest management.
- Settlement Management System facilitates improved operational efficiency, reduced manpower requirements, strengthened risk controls, enhanced overdue interest and future interest rebate management, and reduced settlement time. It also enables customers to obtain documents faster and enhances service quality and transparency.
- Facility Rescheduling System improves operations efficiency, reduces manpower, improves risk control, and enhances overdue interest and future interest rebate management control whilst assuring speedy solutions and feedback to customers.
- Enabling mobile and online payment options (Pay & Go, eZ Cash/ M Cash, other bank branches, supermarket outlets and CRMs) reduce branch traffic, supports CDB's virtual concept, and eliminates the need for customers' branch visits.

Ensuring compliance in a changing regulatory landscape

GRI 2-25, 417-2, 417-3, 418-1

Compliance is crucial for a financial services organisation to ensure adherence to regulatory requirements, legal standards, and ethical practices, in addition to mitigating legal and reputational risks, and protecting customers' interests. Compliance frameworks promote transparency, accountability, and fair business practices. By complying with regulations, organisations build trust, credibility, and long-term relationships with customers. Compliance also fosters confidence of investors and other stakeholders, and contributes to sustainable growth in the highly regulated financial services industry.

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. 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.

Building an engaged, productive team and a thriving, ethical culture

GRI 3-3

Building an engaged, productive team, and cultivating a thriving, ethical culture is crucial for organisational success. Engaged teams are more motivated, innovative, and committed to achieving shared goals. Productivity increases as employees feel valued, empowered, and supported. An ethical culture promotes trust, integrity, and responsible decision-making, which fosters customer loyalty and protects the organisation's reputation. Additionally, a positive work environment attracts top talent, reduces turnover, and enhances overall employee well-being and job satisfaction, leading to sustained business growth.

CDB's sales team achieved unprecedented success at the National Sales Awards, hosted by the Sri Lanka Institute of Marketing (SLIM). They proudly secured sixteen awards, including two national awards and two gold awards, highlighting their exceptional sales leadership. This outstanding performance solidifies CDB as an unmatched team, known for their ability to thrive on challenges and consistently exceed expectations. By setting high performance standards and fostering a pioneering and entrepreneurial mindset, CDB is well on its way to building a world-class sales force. This achievement also reflects the Company's commitment to nurturing both individuality and a collective vision, creating a winning team that consistently delivers extraordinary results. Nadeeka Perera and Anurudda Algama emerged as notable winners, receiving the prestigious National Sales Awards and gold awards in the Sales Supervisor - Financial Services Providers category. Additionally, other sales supervisors, executives, and frontliners in the Financial Service Providers segment were recognised with silver, bronze, and merit awards.

Attracting the best talent

Attracting the best talent is vital for organisations to thrive in today's competitive landscape. The best talent in the industry brings expertise, creativity, and fresh perspectives, driving innovation and problem-solving. They contribute to a high-performing workforce, enhancing productivity and efficiency. Top talent also has a positive impact on organisational culture, fostering a climate of excellence and continuous improvement. Moreover, attracting the best talent helps organisations stay ahead of competition, build a strong employer brand, and attract more clients and customers, leading to sustainable growth.

CDB's ability to attract new talent remained robust, primarily attributed to the success of its management trainee programme. This year, CDB takes pride in the fact that 36% of new recruits are women, reflecting its commitment to gender diversity. The Company provides comprehensive learning and development opportunities for all hires, fostering their growth and advancement throughout their tenure at CDB.

CDB's recruitment process is based on merit, emphasising fair and transparent competition without any form of favouritism or discrimination. The Company actively seek raw talent at the grassroots level, providing them with the necessary grooming and skills to become employable professionals. During the year, CDB recruited 442 team members, with 208 (47%) of them joining from outside the Western Province, demonstrating its efforts to provide opportunities to individuals from diverse geographic backgrounds.

Talent acquisition strategy

Talent acquisition is a crucial aspect of CDB's corporate strategy, focusing on identifying and recruiting individuals who align with the specific needs, values, and ethical standards of the Organisation. The aim is to nurture and develop these individuals to assume leadership positions within the Company. Through a comprehensive recruitment policy, CDB seeks to enhance productivity and foster organisational growth. The Company is dedicated to empowering young individuals by providing employment opportunities to school leavers and graduates. This approach has yielded positive outcomes, as the workforce seamlessly integrates into the corporate culture and embraces the myriad of opportunities available within the workplace.

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". Our team predominantly consists of members from rural and challenging family backgrounds. We predominantly recruit young team members just out from school or young graduates straight from universities. We provide employment opportunities and make them employable with pretty decent working culture and super training and development opportunities.

Our talent sourcing process

GRI 401-1

In filling vacancies, CDB prioritises internal placements and promotions before seeking external candidates. The Company has successfully hired 100% of Top Management internally. To effectively reach potential candidates, CDB leverage digital media platforms to communicate job openings. Additionally, a pool of qualified candidates is maintained to ensure prompt and efficient filling of vacancies.

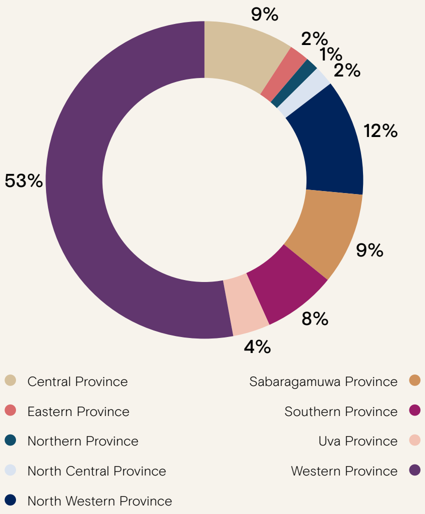
NEW HIRES BASED ON AGE AND GENDER

2022/23	Male		Female	Total	Total
Under 30	**268**		**158**		426
	Marketing	167	Marketing	64	
	Operational	101	Operational	94	
30-50	**12**		**3**		15
	Marketing	2	Marketing	0	
	Operational	10	Operational	3	
Over 50	**1**		**0**		1

NEW HIRES BASED ON EMPLOYMENT CATEGORY

Team member category	2022/23 Male	2022/23 Female
Front line	263	155
Junior Management	12	3
Middle Management	5	0
Managers	0	3
Senior Management	1	0
Top Management	0	0
Total	281	161

NEW HIRES BASED ON REGION



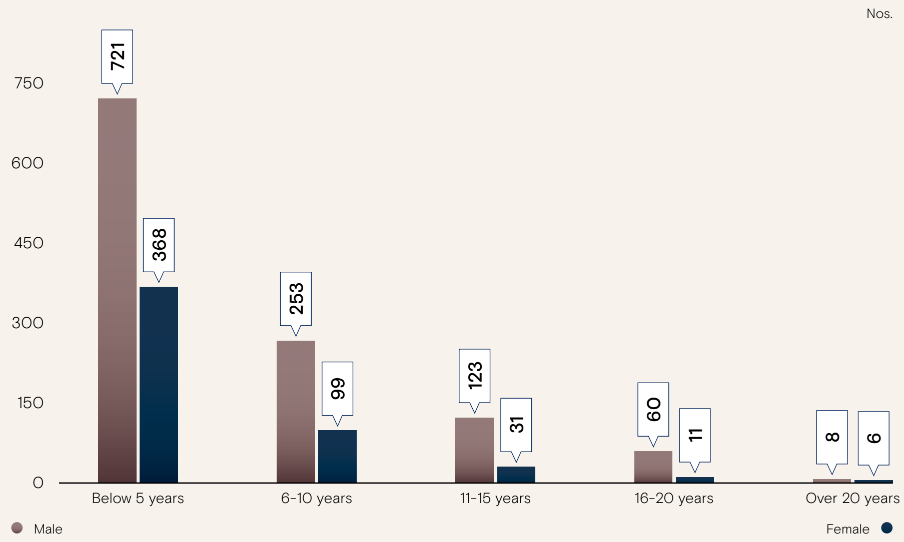
Workforce composition

GRI 2-7, 2-8

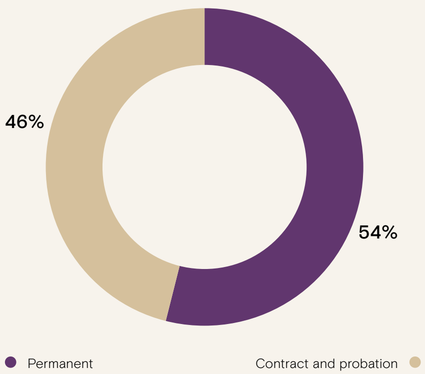
CDB team members play a pivotal role in realising the Company's vision, implementing strategy, and driving transformation. As of 31 March 2023, CDB's workforce comprised 1,680 individuals, with 54% being permanent employees and 46% on a contract or probationary status. Among the workforce 31% were female team members, reflecting the Company's commitment to gender diversity. Throughout the year, CDB successfully recruited 442 new team members, while maintaining an employee retention rate of 60%, highlighting the effectiveness of our HR policies and the value proposition offered to its employees. It is noteworthy that over 14% of the workforce has been with the organisation for over 11 years, a testament to the trust and loyalty they have placed in the Company.

Team member profile – FY 2022/23

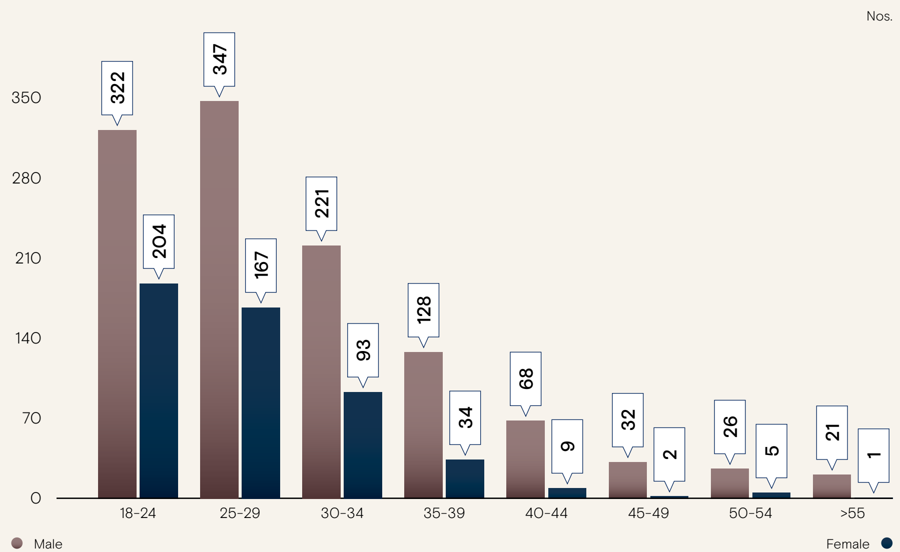
SERVICE ANALYSIS OF EMPLOYEES



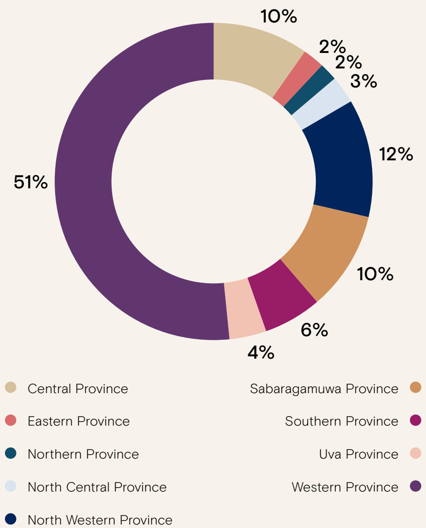
EMPLOYEES BY CATEGORY



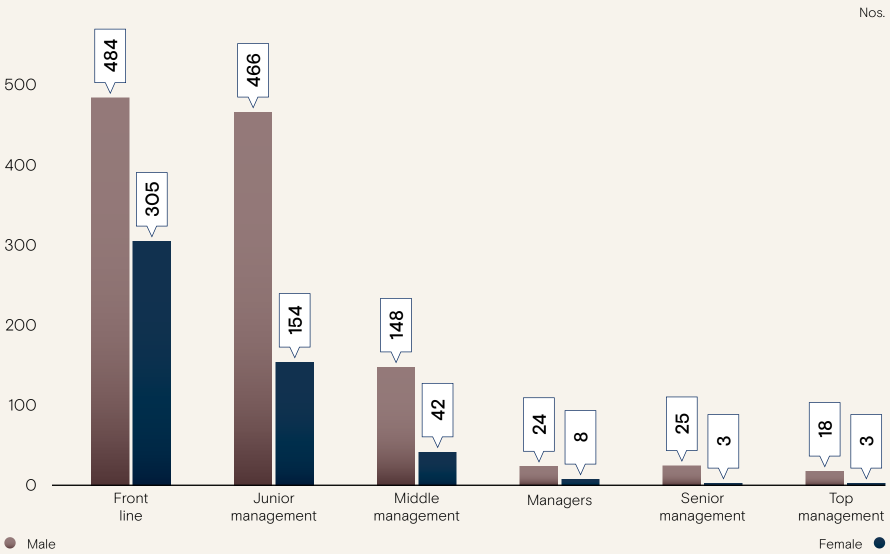
AGE ANALYSIS OF EMPLOYEES



EMPLOYEES BY REGION



DISTRIBUTION BY EMPLOYEE CATEGORY AND GENDER



Diversity and inclusivity for enhanced productivity

GRI 405-1

Research from McKinsey, Deloitte and others affirms the value of diversity. Diverse teams consistently excel in problem-solving, innovation, and financial performance, emphasising the importance of inclusivity. Inclusive environments foster employee engagement, satisfaction, and retention. Research also highlights the positive impact of diversity on market responsiveness, customer satisfaction, and brand perception. Moreover, diverse and inclusive organisations are better positioned to attract and retain top talent, access varying consumer segments, and adapt to a rapidly changing global business landscape.

To enrich its workforce, CDB is committed to promoting diversity and inclusivity across various departments and functions of its operations. The Company strives to create an inclusive work environment that values and respects individuals from diverse backgrounds by providing equal opportunities for all employees, irrespective of their gender, race, ethnicity, age, religion, or disability. CDB's hiring and promotion processes are based on merit and qualifications. The Company has policies in place to prevent discrimination and ensure fair treatment of all employees. These policies cover areas such as recruitment, compensation, benefits, and work-life balance.

During the period under review, CDB expanded its efforts to promote diversity and inclusivity within the organisation. A noteworthy progress is recruiting four differently-abled team members, bringing the differently-abled staff pool to a total of seven. CDB's goal is to increase this pool to 30 team members in the upcoming years.

The Company also continued its focus on increasing the representation of women in the workforce. To ensure non-discrimination in employment, CDB has implemented gender-sensitive recruitment policies, including active recruitment of women, granting promotions to managerial and executive positions, and welcoming them to the corporate Board of Directors. The fact that over 50% of its non-field based team members are female is a testament to CDB's dedication to gender diversity and empowerment.

CDB's commitment to empowering women in the workplace was recognised when Ms Nadee De Silva, our Deputy General Manager - Sales and Business Development, received the prestigious Sri Lankan Female Achiever Award in the Sales and Marketing category at the Sirasa-NDB Wanitha Abimana Awards 2021.

During the year under review, of the 515 female team members, 23 took maternity leave, and 13 returned to work after their maternity leave ended, resulting in a returned to work rate of 57% for team members who took maternity leave. CDB also provide extended leave options in case of illness or complications and offer facilities and flexible working hours to support team members in taking care of their children. The Company has developed family-friendly facilities that go beyond compliance to create a supportive environment for its team members.

Throughout the reporting period, all team members received regular performance and career development reviews. CDB is pleased to report that no incidents of discrimination were reported during this period, highlighting its commitment to creating an inclusive and respectful work environment for all.

Furthermore, CDB places significant importance on empowering women not only within its workforce but also in society at large. The Company is committed to fostering an inclusive and supportive environment that promotes gender equality and equal opportunities for women. CDB firmly believe empowering women is not only a matter of social justice but also a strategic imperative for its success as well as the entire nation. This is also of national importance as improved participation of women in the workforce is critical for improving Sri Lanka's Gross National Product (GDP), overall productivity, and improving the standard of living. CDB actively implement policies and programmes that support the professional growth of women including mentorship and leadership development initiatives. Furthermore, work-life balance is prioritised whilst extending a flexible work environment. By empowering women, CDB harnesses their unique talents, perspectives, and skills, leading to enhanced innovation, productivity, and overall organisational excellence.

RETURN TO WORK AND RETENTION RATE AFTER PARENTAL LEAVE

GRI 401-3

Description	2022/23
Number of employees entitled to maternity leave	515
Number of employees who took maternity leave	23
Returned to work after maternity leave during the period	13
Returned to work rate (%)	57

RATIO OF BASIC SALARY AND REMUNERATION BY EMPLOYEE CATEGORY

GRI 2-21, 202-1, 405-2

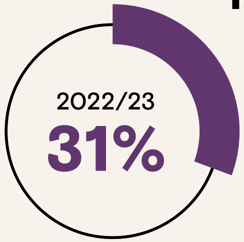
Team member Category	2022/23	
	Male	Female
Front line	0.88	1
Junior Management	0.75	1
Middle Management	1.06	1
Managers	0.89	1
Senior Management	1.29	1

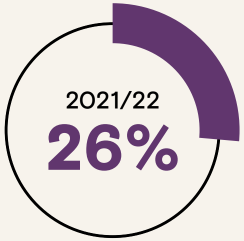
Women representation

ALL TEAM MEMBERS (NOS.)

Female **515**

Male **1,165**

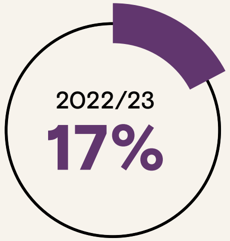




MANAGEMENT (NOS.)

Female **14**

Male **67**



CDB Enable – Promoting recruitment of the differently abled

CDB is dedicated to providing equal treatment to all its employees, irrespective of race, gender, nationality, age, religion, marital status, sexual orientation, gender identity, gender expression, disability, or any other non-job-related criteria. CDB provides opportunities for differently-abled team member through CDB Paralympians, a programme specifically designed to support and empower individuals with disabilities. By promoting inclusivity and providing necessary resources, CDB ensures differently-abled team member can thrive and contribute to the Organisation's success.

Performance management and succession planning

GRI 404-3

Performance management and succession planning ensure that employees' goals align with organisational objectives, as well as improve motivation, productivity, and supporting professional development of individual team members. It enables regular feedback, coaching, and performance evaluations, fostering a culture of continuous learning and improvement. Succession planning identifies and develops potential leaders, ensuring a smooth transition of critical roles and mitigating talent gaps. It promotes organisational stability, minimises disruptions, and prepares individuals for future leadership and growth opportunities.

As an integral part of CDB's performance management process, all team members undergo regular performance appraisals that foster employee engagement and align individuals with the corporate strategy. The performance management system not only enhances productivity and profitability but also reduces 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. During the year, 352 team members were promoted to numerous positions, with 33% of promotions granted to female team members. Additionally, based on the beginning-of-period staff carder data, 22% of female team members and 16% of male team members received well-deserved promotions.

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 GRANTED

Category	2022/23	
	Male	Female
Corporate Management Team	2	0
Senior Management	18	2
Middle Management	59	16
Junior Management	122	58
Front Line	35	40
Total	236	116
Percentage of total	67	33

Enhancing the potential of our employees

GRI 404-1, 404-2

Learning and development are crucial for individuals and organisations alike, resulting in considerable improvements in efficiency, productivity, and long-term growth. It enables employees to acquire new knowledge, skills, and competencies, enhancing their performance and career prospects. Continuous learning fosters adaptability, innovation, and agility, enabling organisations to stay competitive in a rapidly changing business landscape. Learning and development initiatives also align employees' capabilities with organisational goals, driving overall success, and fostering a culture of continuous improvement and lifelong learning.

CDB maintains a steadfast commitment to investing in the skills and capabilities of its workforce offering comprehensive training and development programmes. The aim is to empower team members and generate extraordinary results through their efforts. From the moment a team member joins CDB, a range of learning opportunities are offered to enhance their knowledge and skills for sustainable growth and success.
As CDB transforms into a FinTech Company, it recognises the significance of equipping the organisation with the essential skills required now and in the future. The rapid evolution of technology underscored the importance of continuous learning, facilitated by curated and high-quality learning journeys.

Following the COVID-19 pandemic, CDB adapted to the new normal by prioritising the health and safety of its team members. This led to the launch of online and e-learning methods to conduct training programmes. The onboarding and orientation programmes for new team members have been successfully conducted virtually using Microsoft Teams. Through its e-learning system, a continuous learning experience is offered with predefined timelines and assessments.

CDB provides a diverse range of customised learning opportunities, empowering employees to learn in a manner that suits their preferences, timing, and location. The learning programmes focus on technical skills, broader behavioural competencies, and sustainability. During the year under review, several talent development programmes were executed as follows:

- **Sustainable Sales Performance Improvement programmes:** After conducting a comprehensive sales performance analysis, we categorised our sales staff into three groups based on their performance levels.
  - High-performing sales staff in the senior category were directed to the Branch Head Development programmes to groom them for future leadership positions.
  - High-performing sales staff in the junior category were directed to participate in the Certificate Course in Financial Product Marketing in collaboration with the Sri Lanka Institute of Marketing (SLIM), which began in January 2022.
  - A Field-Based Coaching and Mentoring programme was also launched to improve the performance of low-performing marketing staff. Branch Heads were trained to conduct coaching sessions, and each Branch Head was assigned a maximum of two marketing staff members to mentor and coach.
- **Game Changer programmes:** This programme aims to groom high-performing experienced Tellers and front officers to progress to the next level in the corporate hierarchy.
- **Cross-Functional Training programmes:** We implemented these programmes to train gold loan officers for the Teller function, allowing for greater versatility and skill development.
- **Certificate in Branch Operations Management:** In collaboration with the Institute of Bankers of Sri Lanka (IBSL), we developed this programme to enhance the professional knowledge of senior-level branch operations staff.

During the review period, CDB allocated Rs. 2.9 Mn. towards education reimbursements. On average, the team members received 38 hours of training, reflecting the Company's significant investment in employee training and development, which amounted to Rs. 8.5 Mn.

CDB ACADEMY
Beyond Learning

Preliminary Level	Executive Level	Advance Level	
Skillful and Professional	Result Oriented	Value Driven	Sustainable

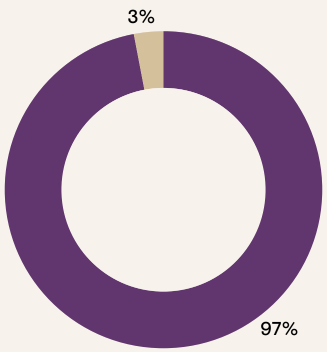
CREATING FUTURE LEADERS THROUGH OUR ROBUST L&D STRATEGY

Challengers – Senior Talent Pool Development Programme	Prepare future leaders of the organisation across all business verticals
Warriors – Junior Talent Pool Development Programme	Groom junior management team members with the required skill set to take up future leadership positions
Shimmers – CSO Empowerment Programme	Empower high-performing CSOs to become future branch heads
Branch Head Development Programme	Equip higher-performing sales team members with required skill set to become future branch heads
Game Changer Programme – Second Officer Development Programme	Groom tellers and front officers to take up future second officer roles
Achievers – Recovery Officer Empowerment Programme	Groom high performing recovery officers for future ready leaders

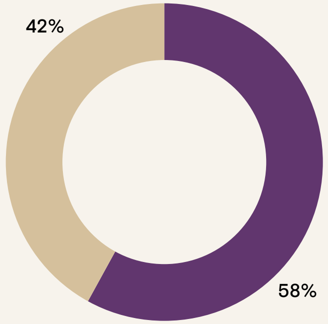
TRAINING PROGRAMMES CONDUCTED IN FY 2022/23

Training programme 2022/23	No. of participants	Male	Female	Training hours	No. of programmes
Basic Analysis of a CRIB report	23	7	16	23	1
CDB Challengers – Talent Pool Development Programme	292	214	78	1,108.5	14
CDB Shimmers – CSO on the job training	183	0	183	458	9
CDB Warriors – Junior Talent Pool	87	46	41	174	3
Coaching and Mentoring Subordinates	88	67	21	352	2
Compliance for Non-Bank Financial Institutions	28	8	20	14,638	2
Customer Service Officer Training Program	42	2	40	3,360	1
Customer Service Training Program	836	215	621	1,534	3
Gold Loan Officer Training Program	59	38	21	7,080	1
How to make yourself indispensable in surviving a crisis	5	1	4	15	1
Induction	544	339	205	1632	1
Legislation Relating to Banking and Financial Institutions	12	9	3	48	1
LMS Training Programs	646	373	273	519.118	6
Marketing Officer Training Program	99	86	13	15,840	1
Management Trainee Training Program	15	9	6	7,200	1
Role of HR in Digital Transformation	1	0	1	1	1
Seminar, Conference and Workshops	42	13	29	193	13
Strategic HRM in Finance Industry	9	0	9	36	1
Technical Knowledge Development Programme	724	292	432	1,289	7
Teller Training Program	55	22	33	8,800	1
Training on Business Continuity Plan	36	22	14	142	2
Total	3,826	1,763	2,063	64,443	72

TRAINING HOURS



NUMBER OF TRAINING PROGRAMMES



AVERAGE TRAINING HOURS PER EMPLOYEE

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Average training hours per employee	38	53	21	39	44	41

AVERAGE TRAINING HOURS BY CATEGORY

Year	Front line	Junior management	Middle management	Managers	Senior management	Top management
2018/19	8.80	22.02	25.60	8.02	1.2	6.3
2019/20	31.60	9.92	14.50	13.74	9.19	15.43
2020/21	22.16	8.82	3.18	8.83	9.38	9.95
2021/22	69.18	13.63	26.50	16.66	12.21	3.33
2022/23	**72.36**	**4.45**	**6.27**	**14.20**	**12.45**	**1.62**

Recognising and rewarding excellence

GRI 2-20, 401-2

Compensation, rewards, and recognition are essential to drive employee motivation, engagement, and retention. Fair and competitive compensation ensures employees feel valued and are fairly compensated for their contributions. 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. Effective compensation, rewards, and recognition strategies help attract top talent and maintain a motivated and high-performing workforce as well.

In this context, CDB regularly evaluates its compensation and benefits packages to maintain competitiveness, sustainability, and fairness. In addition to remuneration, comprehensive medical, financial, and educational benefits are provided to team members. CDB values a high-performance culture and recognises employee achievements at the CDB Annual Awards ceremony. In the CDB Infinity Awards 2022/23, 122 exceptional team members were recognised for their accomplishments.

To further incentivise the team members, CDB has implemented the Spot Rewards programme, offering immediate recognition through performance-based rewards and numerous monetary and non-monetary benefits. Additionally, the Hi5 awards were introduced to honour exceptional performance of the team members. These initiatives aim to foster a culture of recognition and appreciation within the Organisation.

Medical and wellness

CDB's medical and wellness benefits to team members include the following:

- Reimbursement of hospitalisation expenses for team members and their nominated family members through the *Suwa Sampatha* medical scheme.
- Provision of life insurance coverage.
- 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 illness, available to all CDB team members.
- Regular medical tests conducted for managerial level team members.
- Encouragement and recognition of sports talents through participation in CDB sports teams.
- Access to a fully equipped gymnasium, 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. The Hospitalisation claim process is still in the UAT environment and will be fully implemented by the second quarter of this financial year.

Other financial assistance

The CDB Welfare Club is focused on addressing the welfare needs of employees and offers the following 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.

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.

These benefits are designed to promote the overall well-being, financial security, and professional growth of the team members.

Creating a safe working environment

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

A safe working environment is paramount for organisations as it ensures the physical and psychological well-being of employees, reduces the risk of accidents, injuries, and work-related illnesses, promoting employee health and productivity. A safe workplace fosters trust, loyalty, and job satisfaction, leading to higher employee retention and engagement. It also demonstrates the organisation's commitment to employee welfare, enhancing its reputation and attracting top talent.

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 well-being, monitoring the health status of its team members centrally. Regular communication fosters a positive mindset, leading to commendable performance. New team members undergo health screenings after a probation period. The facilities have fire protection measures, and emergency preparedness training is provided. Furthermore, Grievances are promptly addressed, and fair labour practices are upheld. CDB offers healthcare options and promotes healthy lifestyles while ensuring decent working conditions.

Occupational disease rate

Zero

Work-related fatalities

Zero

Team members received health screening

76

Team member engagement – Going beyond the call of duty

GRI 402-1

Team member engagement is crucial in fostering higher productivity, innovation, and job satisfaction. Engaged team members are emotionally invested in their work, leading to improved collaboration, communication, and problem-solving. They exhibit higher levels of commitment, loyalty, and motivation, resulting in reduced turnover and increased retention of top talent. Engaged teams also contribute to positive work culture, higher customer satisfaction, and ultimately to organisational success and growth.

Therefore, ensuring team member engagement is a strategic priority for CDB. The Company believes that an outstanding customer experience stems from a positive employee experience. An agile and engaged workforce enables CDB to adapt swiftly to changes in the environment. CDB provides a range of benefits to support the team members to manage their personal and professional commitments while maintaining a healthy work-life balance. The aim is to foster an open and stress-free environment that prioritises employee wellness and satisfaction, enabling team members to perform at their best, and remain motivated to achieve organisational goals. Effective communication channels, such as the intranet, emails, meetings, announcements, events, SMS, WhatsApp groups, and Microsoft Teams, facilitate the smooth exchange of information between the Company and team members. Even as digital engagement platforms have gained increased significance post-COVID, CDB has implemented robust systems and processes that promote diversity, innovation, and productivity by adopting new technologies, workspace management, and efficient systems.

The team member engagement programme covers a series of exciting events intended to build team spirit and camaraderie. These include: Kick-off Ceremony, Awards night, Happy customer session, Sports events, Musical events featuring the band CDB Scales, CDB Advance Green Club, Welfare Club, religious and cultural events, and Women's Day events. Attendance at such events are usually high, providing opportunities for team members in diverse departments to interact with each other.

CDB, in an effort to inspire unity and harmony among team members launched "CDB Scales". Even as a music scale represents 3 major notes within 7 musical notes denoting bond and coherence, CDB members are bonded together. Music Scales is an extraordinary endeavor led by CDB's talented musicians.

Mindful engaged 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, bike to work, zero food waste and energy self-sufficient branches are some of the areas with high team member engagement.

Digitalising HR management for enhanced performance

The use of digital platforms in HR management facilitates seamless communications, collaboration, and remote work capabilities. Data-driven analytics embedded within such platforms provide valuable insights for informed decision-making while self-service portals empower employees, enabling them to access information and perform HR-related tasks independently, or even remotely.

CDB had made vast strides in enhancing its HRM capabilities through a series of initiatives, most notably, MintHRM, a highly sophisticated, Mobile enabled, user friendly human resources management system This system facilitates the following processes:

- Employee life cycle management – a digital personal file where all ELC events are recorded in the system
- Attendance module – attendance marking made efficient and quick with mobile attendance marking option
- Performance module – makes the entire performance management process automated and paperless
- Recruitment module – efficiency of the recruitment process through automation
- A Payroll module and Learning and Development module will also be added to this system in the ensuing year.

CDB recognised as "A Great Place to Work"

CDB has been honoured with the prestigious Great Place to Work certification in Sri Lanka for the period March 2021 to February 2022. This recognition is a testament to its dedication to meeting the rigorous global assessment standards set by Great Place to Work®. It reflects CDB's steadfast commitment to nurturing a workplace culture that fosters trust, engagement, pride, and camaraderie among its employees. The certification was based on the valuable feedback provided by CDB team members through an anonymous survey conducted by Great Place to Work®. The overwhelmingly positive survey results highlight the Company's success in creating an environment where employees have confidence in their leaders, a strong team spirit, and take pride in their work. Furthermore, it underlines the commitment to upholding values of respect, trust, and fairness within the organisation. CDB also participated in the CIPM research symposium in 2023, with the objective of exchanging valuable insights on effective business strategies for resilience during the pandemic, and navigating the challenges that emerged in the post-pandemic era.

Inculcating a culture of integrity and compliance

GRI 2-26, 2-27, 2-30, 205-1, 205-2, 410-1

Ensuring good governance is essential for fostering a positive culture, improving business practices, and making sound decisions. It is particularly crucial in effectively responding to crises. 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 throughout the Organisation.

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. Ethical behaviour and good conduct are integrated into the Organisation, promoting transparency and open communication with regulators. CDB actively engage in inspections and investigations, working constructively with regulators. Throughout the year, CDB submitted timely and accurate information regarding its operations to the CBSL, demonstrating its commitment to compliance and transparency.

The CDB 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. CDB has maintained a zero-tolerance approach towards financial crime, bribery, and corruption. Moreover, the Company is dedicated to preventing any form of slavery, forced labour, or bonded labour within both CDB operations and supplier operations, achieved through the implementation of the Environmental and Social Management System (ESMS), and Procurement policy.

Furthermore, CDB upholds human rights and recognises the fundamental right to a livelihood through honest effort. Therefore, the Company ensure 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 policy towards all forms of workplace violation of rights, including sexual harassment. It 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 whistle-blowers 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.

The Company strongly believes that ethical leadership is of paramount importance. CDB 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.

Supporting sustainable and inclusive social development

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

Financial inclusion

Financial literacy and inclusion empower rural communities by enabling effective financial management, accessing services, making informed decisions, and breaking barriers. It improves economic well-being, resilience, and participation in decision-making. 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. 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.

Empowering entrepreneurship

Promoting entrepreneurship, particularly among Small and Medium Enterprises (SMEs) and women, is crucial for economic growth and social progress. SMEs drive innovation, create jobs, and stimulate local economies. By providing resources, mentorship, and opportunities, CDB enables them to thrive and challenge traditional norms. This empowerment leads to job creation, poverty reduction, and sustainable development. It promotes diversity, innovation, and competitiveness while strengthening communities. Moreover, empowering individuals fosters self-reliance, confidence, and economic independence. Prioritising the development of SMEs and women entrepreneurs ensures economic resilience, social advancement, and a more inclusive and equitable society.

Through the “CDB SMB Friday” initiative, the Company actively supported SMEs by showcasing them on social media platforms and providing access to the “patpat” digital marketplace. This platform has gained significant traction, with an average of 173,812 video views, effectively boosting the visibility of entrepreneurs through social media and the corporate website. Through SMB Friday 2.0, CDB continued to extend support to entrepreneurs beyond the Western Province by promoting their businesses on social media and offering them both a physical and digital marketplace through “patpat”.

	2022/23 Rs. Mn.	2021/22 Rs. Mn.	2020/21 Rs. Mn.	2019/20 Rs. Mn.	2018/19 Rs. Mn.
Lending portfolio	37,658	37,489	31,286	28,744	28,822
Deposit portfolio	18,039	14,586	10,119	10,931	13,302
Net lending excluding gold loan	19,620	22,903	21,167	17,813	15,520

Empowering women entrepreneurs

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. Additionally, in its commitment to International Women’s Day 2022, CDB 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. This initiative aimed to showcase the services provided by CDB SMB Friday and the "patpat" marketplace, enabling these women entrepreneurs to access a digital marketplace and effectively reach their target market. We officially launched the "*Viru Liya*" web page on the 'Patpat' website to facilitate this digital marketplace for such talented women entrepreneurs.

CDB has completed the research on creating specific products for women's empowerment and the product launch is expected to take place in the latter part of 2023.

Promoting employability of rural youth

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 47% 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.

Promoting child health and well-being

3 GOOD HEALTH AND WELL-BEING

The Autism Spectrum Disorder (ASD) can have a significant impact on individuals and their families. Improving the lives of individuals with ASD involves providing tailored support and interventions, such as early diagnosis, access to specialised therapies, and educational programmes. Training and awareness programmes for caregivers, educators, and the community help foster inclusion and support. Collaborating with support organisations, advocating for policies, and promoting research contribute to advancing knowledge and enhancing the quality of life for individuals with ASD.

A 2009 study in Sri Lanka found the prevalence of ASD to be 1.07% of the population, meaning that it affects 1 in 93 children between 18 and 24 months. To address this issue, CDB initiated the Autism Awareness project in collaboration with the Sri Lanka Association for Child Development (SLACD) in 2015, with the aim of promoting early detection and timely intervention. Alongside raising public awareness about ASD, CDB set up a dedicated hotline at its Customer Care Centre to provide information and assistance. Additionally, a therapeutic play area was established at the Ampara District General Hospital in 2018 and the state-of-the-art "*Pragathi*" children's intervention centre at the Teaching Hospital in Anuradhapura in 2019.

During the FY 2021/22, the Company made significant strides in intervention and awareness. CDB conducted a three-month awareness campaign for autism, adopting 26 doctor discussions and a standalone '*Doramadalawa*' programme with doctors to educate and raise awareness for early detection. CDB's primary initiative during the FY was commencing the construction of a fully-fledged autism intervention centre at the Karapitiya Teaching Hospital, designed in accordance with international standards. Scheduled to coincide with International Children's Day in 2023, "The Centre" will open, covering the entire Southern province. The opening will be accompanied by a series of outreach programmes that specifically target the Southern province. To further enhance its impact, a mass media campaign predominantly utilising TV and social media will complement these outreach programmes.

By promoting child education and literacy, we break the cycle of poverty, foster economic development, promote social equality, and create an inclusive society.

Elevating child education and literacy

Sisu Diri Scholarship Programme

Child education and literacy in Sri Lanka, despite a 92.38% literacy rate, still lags behind the developed world. Education equips children with crucial knowledge and skills for personal growth and active societal participation. Literacy enables effective communication and expression. By promoting child education and literacy, we break the cycle of poverty, foster economic development, promote social equality, and create an inclusive society. The "CDB *Sisu Diri*" scholarship programme has supported over 800 students to pursue their education. 100 exceptional Grade 5 scholarship exam recipients received 5-year scholarships, while 50 high-achieving GCE Ordinary Level students were granted 2-year scholarships in the 14th season in FY2022/23. CDB remain committed to empowering the younger generation and ensuring uninterrupted access to education for a brighter future. In light of the rising cost of living and economic conditions during the year, the number of *Sisu Diri* scholarships awarded was increased from 100 to 150, in addition to increasing the scholarship amount for each scholar, which will be maintained in the future. This was done to facilitate quality education for scholarship holders.

CDB Smart Computer Lab project

With the aim of empowering the youth of Sri Lanka and equipping them with the necessary skills and competencies to thrive as global citizens, CDB implemented the "Smart Computer Lab" project, to provide access to state-of-the-art IT facilities. With the firm belief that information technology is a powerful tool that empowers the younger generation to seize opportunities in the world around them. To commemorate CDB's 25th anniversary in 2020, CDB pledged to donate 20 Smart Computer Labs to underprivileged schools nationwide. To date, CDB has donated 14 Smart Computer Labs to disadvantaged schools in remote areas. In 2022, as the second phase of our commitment to providing 20 Smart Computer Labs, two state-of-the-art smart computer labs were presented to Atabage Udugama Maha Vidyalaya and Kuruwitenna Maha Vidyalaya, located in the Central and Uva Provinces respectively. Progress of this programme has been hindered due to import restrictions and the difficulty in sourcing equipment. However, we intend to speed up the process as conditions return to a semblance of normalcy. Going forward CDB targets to set up computer labs in Polonnaruwa and Batticaloa districts.

Encouraging team member volunteerism

Team member volunteerism holds significant importance as it brings numerous benefits to both individuals and the community. Firstly, it fosters a sense of social responsibility and empathy among team members, encouraging them to contribute to the betterment of society. Engaging in volunteer activities allows employees to connect with and understand the needs of their communities, promoting a sense of belonging and civic engagement. Additionally, team member volunteerism enhances teamwork and collaboration within the workplace, as employees work together towards a common goal outside of their regular job responsibilities. Moreover, volunteering provides personal and professional development opportunities, allowing employees to develop new skills, gain diverse experiences, and broaden their perspectives. Lastly, team member volunteerism enhances the reputation and corporate social responsibility of an organisation, positively impacting its relationship with stakeholders and the community at large.

INVESTMENTS IN SOCIAL INITIATIVES IN 2022/23

GRI 203-1

Description	2022/23 Mn.
"Act Early for Autism"	8.8
SMB Friday	0.2
Sisudiri Scholarship Programme	9.5
CDB Smart Class Room	2.1
Total	20.6

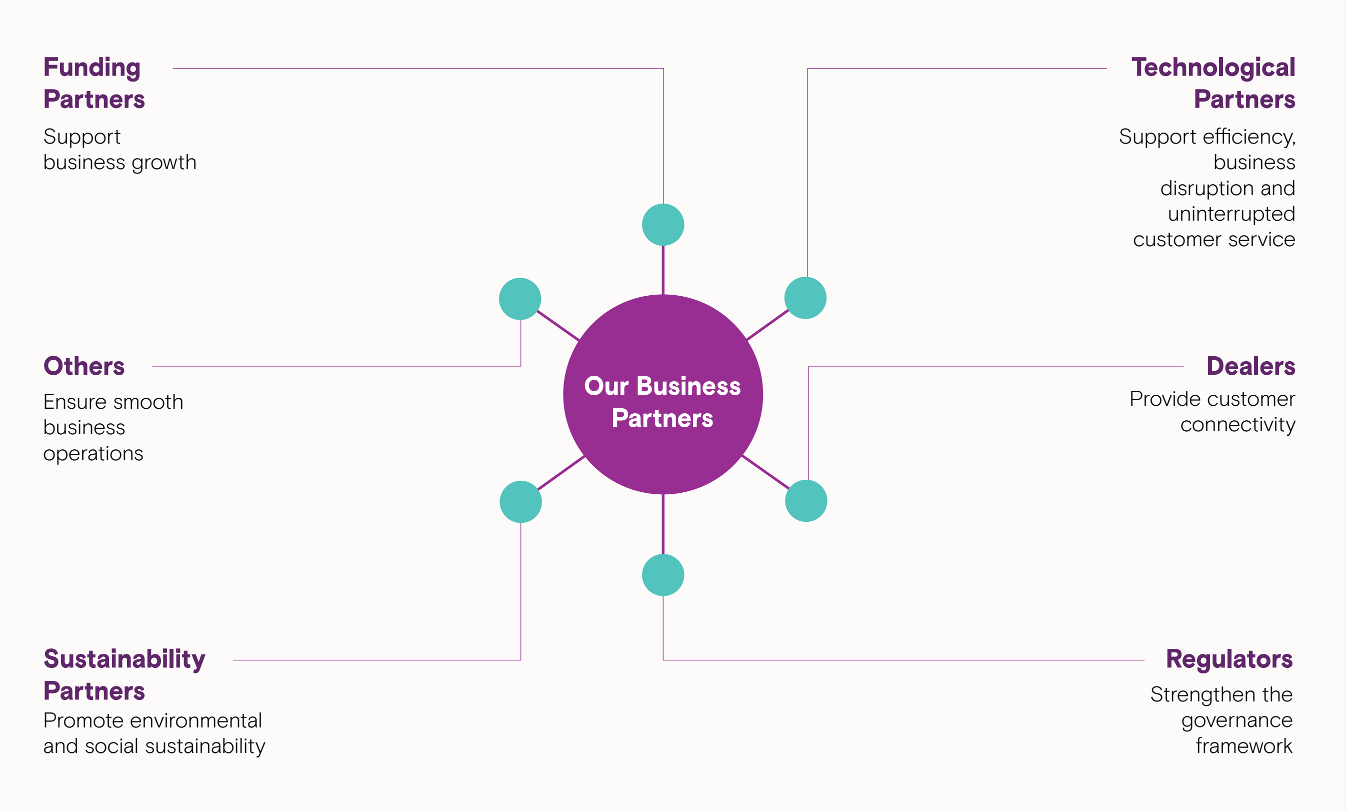
Forging a cohesive ecosystem with stakeholders

GRI 2-6, 3-3

CDB firmly believes in cultivating cohesive and holistic ecosystems with its business partners, resulting in enduring relationships and mutual growth. Leveraging technology and sustainability while integrating innovative tools and digital platforms, CDB empowers partners to optimise operations, make informed decisions, and collaborate efficiently. This tech-driven approach fosters productivity and competitiveness.

Moreover, CDB emphasises sustainability, encouraging partners to adopt eco-friendly practices and sustainable business models. This not only reduces environmental impact but also opens new avenues for growth in a changing market. By aligning goals and promoting shared values, CDB and its partners establish a thriving ecosystem where all stakeholders benefit.

Through collaborative efforts, CDB strengthens relationships, fosters resilience, and drives mutually beneficial growth. By embracing technology and sustainability, the Company supports partners in navigating a dynamic business landscape while contributing to a sustainable future. Together, they create a harmonious ecosystem that enhances performance, fosters innovation, and ensures long-term success.



A sustainable supply chain to benefit the environment

GRI 3-3, 414-1, 414-2

A sustainable supply chain is a critical component of any organisation as it considers environmental, social, and economic impacts throughout the entire value chain. It helps reduce carbon emissions, waste generation, and resource depletion. It promotes ethical practices, fair labour conditions, and social responsibility. A sustainable supply chain enhances brand reputation, reduces risks, including reputational risk, and ensures long-term business resilience. It also fosters innovation, collaboration, and cost-efficiency. In essence, a sustainable supply chain is crucial for achieving environmental stewardship, social equity, and long-term economic viability.

CDB values its business partners to strengthen its supply chain and execute its strategic objectives. Nurturing strong relationships through regular engagement and mutual benefits is crucial. The Company has the risk of selecting wrong partners or relying too heavily on a limited number of suppliers, which can undermine its market position and competitiveness. Inadequate supplier management leads to disruptions, penalties, and tarnishes the Company's image. To ensure the resilience of its supply chain, CDB has implemented several measures which enabled it to maintain a smooth supply flow without delays or interruptions. We maintain open and transparent communication channels to share updates and provide feedback.

Supporting our business partners

CDB has consistently upheld its commitment to supporting its business partners by ensuring prompt payment and fulfilling all obligations as outlined in the partnership agreements. The Company has worked closely with its suppliers and external parties to maintain smooth business operations. Special arrangements were made to ensure timely payment for all services rendered, without any delays. CDB's dedication to honouring its financial commitments has sustained strong relationships with its business partners and ensured uninterrupted provision of services.

Selecting our business partners

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

A financial organisation should select its business partners judiciously to ensure compatibility, reliability, and ethical alignment. Thorough due diligence is crucial, including assessing partners' financial stability, reputation, and regulatory compliance. Evaluating their track record, expertise, and compatibility with organisational values and objectives is essential, in addition to their technological capabilities, risk management practices, and customer-centric approach. Selecting trustworthy and mutually beneficial partners contributes to long-term success, customer satisfaction, and risk mitigation.

Accordingly, CDB's procurement process ensures ethical practices with business partners. Through due diligence, including financial health and compliance assessments are conducted pre- and post-contract. Suppliers' environmental impact and adherence to labour standards are evaluated, with preference given to local suppliers meeting the required standards. The Purchasing Committee validates all suppliers in accordance with transaction authorisation limits.

CDB adopts the following criteria to select suppliers and business partners:

- 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

If the supplier or business partner fails to meet their responsibilities of respecting human rights and honouring the sustainability requirements, termination of the relationship will be actively considered.

Technological 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 measures. Please refer to pages 53 to 62 in the Disrupt section for more detailed information about CDB's technological partners.

Our motor vehicle dealer partners

CDB's business heavily relies on motor vehicle leasing, which constitutes a significant portion of its lending portfolio. However, the vehicle leasing market has faced challenges due to restrictions on vehicle imports imposed by the Central Bank 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.

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

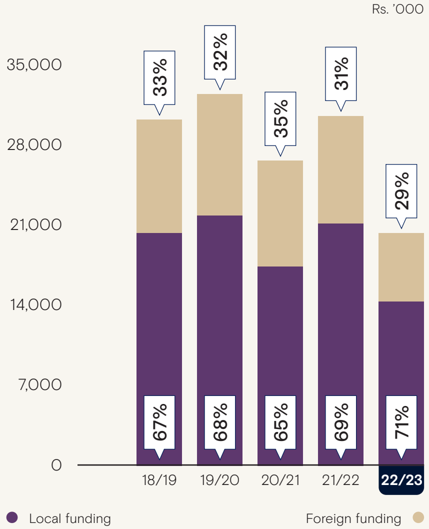
GRI 204-1

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, who remain an important value-adding partner.

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 relationship we have built and progress we have made are a testament of the business strategy which complements the development goals of the foreign funding partners.

TOTAL FUNDING



Funding received from foreign funding partners

Name of the partner	Country	Originated Year	Purpose (Extract from term sheet)	Amount	Loan Period	Status
Triodos Fair Share Fund & Triodos SICAV II	Netherlands	2020	Capital support and to expand green vehicle portfolio and SME loan portfolio	EUR 5 Mn.	5 Years	Active (Regular)
BlueOrchard Micro Finance Fund	Luxembourg	2019	To expand MSME Portfolio	USD 25 Mn.	5 Years	Active (Regular)
Belgian Investment Company for Developing Countries	Belgium	2018	To expand MSME Portfolio	USD 10 Mn.	5 Years	Fully Settled
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	Netherlands	2018	To expand MSME Portfolio	USD 25 Mn.	5 Years	Active (Regular)

Sustainability partners

Over the years, CDB has forged partnerships that enhance its conservation initiatives, resource efficiency goals, and conservation awareness. 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 and renewables.

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.

SUSTAINABILITY PARTNERS

Partner	Project
Ministry of Education	*Sisu Diri* Scholarship Programme
Biodiversity Sri Lanka	Environment Conservation Efforts
Centre for Sustainability of University of Sri Jayewardenepura	Mangrove Conservation Efforts
Green Links (Pvt) Ltd.	Paper and E-waste Recycling
Sri Lanka Climate Fund	ISO 14064-1 2018 GHG Verification
Sri Lanka Association for Child Development	Act Early for Autism Project
Sustainable Energy Authority	
Ceylon Electricity Board	CDB Advance Roof Solar
Fenton's Solar	

Support services ensuring smooth operations

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 equipment and machinery. To maintain the efficiency of these services, CDB has outsourced them to specialised companies. The Company actively engage with these service providers, recognising their contributions and ensuring timely payment for their services. During the fiscal year 2022/23, a total of Rs. 105.3 Mn. was disbursed to utility service providers, covering expenses such as electricity, water, telephone, and internet services. CDB's ERP Queue based supplier payment process speeds up the process of supplier payment release with automated controls with minimised data entry.

Memberships and associations

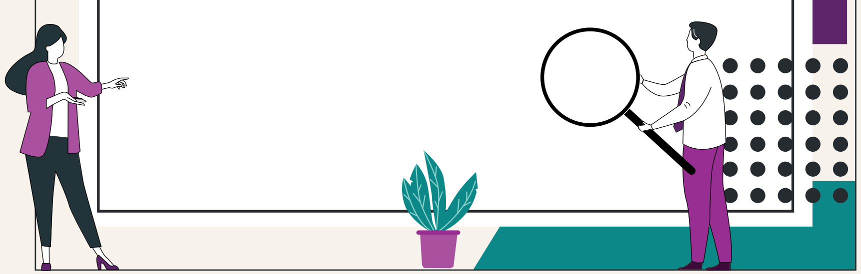
GRI 2-28

CDB continued to maintain membership in several industry organisations, professional institutes, associations and societies. This enables the Company to keep abreast of the latest advances in the industry, provide opportunities for employees for networking, benefit from activities offered by these organisations, and contribute its best to resolve any industry issues. This is an ideal opportunity to build stronger relationships by engaging with our stakeholders.

Future outlook

CDBs future plans revolve around the tech disruption and sustainability alignment which we have tightly knitted to our business strategy. With our purpose of Empowering Aspirations taking the forefront of our strategy covering all stakeholders of CDB, we will continue to bring convenience to our customers and provide customer centric solutions in a more resource efficient manner and ensure fair distribution of the economic prosperity we intend to achieve as a country.

Our contribution to the society through our business model and our community projects will prosper the rural economy to actively participate in the revival of the economy.



SUSTAIN

The Socially Conscious pillar prioritises financial inclusion for underbanked and unbanked demographics and community impact through an ethos of corporate volunteerism and meaningful community projects.

The CDB Advance Sustainable Financing Vertical was initiated in FY 2020/21, in its endeavour to become an active contributor in sustainable finance by advancing the green economy by 2030.

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Accelerating environmental sustainability through our core business

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Internalising sustainability within the organisational culture

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Reducing our carbon footprint

In its pursuit of a Quarter Trillion Asset Base (Q-TAB) and a transformation into a fundamentally tech-driven company, CDB is fully committed to its sustainability agenda, which is comprised of two pillars: Net Zero and Socially Conscious. The Net Zero pillar encompasses accelerating sustainable mobility solutions and household renewable energy solutions, conservation and biodiversity efforts, and enabling a shared economy. The Socially Conscious pillar prioritises financial inclusion for underbanked and unbanked demographics and community impact through an ethos of corporate volunteerism and meaningful community projects.

In this journey, the Company is collaborating with its stakeholders including team members, customers, business partners, and private/public institutions to achieve sustainable development and safeguard the environment. CDB's tech disruption strategy, which complements its sustainability agenda encompassing both social and environmental dimensions, stimulates financial inclusion and enables it to be a more resource-efficient organisation. The CDB Advance Sustainable Financing Vertical was initiated in FY 2020/21, in its endeavour to become an active contributor in sustainable finance by advancing the green economy by 2030. CDB focused on turning challenges into opportunities by continuing to adopt a people-based environmental approach to carbon management, biodiversity conservation and creating environmental awareness.

Taking a holistic view of furthering and implementing its sustainability agenda, CDB has expended considerable effort and resources in educating employees, raising green awareness, managing its carbon footprint, optimising energy, water, and waste management, preserving biodiversity, fostering collaboration with business partners, and engaging 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 employee 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.

Accelerating environmental sustainability through our core business

GRI 201-2

CDB was recognised as South Asia's first ISO 14064-1 carbon-verified financial institution by Sri Lanka Carbon Fund. Aligned with the Companywide ethos of reducing its carbon footprint, CDB has continued its environmental efforts towards becoming a Net Zero entity by 2030.

The Company drives environmental sustainability through its core business by incorporating environmentally friendly practices and initiatives. It promotes green financing and environmentally friendly projects. 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.

Extending sustainability to customers' value chain

CDB practices sustainable financing by supporting projects committed to sustainable development and environmental impact, such as renewable energy and sustainable mobility. Accordingly, the Company conducts thorough evaluations of borrowers' financial capacity and creditworthiness while also assessing the environmental, social, and governance (ESG) factors associated with the financed projects or activities. This process emphasises the importance of responsible environmental practices, labour practices, human rights, and good corporate governance. By integrating these considerations into the evaluation process, the Company promotes sustainable and ethical practices among its stakeholders and encourages a commitment to upholding societal and environmental well-being alongside financial viability.

Some of the key practices adopted by CDB in promoting responsible finance are given below:

1. Developing a comprehensive portfolio of sustainable financial products and loans for renewable energy projects, energy-efficient initiatives, and sustainable businesses.
2. 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.
3. Developing and enforcing responsible lending policies and guidelines within the Company to ensure adherence to ethical lending practices.
4. Strengthening its risk assessment capabilities to effectively evaluate and manage environmental and social risks associated with sustainable projects.
5. 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.
6. 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.

The Company's Environment and Social Management System (ESMS) ensures that environmental, Social and Governance (ESG) considerations are embedded into its credit and risk assessment processes for its lending activities. 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.

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 its 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.

Sustainable lifestyle through renewable energy

CDB promotes roof solar energy to support renewable energy adoption, reduce carbon emissions, and provide cost savings to customers. It enhances energy resilience, enables quick return on investment, and allows selling excess energy to the grid. CDB partners with leading corporations to rejuvenate the renewable energy sector, particularly solar energy. The Company seeks further collaborations to provide customers with cost-efficient and competitive solutions in this field.

In terms of its Key Performance Indicators (KPIs) for renewable energy, last year CDB set a target of 1,500 kW during its launch. However, due to economic conditions and import restrictions, this target could not be achieved. Nevertheless, once the market turns positive CDB is optimistic about setting a target of 6,000 kW within next FY. The Company remains committed to expanding its renewable energy capacity and contributing to a sustainable energy future.

Accelerate household renewable energy solutions

As part of its commitment to sustainable financing and investment options in the Green Financing sector, CDB introduced the CDB Advance Roof Solar product. This initiative aims to empower customers to embrace a smart and self-sufficient lifestyle by facilitating their transition to a renewable energy source, allowing them to generate additional income and reduce electricity bills. CDB offers a comprehensive package that includes the latest solar technology, reliable after-sales service, and a competitive financing facility with an expert technical and convenient installation. CDB has set a target of installing roof solar facilities in the upcoming year, with a collective capacity of approximately 6,000 kW.

- 105 CDB Advance Roof Solar facilities
- Approximately 633 kW capacity was was released to the grid
- Partnered with two suppliers registered with Sri Lanka Sustainable Energy Authority, and CDB remains open to obtaining the services of reliable solar equipment suppliers going forward.

Accelerate sustainable mobility solutions

CDB actively promotes sustainable mobility solutions to create a greener and more sustainable future. These initiatives effectively reduce carbon emissions, improve air quality, and enhance the overall efficiency and accessibility of transportation systems.

The following initiatives were implemented by CDB to promote sustainable mobility.

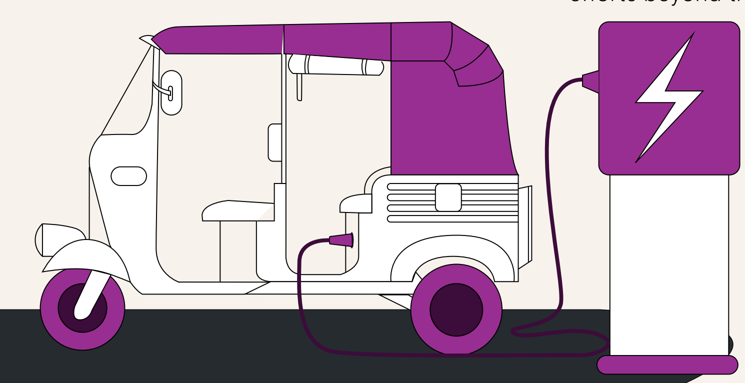
1. Financing: Offering financial support and loans to companies, organisations, and projects that develop and implement sustainable mobility solutions, including funding for electric/hybrid vehicles, public transportation infrastructure projects, and renewable energy projects.
2. Education and Awareness: Promoting awareness and educating the public and internal stakeholders about the benefits of sustainable mobility options, encouraging behaviour change, and fostering a culture of sustainable transportation.
3. Internal Sustainability Initiatives: Implementing sustainable mobility practices within the Company, such as adopting electric/hybrid vehicles for our fleet, promoting employee transportation alternatives like carpooling or bike-to-work, and work-from-home initiatives to reduce our carbon footprint. Furthermore, to encourage EV usage among its team members, the Company has expanded its EV charging infrastructure at the head office from three to five charging points. This enables the team members to conveniently charge their EVs and plug-in hybrid vehicles at the workplace, promoting a sustainable transportation culture within the Organisation.

CDB targets to increase its energy-efficient vehicle portfolio to 50% of the total vehicle lending portfolio by 2025 from 20% as of 31 March 2023. The Company encourages its customers to adopt environmentally conscious practices by promoting environmentally friendly products and encouraging them to reduce their carbon footprint.

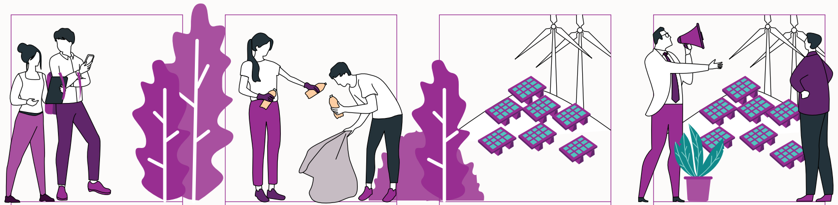
The *Haritha* project, aimed at promoting electric vehicles (EV) and solar energy solutions, is currently on hold pending feedback from the Government. However, CDB has undertaken significant initiatives to advance the green economy by promoting a comprehensive ecosystem for EVs. To educate the general public, the Company has established an EV Concept Center, providing valuable information and insights. Additionally, CDB has been actively enhancing the EV charging infrastructure within the Western province to facilitate convenient charging options for EV users. Furthermore, in collaboration with a reputable technical partner, CDB has commenced infrastructure development to facilitate three-wheeler EV conversions. These initiatives highlight CDB's commitment to fostering a greener future through the promotion and adoption of EV technologies. CDB is actively enhancing the charging network by financing the installation of additional chargers in and around Colombo. This will strengthen the existing network of charging points nationwide. Construction has already begun on the Concept Centre, which will feature four charging points. These efforts will empower individuals to make informed decisions about investing in EVs.

Internalising sustainability within the organisational culture

CDB has successfully internalised sustainability within its organisational culture through various initiatives, such as incorporating sustainability goals and practices into its core business strategies and operations. This includes setting targets for reducing carbon emissions, promoting energy efficiency, and implementing sustainable financing practices. Moreover, 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. Fostering a culture of sustainability within the organisation encourages team members to adopt sustainable practices both in the workplace and in their personal lives. Furthermore, CDB has actively collaborated with external stakeholders, including clients and partners, to promote sustainable development and expand the impact of its sustainability efforts beyond the organisation.



The four pillars of internalising sustainability



Pillar 1	Pillar 2	Pillar 3	Pillar 4
Educate all employees	**Eliminate all forms of waste**	**Sustainable Energy and Transport**	**Employees walk the talk**
on "Triple Bottom Line" and CDB Advance Strategy	Zero use of single use plastic Zero waste	Driven by 100% renewable energy (Green Branch concept) Company fleet to be 100% EV or Hybrid	Employee conversion to sustainable energy and transport

To instil greater green awareness among team members, CDB has taken several steps based on its four pillars of internalisation. Firstly, educating team members, on sustainable practices, the Triple Bottom Line (TBL), and the benefits of a green economy. Secondly, promoting waste reduction and responsible resource consumption and waste management systems. Thirdly, encouraging energy efficiency and sustainable transportation options. Lastly, making team members, walk the talk, and foster a culture of sustainability by encouraging them to adopt eco-friendly practices. By implementing these four pillars of internalisation, CDB has been successful in creating green awareness among team members, to advancing to a greener workplace and a sustainable future.

Internalising net-zero implementation and strategy among team members is crucial to foster a sense of ownership, accountability, and collective responsibility. It empowers team members to actively contribute towards carbon reduction goals, drive innovation, promote sustainable practices, and creates a culture of environmental consciousness within the Organisation. Illustrated above are the numerous initiatives implemented by CDB under the 4 internalisation pillars.

The Club educates its members to be more conscious of and find proactive solutions to current environmental issues, and ultimately create national interest in environmental challenges.

CDB strongly believes environmental literacy is crucial to tackling climate change and building resilient communities.

CDB Green Ambassadors

As the first step towards creating green ambassadors to champion green initiatives, the Company initiated the CDB G-Squared – Go Green Club in 2017, to educate and engage its team members, and connect people to nature. This was relaunched in 2020/21 as CDB Advance Green Club, which spearheads the CDB Advance internalisation strategy. The Club has successfully launched several campaigns including the CDB Advance Green Challenge, CDB Green family event, and the single-use plastic-free pledge. The Club educates its members to be more conscious of and find proactive solutions to current environmental issues, and ultimately create national interest in environmental challenges. The Club members, in their role as Green Ambassadors of CDB, educate their colleagues, family members and associates about championing green efforts.

CDB Advance Green Club has members who act as agents of change, with office bearers selected to ensure representation across all branches and divisions. A Branch Green Champion coordinates all green initiatives across the branch network, with yearly reviews to recognise the contributions made by Green Ambassadors.

Fostering awareness and engagement among team members

CDB strongly believes environmental literacy is crucial to tackling climate change and building resilient communities. Creating employee awareness about global environmental challenges, enables the team members to be educated on issues of concern, promotes action by creating awareness, and encourages them to be a part of the solution by understanding the problem.

A highlight of CDB's sustainability agenda was the CDB Advance Green Challenge, a flagship initiative focusing on engaging CDB team members and building awareness on sustainability and triple bottom line. This event serves as a powerful demonstration of CDB's dedication to environmental stewardship and the well-being of its team members.

Aligned with the theme "Engage Mindful Team Members," the CDB Advance Green Challenge was a noteworthy initiative that placed a spotlight on the significance of both individual and collective actions shaping a sustainable future. The primary purpose was to cultivate environmental awareness among CDB team members, encouraging them to act as catalysts for positive change in their personal and professional lives.

This event showcases the Company's unwavering commitment to environmental stewardship and social progress, highlighting the importance of sustainability within CDB and its workforce.

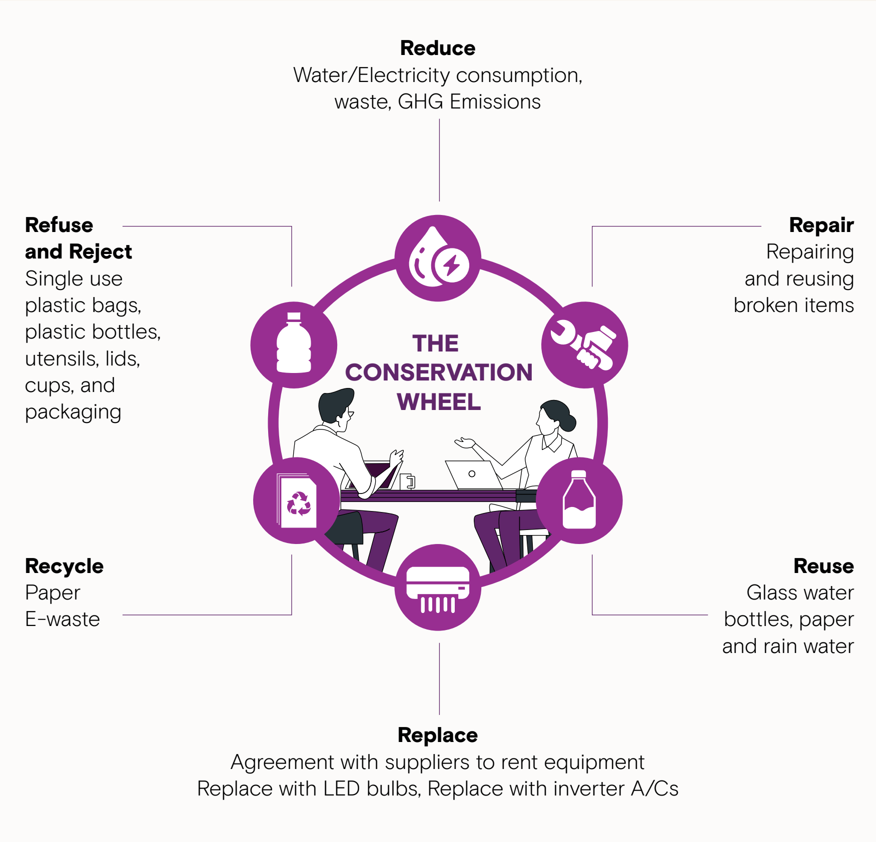
The CDB Advance Green Challenge took place, uniting over 400 team members from diverse branches and head office. These participants eagerly participated in thrilling competitions, including the Green Quiz, Green Debate, and Green Short Film screening. Following a spirited contest, four exceptional teams emerged as finalists, consisting of dedicated and knowledgeable individuals who excelled in the Quiz and Debate sections. Additionally, six outstanding short films were shortlisted and three teams were recognised as winners. The entire programme aimed to educate the team and raise awareness about sustainability, while also highlighting the CDB advanced strategy, CDB Advance Green Challenge, and the Triple Bottom Line (TBL) concept. The programmes were conducted in all three languages to encourage broad audience participation. Notably, among the 14 short films submitted, two were in Tamil, highlighting inclusivity. Additionally, a debate in Sinhala and Tamil languages further showcased the event's diversity.

Furthermore, CDB prioritises aligning new recruits with its sustainability initiatives through an induction programme, fostering a culture of sustainability from the start. The comprehensive e-learning module on sustainability has been finalised to provide an in-depth understanding of sustainability, providing the basics of the CDB Advance Strategy, application to the work environment, and spurring innovation. The Company also organised a beach clean up programme in commemorating of the International Coastal Cleanup Day in September 2022.

CDB's conservation wheel

GRI 306-2

The CDB Conservation Wheel is a comprehensive framework encompassing key concepts for sustainable practices. It emphasises the principles of 7R (Reduce, Repair, Reuse, Replace, Recycle, and Refuse/Reject). By reducing consumption and waste, repairing items instead of discarding them, reusing materials, replacing unsustainable products with eco-friendly alternatives, recycling resources, and refusing/rejecting single-use items, the wheel promotes a circular economy and minimises the environmental impact. The CDB Conservation Wheel serves as a guide to foster responsible choices, encouraging individuals and entire organisations to create a more sustainable future.



Reducing our carbon footprint

GRI 3-3, 305-4, 305-5

CDB has been certified as a "Carbon Neutral Business Entity" by Climate Smart Initiatives (Pvt) Ltd. The collaboration has facilitated knowledge sharing and support, enabling CDB to provide customers and the community with unique environmentally conscious solutions. As a responsible corporate citizen, a reliable financier, and a trusted employer, CDB continues to exert a positive influence over stakeholders, demonstrating its commitment to sustainability in the various roles within society.

Since 2016, CDB has actively measured its carbon footprint and has partnered with an external organisation, the Sri Lanka Climate Fund, to undertake this crucial task. As part of its ongoing commitment, the Company intend 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.

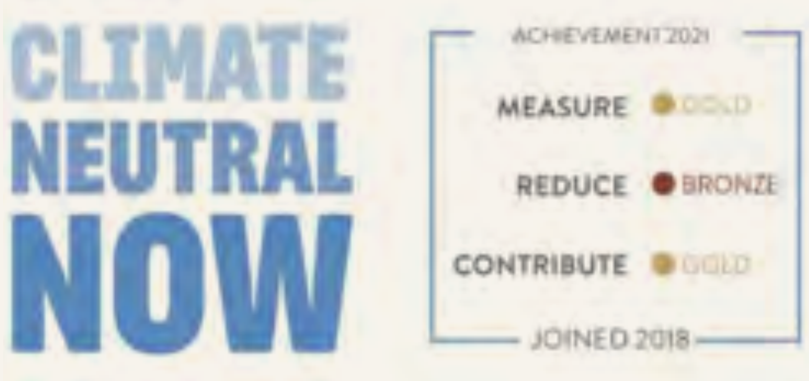
Steps taken to achieve net zero status

Timeline toward full net zero status by 2030:

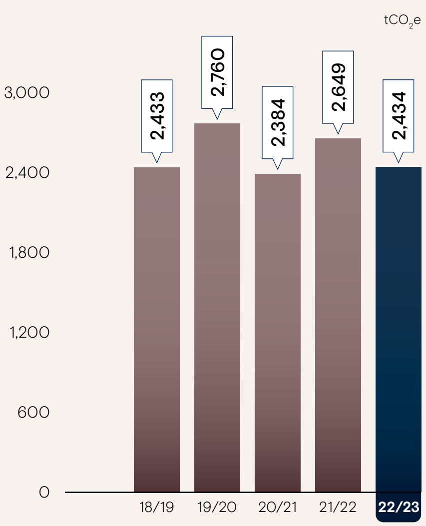
- 2015 - CDB embarked on the carbon footprint calculation journey.
- 2015/16 - Was recognised as the first ISO 14064-1 carbon-verified financial institution in South Asia by the Sri Lanka Carbon Fund.
- 2022/23 - Became a Carbon verified company for the 8th consecutive year.

By pledging its commitment to the UNFCCC Climate Neutral Now initiative, CDB join a worldwide network of organisations dedicated to achieving climate neutrality by the latter half of the 21st century. This pledge exemplifies the Company's determination to minimise emissions and expedite the transition toward a carbon-neutral future on a global scale. As part of this commitment, CDB diligently measures and reports its greenhouse gas emissions over a specified timeframe, striving to reduce them significantly.

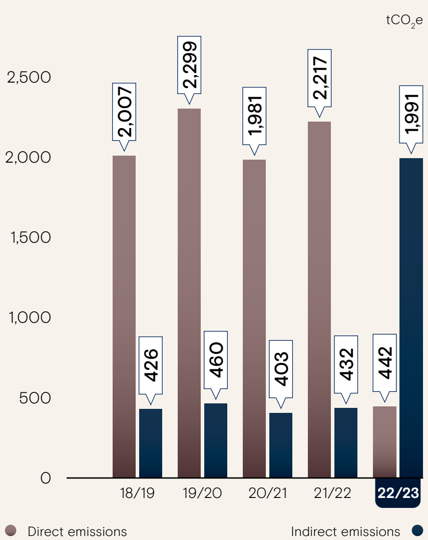
Carbon reporting enables CDB to analyse, assess and manage all resulting greenhouse gas (GHG) emissions emanating from its business operations, track the progress of energy reduction schemes, and optimise its energy consumption. CDB's total carbon emission for FY 2022/23 was 2,434 tCO_2e compared to 2,649 tCO_2e in the previous year.



CARBON FOOTPRINT



DIRECT AND INDIRECT EMISSIONS



Direct emissions

GRI 305-1

Direct emissions occur from sources that are controllable by our Organisation and they made the least contribution of 441.64 (tCO_2e) which amounts to 18.15% 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 (2022/23)

	GHG emissions tCO_2e	(%)
On-site diesel generators	67.03	2.76
Refrigerant leakages	112.15	4.61
Fire extinguishers	0	0.00
Company-owned vehicles	97.50	4.01
Employee transport, paid by the Company	164.96	6.78
Total Direct Emissions	**441.64**	**18.15**

Indirect emissions

GRI 305-2

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 (2022/23)

	GHG emissions tCO_2e	(%)
Grid-connected electricity	1,135.41	46.67
Business air travels	–	0.00
Employee commuting not paid by the Company	742.69	30.53
Municipal water	4.41	0.18
Waste disposal	0.12	0.00
Transmission & Distribution Loss	108.47	4.46
Waste transportation	0.03	0.00
Transport of locally purchased items	0.12	0.00
Total Indirect Emissions	**1,991.25**	**81.85**

Achieving efficiency in energy management

GRI 302-1, 302-2, 302-4, 302-5

Energy management plays a crucial role in ensuring sustainable and efficient use of resources. It helps optimise energy consumption, reduce costs, and minimise environmental impact. By implementing effective energy management practices, organisations and individuals can identify areas of energy wastage, implement energy-saving measures, and adopt renewable energy sources. This not only lowers energy bills but also reduces greenhouse gas emissions, conserves natural resources, and contributes to mitigating climate change. Energy management is essential for promoting sustainability, resilience, and a greener future for our planet.

Accordingly, CDB continues to monitor and report the amount of energy produced, purchased and consumed based on the energy source. The energy consumption for FY 2022/23 was 2.14 Mn. kWh. which is 2.07% less than the previous year's recorded figure. The following measures have helped to reduce its energy consumption:

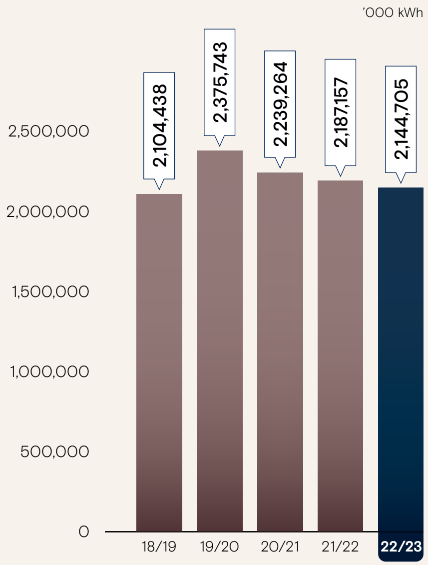
- Reducing energy consumption by collaborating with suppliers and peers.
- Setting energy efficiency standards.
- Adopting cost-effective technologies.
- Promoting energy efficiency through regular energy audits.

FINANCIAL REPORTS

CDB is also focused on:

- Monitoring and documenting energy usage, as well as measuring reductions and intensity, with a focus on decreasing energy consumption within our operations. This includes the mandatory utilisation of efficient lighting and electrical appliances, assessed annually during the CDB GHG emission analysis process.
- Promoting employee awareness regarding energy conservation and enhancing energy efficiency in their households by engaging in competitions.
- Implementing the Green branch concept, which involves incorporating sustainable practices and technologies, such as installing solar power systems across our branch network.
- Integrating the support and advancement of household renewable energy solutions, and promotion of renewable energy consumption into our medium-term business strategy.

ELECTRICITY CONSUMPTION



Effective water management

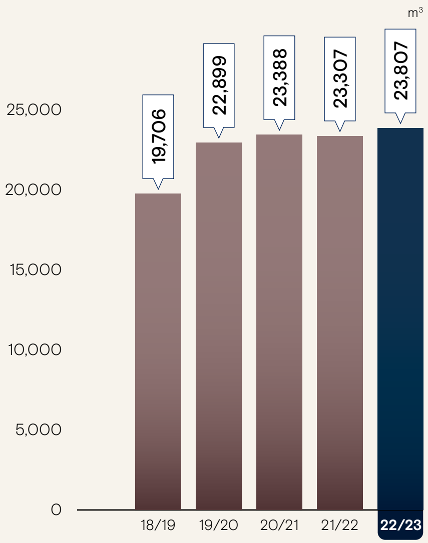
GRI 303-1, 303-2, 303-5

Effective water management is crucial due to its significance in sustaining life, ecosystems, and economic activities. It ensures the availability of clean water for drinking, sanitation, and agriculture while preventing water scarcity and pollution. Efficient water management practices promote environmental sustainability, and preserve aquatic habitats, groundwater tables, and aquifers. Additionally, it helps mitigate the impacts of climate change, reduces conflicts over water resources, and enhances overall resilience to water-related challenges.

CDB has adopted the following measures to manage its water consumption while respecting its team members' right to safe drinking water and sanitation through availability, accessibility, acceptability, and quality of water. We have been educating our team members on how to segregate waste for recycling, and we are trying to extend this project to the branches, starting from Colombo, Western Province and then to island wide branch network. We are also engaging our suppliers on-board in this regard.

- 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.
- Organising competitions to commemorate the World Water Day to build team member awareness.
- Providing safe and hygienic gender-separate washroom facilities to team members.
- Responsible for 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, 301-2, 306-1, 306-2

Effective waste management is crucial for addressing environmental, social, and health risks. It minimises pollution, conserves resources, and protects ecosystems. Proper management of food, paper, plastic, and e-waste reduces landfill burden, greenhouse gas emissions, deforestation, and pollution. It also prevents hazardous materials from entering the groundwater and contaminating the environment. Prioritising comprehensive, segregated waste management ensures a cleaner, healthier, and more sustainable future.

For efficient management and disposal of all forms of waste materials, CDB maintains waste disposal records at the head office. The team members are educated on reducing waste in general, including food waste and paper waste to inculcate a mindset of responsible waste management, which is crucial to reducing our environmental footprint. The following measures were adopted to efficiently manage waste:

- Implemented the CDB Advance Recycling Corner in the head office in commemoration of Global Recycling Day 2022, to encourage responsible disposal of paper, plastic, and electronic waste by our team members. We plan to replicate this recycling corner across our branch network.
- Upholding the commitment of all team members to the CDB Single-Use Plastic-Free Pledge, initiated during the 2019/20 World Environment Day. As the next phase, CDB is actively exploring alternatives to plastic items used within the Organisation.
- Established CDB e-waste and paper waste recycling programs to instil a sense of responsibility in waste management within its operations. These programmes aim to assess and prevent any actual or potential negative impacts on soil, wildlife, ecosystems, and the food chain.
- Implemented a waste segregation system with colour-coded bins and maintained comprehensive waste disposal records at our head office to enhance waste management practices.
- Initiated a pen recycling programme to collect and recycle used pens across its branch network.
- Encourage team members to minimise food waste and actively contribute to a sustainable environment.
- Enhanced environmental literacy and fostered grassroots engagement by sharing e-flyers and videos on sustainable development goals among all team members.

Waste disposal for FY 2022/23

GRI 306-3, 306-4, 306-5

Type of Waste Items	Disposal frequency	Weight (Kg)	Disposal method
Paper waste	As and when required	795	Waste collected from the head office is stored in the basement and sent for recycling through Green Links (Pvt) Ltd.
E-waste	As and when required	56	Collected as and when required and disposed of through Green Links (Pvt) Ltd.
Food waste	Once in two days	3,875	Collected by the owner of a farm
Damaged office equipment	Upon request by the respective division/branch	Not weighed	Collected at a single location in the head office and disposed of through a registered supplier
Polythene	As and when required	Not weighed	Disposed of through CMC garbage disposal method

Impact through recycling E-waste

Saving 25 fully grown trees

436 litres of petrol saved

1,022 plastic bottles recycled

Paper waste recycling

27,444 galons of water conserved

1,579 kg of wood preserved

2,694 kWh of energy saved

135 kg GHG reduced

969 kg of landfill avoided

Biodiversity sustains the resilience and productivity of ecosystems, supporting vital processes such as pollination, nutrient cycling, and pest control.

By valuing and protecting biodiversity, we secure the benefits it provides to ecosystems, plant and animal life, and the sustainable utilisation of natural resources.

Protecting and conserving biodiversity

GRI 3-3, 304-3

Protecting and conserving biodiversity is vital for the well-being of ecosystems, plant and animal life, and the sustainable management of natural resources. Biodiversity sustains the resilience and productivity of ecosystems, supporting vital processes such as pollination, nutrient cycling, and pest control. Preserving biodiversity safeguards endangered species and maintains the balance of ecosystems. Additionally, it ensures the availability of diverse genetic resources for medicine, agriculture, and other industries. By valuing and protecting biodiversity, we secure the benefits it provides to ecosystems, plant and animal life, and the sustainable utilisation of natural resources.

The LIFE Project – Restoring degraded land

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

By restoring degraded areas, we can combat desertification, soil erosion, and loss of biodiversity. We can also improve soil fertility, enhance water retention, and promote the growth of vegetation while contributing to climate change mitigation by sequestering carbon dioxide. Furthermore, it supports sustainable agriculture, boosts local economies, and provides ecological benefits such as habitat restoration and water purification. Restoring degraded land is essential for achieving environmental sustainability and ensuring the well-being of both ecosystems and communities.

In this regard, CDB has commenced a landmark public-private initiative to restore one hectare of degraded land, which will form the basis of further projects of this nature.

- **Area:** Halgahawala, Opatha, adjacent to Kanneliya rainforest.
- **Period:** The project duration spans five years, with four years already completed. CDB is poised to extend this project for an additional five years, with the potential for further extensions to maximise value addition and reap additional benefits.
- **Aim:** Restore a 10-ha block of degraded rainforest land in the Kanneliya forest reserve. This will be a model for the restoration of degraded forest landscapes in the wet zone of Sri Lanka. It aims to develop a biodiversity credit accrual system on par with international standards. It would enable biodiversity conservation project owners to generate accruable non-carbon credits.

- **Partners:** Biodiversity Sri Lanka (BSL), the Forest Department, and the International Union for Conservation of Nature (IUCN) Sri Lanka together with 11 private sector partners. CDB is in the process of finalising the signing of a Memorandum of Understanding (MOU) to extend this project for another five years, with provisions for further extensions if deemed necessary.
- **Achievements and Impacts:**
  - Two additional hectares of degraded land area were annexed to the existing site, and restoration activities were initiated.
  - Implemented an intensive restoration approach by employing various adaptive methodologies, including selectively removing Kekilla vegetation, enlarging planting pits, managing on-site nurseries, utilising organic fertilisers, implementing soil conservation and improvement techniques, and adopting plant protection measures.
  - Five monitoring visits were carried out during the reporting period.
  - Action taken to finalise the Forest Ecosystem Restoration: Field Verification Standard with NEPCon – an international accreditation agency

The Life to Our Mangroves project

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

Mangrove conservation and restoration are of immense importance, as mangroves provide critical habitats for a diverse range of species, support coastal ecosystems and protect against erosion, storm surges, and tsunamis. They act as carbon sinks, mitigating climate change. Mangroves also sustain local economies through fisheries, ecotourism, and natural products. Conserving and restoring mangroves enhances coastal resilience, conserves biodiversity, and contributes to climate change adaptation. Preserving and restoring mangrove ecosystems is vital for the well-being of coastal communities and the overall health of our planet.

CDB is currently engaged in a venture that aims to introduce a Nature-based Solution (NbS) in the form of a Mangrove Restoration Project, offering a range of environmental and socioeconomic advantages. By implementing this intervention, the resilience of the mangrove ecosystem will be enhanced, promoting its ability to regenerate and provide essential ecosystem services. Simultaneously, the project will contribute to the socioeconomic progress of local communities. The primary focus will be the conservation of 25 hectares of land within the Anawilundawa wetland sanctuary, a significant RAMSAR wetland site among the six identified.

- **Aim:** The objective is to strengthen the resilience of identified mangroves, and the benefits they provide to the ecosystem, while highlighting the significance of mangrove restoration as a nature-based solution for mitigating the effects of climate change and addressing socio-economic development challenges. The project also seeks to promote community readiness and build partnerships to reduce Sri Lanka's vulnerability to climate change.
- **Partners:** In collaboration with Biodiversity Sri Lanka, the Department of Wildlife Conservation and ten corporates.
- **Key activities:** This is a five-year project that will focus on the following key activities:
  - Baseline survey and stakeholder mapping.
  - Planning of restoration processes, procurement and allocation of resources, ground implementation of ecological restoration process including setting up mangrove nurseries.
  - The ground preparation levels and planting activities have already been commenced.
  - Formulating monitoring criteria and record-keeping and reporting mechanisms.
  - Continuous monitoring and evaluation of data gathered periodically.

The Ittapana Mangrove Conservation project

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

- **Partnership:** with the Centre for Sustainability of the University of Sri Jayewardenepura.
- **Area:** Conserves 10 acres of Ittapana – Horawala mangrove forest which is one of the most threatened landscapes in Sri Lanka. Establish a mangrove research centre for mangrove ecosystem studies.
- **Aim:** Establish a demonstrative model for sustainable mangrove management adaptable to other mangrove ecosystem conservation in Sri Lanka.
- **Key activities:** Two-year project that will focus on the following key activities in subsequent years:
  - Set up a Mangrove Education and Research Centre with the aim of enhancing understanding and knowledge about the Mangrove Ecosystem.
  - Eliminate invasive species present on the site.
  - Develop an open mangrove arboretum comprising a diverse range of native, threatened, and rare mangrove and mangrove-associated plant species that can grow freely.
  - Establish a dedicated mangrove plant nursery to propagate and cultivate mangrove plants for restoration and conservation.

Reducing our carbon footprint

As a responsible financial services organisation, with a minimal carbon footprint, CDB strives to achieve net-zero status to fulfil its environmental responsibilities. By reducing carbon emissions, the Company is able to demonstrate its commitment to sustainability, mitigate climate change risks, and align with evolving customer expectations. The net-zero status will also enhance its reputation, attracting environmentally conscious clients and employees, and contributing to a more sustainable and resilient future for all.

INVESTMENTS IN ENVIRONMENTAL INITIATIVES IN 2022/23

Description	2022/23 Rs. Mn.
Biodiversity conservation and ecosystem restoration	2.35
Education and engagement	2.82
Carbon footprint management	2.05
Training	0.65
Total	7.87

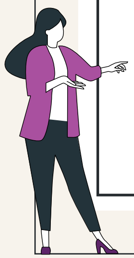
Future outlook

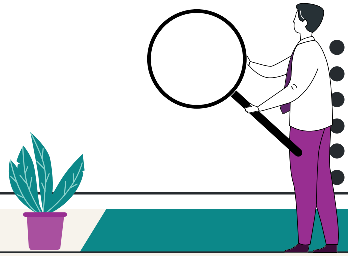
We have aligned our business strategy into the sustainability agenda, complemented by the tech disruption we are embarked on. We plan to improve our environmental and social risk management framework to further strengthen our commitment.

We believe awareness and education as the best way to change action. We will continue to invest in awareness campaigns focusing on team members, customers and society at large. We will expand collaborations with other entities and Government bodies to foster sustainability.

Furthermore, CDB is working on establishing a carbon credit accrual programme to account for carbon credits generated by its projects, as the current system lacks international certification. To advance its net-zero agenda, the Company will focus on increasing EV conversions and expanding charging infrastructure, setting measurable KPIs. CDB aims to drive demand for conversions by introducing an affordable product and offering special benefits for hybrid vehicles. These efforts align with its commitment to sustainability and reducing carbon emissions.

These efforts will contribute to a more sustainable future, align with global sustainability goals, and demonstrate the Company's commitment to responsible environmental practices. By focusing on these areas, CDB aims to enhance its reputation, attract environmentally conscious customers, and position itself as a leader in sustainable finance.



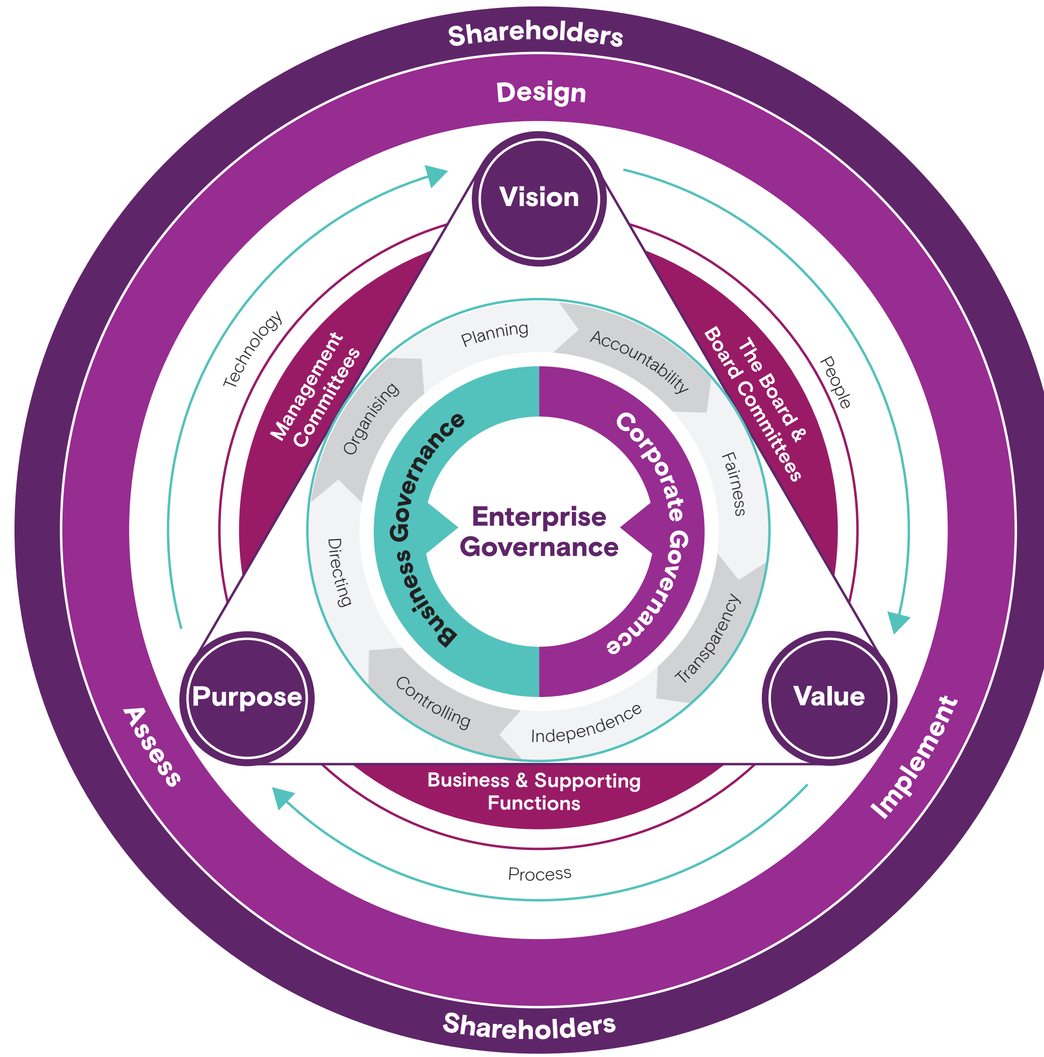


GOVERNANCE

CDB clearly exhibited the resilience of its business under multiple scenarios, and was able to continuously create value for all our stakeholders.

Enterprise governance at CDB

Despite the complexities and unprecedented challenges of the external environment and macro conditions, CDB clearly exhibited the resilience of its business under multiple scenarios, and was able to continuously create value for all our stakeholders. It is the scope of responsibilities and practices exercised by the Board and the management that enabled such smooth navigation as CDB enterprise governance provides correct strategic direction, ensures the achieving of set objectives, guarantees proper risk management, and verifies responsible use of resources. Moreover, CDB continues to maintain the accountability framework at an optimum level with the right balance of conformance and performance.

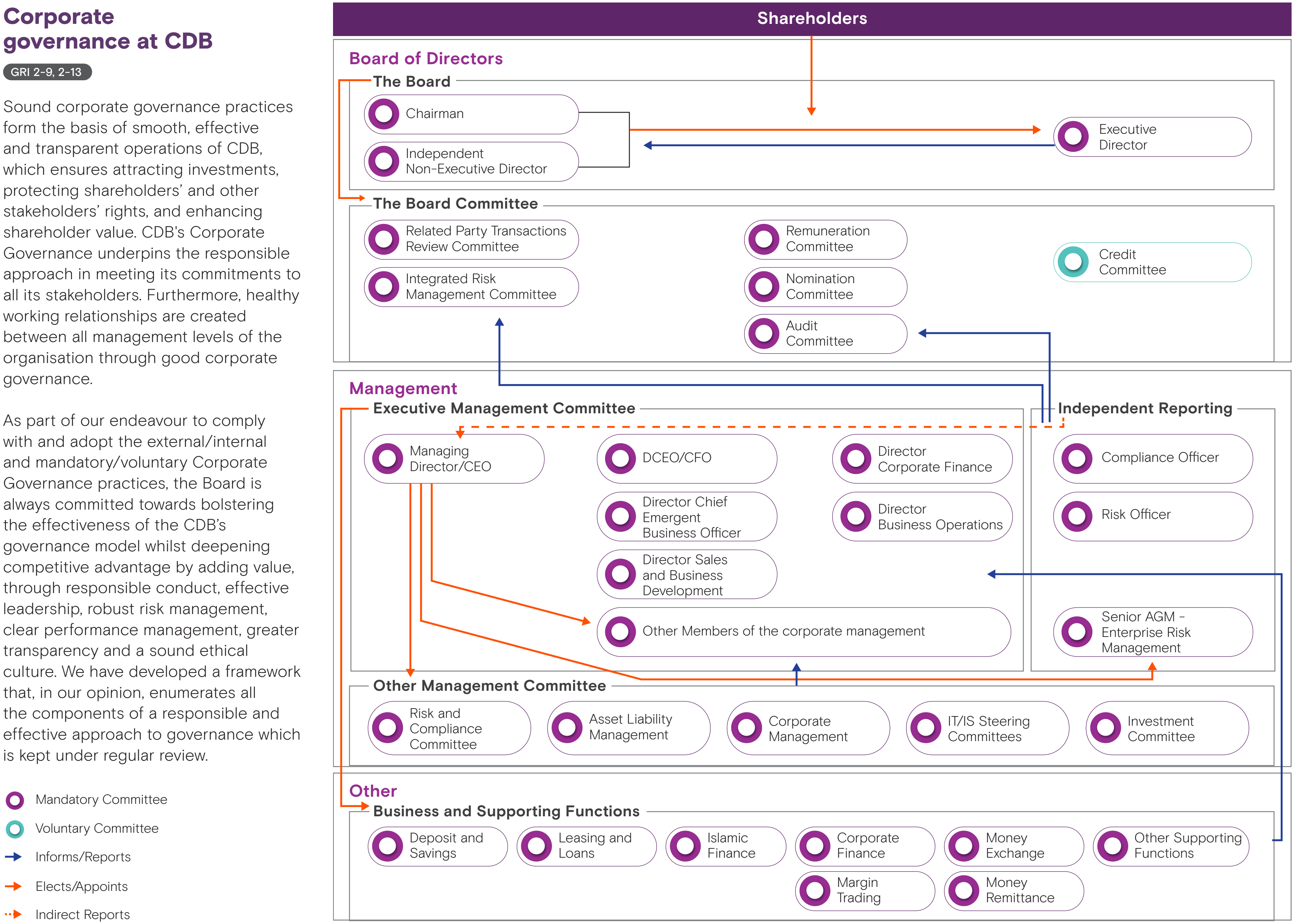


Corporate governance at CDB

GRI 2-9, 2-13

Sound corporate governance practices form the basis of smooth, effective and transparent operations of CDB, which ensures attracting investments, protecting shareholders' and other stakeholders' rights, and enhancing shareholder value. CDB's Corporate Governance underpins the responsible approach in meeting its commitments to all its stakeholders. Furthermore, healthy working relationships are created between all management levels of the organisation through good corporate governance.

As part of our endeavour to comply with and adopt the external/internal and mandatory/voluntary Corporate Governance practices, the Board is always committed towards bolstering the effectiveness of the CDB's governance model whilst deepening competitive advantage by adding value, through responsible conduct, effective leadership, robust risk management, clear performance management, greater transparency and a sound ethical culture. We have developed a framework that, in our opinion, enumerates all the components of a responsible and effective approach to governance which is kept under regular review.



FINANCIAL REPORTS

Business governance at CDB

GRI 2-13

It is vital that our governance structure supports and enables the Board to effectively shape and oversee our strategies. Business units are structured within the framework in a manner that creates the right operating rhythm, which in turn facilitates the end-to-end governance between the management and the Board. Further, CDB's strategies are assessed regularly in terms of their implementation, ongoing relevance, and success. Business governance also contributes towards value creation through the effective allocation of resources. Sustainable and shared value creations emanate from accelerating the strategies and managing constraints in terms of operations, finance, human resources, and information technology.

Value creation by the Departments for FY 2022/23

Operational	Introduction of e-statements for savings accounts
	Introduction of "Digi App" solution for customer due diligence process
	Introduction of automated credit decision
	Introduction of automated lending process
Financial	Improved total capital ratio when compared to last financial year which stood at 17.35%
	Improved liquidity position
	Improved core capital
Human Resources	Introduction of new HR system
	Introduction of new paternity leave policy
Information Technology	IT infrastructure upgrade
	CDB "SMARTops" upgrade

The Board Sub-Committees

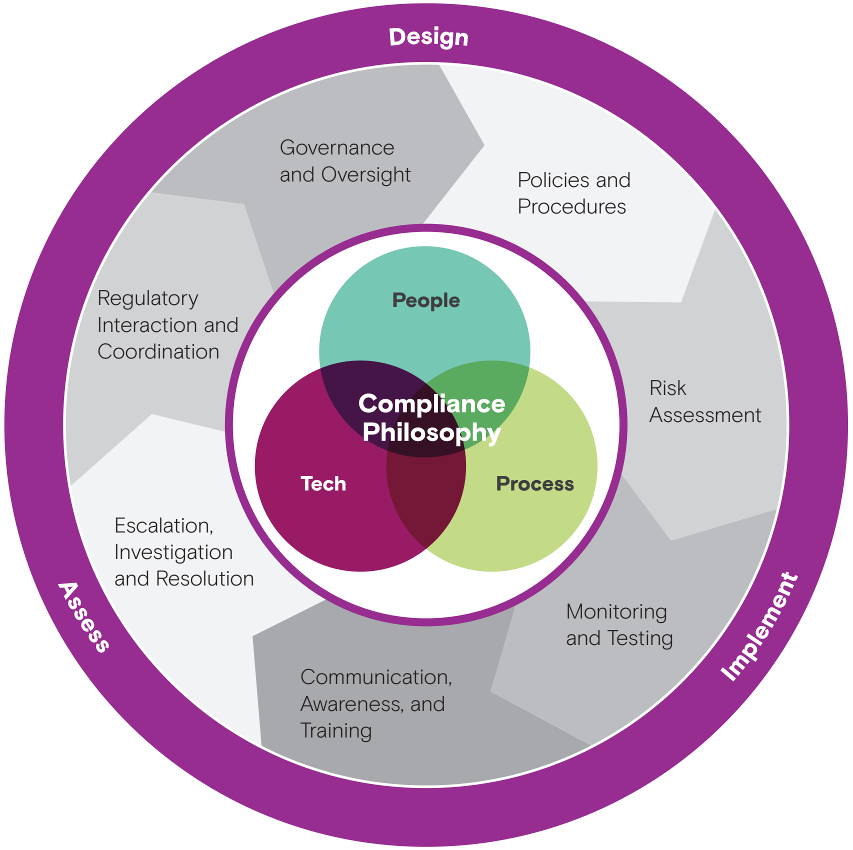
Integrated Risk Management Committee	Oversight responsibility for all areas of risk management including credit, market, operational, liquidity, cyber/IT and strategic risks and ensures compliance with the entirety of the risk management policy framework and laws and regulations.
Remuneration Committee	Monitors, evaluates, and resolves remuneration related matters.
Audit Committee	Identifies any deficiencies in routines, processes, and the organisation in terms of governance, risk management and internal control.
Related Party Transactions Review Committee	Advance review of all proposed related party transactions of the Company to ensure that related parties are treated on par with other shareholders and constituents of CDB.
Nomination Committee	The shareholders' governing body that nominates Board Members and Auditors and proposes their fees.
Credit Committee (Voluntary Board Committee)	Formulates, reviews and revises policies and procedures for granting credit facilities, to be submitted for the approval of the Board of Directors whilst ensuring compliance with all statutory and regulatory requirements.

Management Committees

Committee	Description
Corporate Management Committee	Functioning as the highest management level committee at CDB, it reviews the entire performance of the Company, with a view to support the formulation of strategies and management of deviations.
IT Steering Committee	Directs, reviews and approves IT strategic plans and maintains regular oversight.
Risk and Compliance Committee	Reviews overall risk and compliance at CDB.
Asset-Liability Management Committee	Reviews the funding strategy, liquidity management, assets mismatch, market risk exposures, management of liquidity risk, and interest rate risks as primary objectives, and manages various financial risks of CDB.
Investment Committee	Assists the Board to discharge its statutory duties and its oversight responsibilities in relation to investment activities.

Compliance at CDB

Since compliance in financial institutions is becoming increasingly rigorous and sophisticated, with the growing regulatory demands amid the current challenging business conditions, CDB has cultivated a strong compliance philosophy and continues to invest in team members, processes and technology. CDB proactively and promptly enforces compliance across the Company through strengthening the "Compliance Culture" initiative, and sets the tone at the top for compliance, recognising its public commitment at the highest level of the institution to comply with all laws, regulations, directions, rules, regulatory guidelines and approved policies. The process depicted below is subject to continuous review as CDB strives to improve its effectiveness further.



FINANCIAL REPORTS

Governance and oversight

The Board of Directors of CDB is responsible for overseeing the management of non-compliance risks and implementation of the compliance framework across the Organisation. The governance structure is further strengthened by implementing the principles of shared compliance responsibility and independence of the compliance function at CDB. The guiding documents of the Board of Directors, the Board Charter and the Terms of Reference of Board Subcommittees facilitate the governance and oversight of compliance adequately. The compliance function at CDB is headed by a Key Responsible Person (KRP) and is supported by all levels of the Organisation.

Policies and procedures

The compliance Manual and framework, control documents, core processes and legal responsibilities are reviewed and approved as required by the Board. The Compliance Policy Manual and the Anti-Money Laundering and Combating the Financing of Terrorism are the two primary enabling policy documents which address the entire legal and regulatory landscape. Specifically, the procedures thus designed are communicated to all stakeholders to ensure that they are aware of their compliance responsibilities.

Risk assessment

The compliance team in liaison with risk, audit and other departments identifies and documents the compliance risks associated with CDB and evaluates its internal controls, where identified deficiencies are addressed subsequently.

The dynamic nature of the process ensures that both ongoing compliance risks of the business and new risks, arising by virtue of new enactments, fresh interpretations of laws or regulations, and new business propositions of the business units are captured by the comprehensive annual assessment in addition to ad-hoc assessments and periodic reporting to IRMC.

Monitoring and testing

The robotic process automation (RPA) ensuring compliance with CDD rules is further strengthened and now supported by in-house developments such as the CDB Digi App platform. Further improvements have been made to inbuilt mechanisms to identify, monitor, and report suspicious transactions. For instance, internally developed PEP Dashboard enables the effective monitoring of transactions executed by Politically Exposed Persons. Moreover, the Compliance team conducts comprehensive reviews of departments and spot reviews to ensure compliance at all times.

Communication, awareness, and training

Compliance Division pioneered in creating a compliance culture within the Organisation and Compliance Representatives are appointed across all the departments and branches. All compliance team members undergo continuous training where facilitations are being made to improve their technical knowledge and know-how as well as other relevant skills. Internal staff also conduct compliance training sessions for all departments and branches in addition to the compliance culture creation sessions. Moreover, all relevant staff regularly participate in awareness and training sessions organised and conducted by regulators and industry professionals. Interactive learning is promoted at CDB via compliance quizzes organised on AML, consumer protection etc., where the best performers are rewarded, along with video modules on compliance aspects on the CDB E-Learning platform, QR code-enabled e-flyers, and etc.

Escalation, investigation, and resolution

The independence granted and assured enables the investigation of matters of non-compliance effectively and the compliance officer is sufficiently equipped to gather all relevant information. The escalation process is well-supported by the governance structure where direct reporting to the Management and Board subcommittees is available. Further, smooth and more effective resolution has been achieved at CDB through the compliance culture initiative.

Regulatory interaction and coordination

The compliance team proactively monitors the external regulatory implications introduced and circulated by CBSL, FIU, SEC, CSE, and etc. The Compliance Officer being the primary contact point between the organisation and the regulator, maintains a healthy, regular and periodic interaction with the respective regulatory authorities where, in addition to complying with all reporting requirements, the demands of the regulators are also analysed and implemented accordingly at CDB.

The Board Composition

Tenure

0 - 5 Years	Over 5 Years
7	6

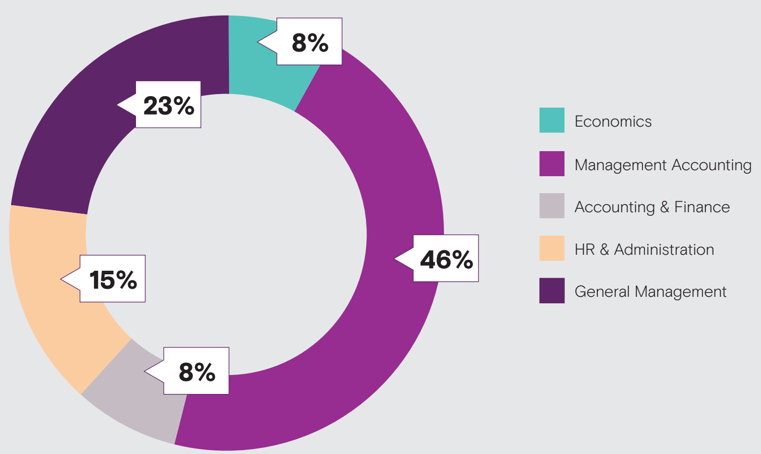
Independence

Executive Director	Non-Executive Director	Independent Non-Executive Director
6	2	5

Age Group

40-50	51-55	56-60
3	7	3

Professional Experience



Attendance at Board Meetings

Mr J R A Corera	12
Mr W P C M Nanayakkara	12
Snr Prof S P P Amaratunge	12
Mr T M D P Tennakoon	12
Mr R H Abeygoonewardena	12
Mr S V Munasinghe	11
Mr D A De Silva	11
Mr E Karthik	12
Mr J P Abhayaratne	12
Ms P R W Perera	12
Mr E R S G S Hemachandra	12
Mr S Kumarapperuma	12
Prof (Mrs) P N Gamage	11

Directors' attendance at Board Meetings and Members of the Board Subcommittees

#	Director's Name	Executive	Non-Executive	Independent	Non-Independent	Board Meeting (Attended/ Eligibility)	Integrated Risk Management Committee	Remuneration Committee	Audit Committee	Related Party Transactions Review Committee	Nomination Committee	Credit Committee
01.	Mr J R A Corera					12/12						
02.	Mr W P C M Nanayakkara					12/12						
03.	Mr T M D P Tennakoon					12/12						
04.	Mr R H Abeygoonewardena					12/12						
05.	Mr S V Munasinghe					11/12						
06.	Mr D A De Silva					11/12						
07.	Mr E Karthik					12/12						
08.	Senior Prof S P P Amaratunge					12/12						
09.	Prof P N Gamage					11/12						
10.	Ms P R W Perera					12/12						
11.	Mr J P Abhayaratne					12/12						
12.	Mr S Kumarapperuma					12/12						
13.	Mr E R S G S Hemachandra					12/12						

Chairperson's responsibilities	MD/CEO's responsibilities
Promotes the highest levels of corporate governance standards, and offers the Board, effective leadership.	Leads and guides the implementation of the business strategy, ensuring that the organisation's culture and values are upheld.
Sets the Board's agenda, culture, and values while exercising strong strategic oversight on the Board.	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.
Leads the Board by challenging the propositions and proposals of the Management and promotes candid and fruitful discussion among Directors.	Monitors and reports to the Board on the performance of CDB and its compliance with applicable legal and regulatory obligations.
Assesses, recommends and makes arrangements to the Board, annually, on the effectiveness and performance of the Board, the Subcommittees and individual Directors.	Maintains relationships with key internal and external stakeholders, such as the Board, the Chairperson, the regulators, the Government, and the investors.
Ensures appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Ensures proper succession planning of the Executive Team and assesses their performance.

Corporate governance disclosures

GRI 2-10, 2-11, 2-12, 2-15, 2-16, 2-17, 2-18, 2-19, 2-25

CDB subscribes to the voluntary requirements set out by the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (the ICASL) in addition to complying with all mandatory requirements stipulated by the regulatory bodies. CDB has already adopted and is in compliance with the newly enacted Corporate Governance Direction No. 05 of 2021 which came into effect from 01 July 2022, except for a couple of aspects provided under the transitional provisions, which require gradual adaptation, and until effective, the relevant provisions of Direction No. 03 of 2008 (Corporate Governance) are complied with. Further disclosure details are as follows.

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
The Board				
Board Meetings	A.1.1	7.1 – 7.4	Board meetings are held monthly with proper notice and due arrangements for any matters or proposals to be put forth, mainly to review the performance of the Company and other matters referred to the Board by the heads of respective divisions, while special Board meetings are convened whenever necessary. These meetings facilitate prompt action so that the business processes are continuously aligned with the expectations of all stakeholders. Information is furnished adequately at these meetings enabling review and discussion of the Company's performance on both financial and non-financial targets and future expectations. Inter-alia, matters on risk factors, compliance, internal control system and decisions taken by the CEO are also discussed.	✓
The Quorum		7.5	The quorum for Board Meetings is specified in the Board Charter in line with the provision and all the Members except three Directors, have attended all the meetings during the financial year 2022/23. Attendance of Board Meetings refer page 114.	✓
Manner of attendance		7.9	For all scheduled and ad-hoc meetings participation is in person unless general or individual circumstances demand otherwise.	✓
Governance Framework		2	The Board approved governance framework as depicted in page 109 which is under strict review addresses all the aspects stated in the provision.	✓
Responsibilities of the Board	A.1.2	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 it, monitors its implementation 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 at the top, sets up a sound corporate culture and values which is then disseminated to all levels of the Company through shared ownership and responsibility. The Code of Conduct and Policy of Communication with all stakeholders are approved by the Board and serve as guidelines to abide by. Sustainable finance at CDB is derived from the vision and values of the Company itself and implemented as depicted in page 6.	✓

Caption	ICASL 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 Enterprise Risk Management Policy along with the risk appetite statement of CDB supplement the comprehensive risk management framework created within the organisation. Further, CDB also has a Board-approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) and is reviewed continuously.	✓
		Board Commitment and Competency 1.5	The Board is comprised of experienced, skilled and knowledgeable professionals, satisfying the regulatory criteria (as depicted in Director's profiles on pages 130 to 133) and have attended all meetings, of 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-level 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 and 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.	✓
Advice and services of the Company Secretary	A.1.4	2.1 (i), 8	In terms of the Company's Act, Ms M S Senaratne, appointed at the Senior Management level to act 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 make sure that all Board procedures, applicable laws, rules, instructions, and regulations are followed. The Company Secretary is responsible for preparing the 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.	✓
Independent judgement of Directors	A.1.5	2.1 (e), 3.6 (a)	In addition to the Independent Directors that are tasked with bringing in independent judgement, the governance structure, Board culture and values of CDB enable all Directors to exercise independent judgements free from unwanted encumbrances hindering efficiency.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Dedication of adequate time and effort for matters of the Board	A.1.6	1.5 (a) and 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.	✓
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 programme 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 programmes as well as in personal development programmes. Director training focus areas for 2022/23 were, • Training on AML/CFT compliance • Training on cybersecurity	✓
Delegation of functions by the Board		9	Following Board Subcommittees have been formed: • Board Audit Committee (BAC) • Integrated Risk Management Committee (IRMC) • Credit Committee (Voluntary Board Subcommittee) • Remuneration Committee • Nomination Committee • Related Party Transactions Review Committee (RPTRC) 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 the Governance structure, 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 reviewed periodically considering the business conditions and complexities.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Board Subcommittees		10	Board Subcommittees are formed abiding by the regulatory framework and meetings are held regularly as stipulated by the provision (Currently BIRMC and BAC Meetings occur quarterly) details of which could be found on pages 114 and 143 Performance, duties, and functions of all Subcommittees are disclosed on pages 144 to 158 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 Subcommittees except for BIRMC and BAC where Head of Risk and Head of Internal Audit functioned 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. Transitional Provision is available till 1 July 2024 to fully comply with subsections 10.1 (a) and (e) of the new Corporate Governance direction.	✓
Chairperson and Chief Executive Officer (CEO)				
Division of responsibilities of the Chairperson and MD/CEO	A.2	6.1	The roles of the Chairperson and the MD/CEO are separated and documented. The Chairperson is an Independent 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 page 118.	✓
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.	✓
Chairperson's Role				
Role of the Chairperson	A.3	6.4	The Chairperson's main role is to lead and manage the Board and ensure effectiveness in all aspects of the Board. The Chairperson of CDB is an Independent 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; • 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. Moreover, the self-evaluation process ensures that the above are fulfilled. For communication with all stakeholders, including depositors, creditors, shareholders, and borrowers, the Board-approved communication policy is in place. The Chairperson has delegated the responsibility of preparing the agenda of Board meetings to the Company Secretary in consultation with him.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4	1.5 (b), 3.1, 3.7 (b)	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 130 to 133.	✓
Balance of the Board				
Presence of Non-Executive Directors	A.5 and A.5.1	3.6	During the FY 2022/23, seven of the thirteen Directors were Non-Executives (NED). 	✓
Independent Directors	A.5.2	3.7 (a) and (b)	During the FY 2022/23, five out of seven Non-Executive Directors were independent. 	✓
Independence evaluation review	A.5.3 and 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 specified regulatory criteria.	✓
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.	✓
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 and A.5.8	6.2 and 6.3	The Chairperson of the Company Mr J R A Corera is a Non-Executive Independent Director hence provisions on Senior Independent Director are not applicable and required.	✓
Meeting with Non-Executive Directors	A.5.9	7.6	The Chairperson for FY 2022/23 met twice with the Non-Executive Directors without the presence of the Executive Directors.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Executive Directors		3.5	5 Executive Directors, excluding CEO report through the CEO with functional reporting lines in the governance framework in addition to heading their respective division. The position of Managing Director/CEO is held by Mr W P C M Nanayakkara and the 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	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.	✓
Supply of Information				
Information to the Board by the Management	A.6.1	2.1 (h)	The Board was provided with all relevant information timely by the Management by way of Board Papers and proposals. The Board sought additional information as and when required. Senior Management made presentations on issues of importance. The Chairperson ensured that all Directors were briefed on matters arising from Board Meetings. The Directors have free and open contact with Senior Management of the Company.	✓
Facilitation for effective conduct of Board Meetings	A.6.2	7.2,7.3 and 8.7	Board was provided with all relevant information and its members and management actively engage in deliberations. 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 115 for the Board Meetings write-up.	✓
Appointments to the Board				
Procedure for the appointment of Board Directors and establishment of the Nomination Committee	A.7.1	2.1 (f), 4.1, 5.1, 10.1 (b) and 10.4 (c)	Nomination 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. During the financial year 2022/23, there were no new appointments to the Board.	✓
		10.4 (a) and (b)	The Committee is comprised of four Non-Executive Directors of whom three are independent. The Company Secretary functions as the secretary of the Committee.	✓
Assessment of Board composition by Nomination Committee	A.7.2	10.4 (d) – (f) and 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 assessments are 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.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Other duties of the Nomination Committee		10.4 (g) and (j)	The job descriptions (JDs) for CEO/MD and Senior Management are developed in accordance with the Board Charter, and appointment policies set out the eligibility criteria. The Board approved succession plan is in place. The Committee Identifies and recommends suitable candidates for Directors and Senior Management and also regularly review the composition and structure in order to identify and recommend additional or new expertise.	✓
Independence of the Committee		10.4 (k)	The Committee does not participate in decision-making relating to its own appointment matters and the Chairperson on the appointment 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 judgements.	✓
Common Directorships and limits for Directorships		3.10 and 3.11	No such circumstance/requirement transpired in 2022/23.	✓
Disclosure of details of new Directors to shareholders	A.7.3	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, 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.	✓
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 comment above.	✓
The total period of service of a Director		3.3 and 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 and 4.3	All the Directors of the Company are below the age of 70 years.	✓
Early resignation of Director	A.8.3	4 (2) and 5 (1)	No such incidents occurred in financial year 2022/23.	✓
Non-attendance of Board Meetings		7.8	Provision is reflected in the Company policies and not applicable for financial year 2022/23, except three Directors, all Directors have attended all the meetings. Please refer page 114 for Directors attendance.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Appraisal of Board Performance				
Annual appraisal of Board performance and that of its Committees	A.9.1 and A.9.2	1.5 (d), 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.	✓
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 page 150 for the Report of the Remuneration Committee in the Annual Report 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 130 to 133)	✓
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.1.1	10.1 (a) and (b), 10.5 (c) – (h)	The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and the Senior 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 Senior Management with a view to recruit, retain and motivate the Corporate Management Team.	✓
Composition of the Remuneration Committee	B.1.2 and B.1.3	10.5 (a) and (b)	The three member Committee consists of a majority of Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director, Refer the Remuneration Committee Report on page 150.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Remuneration of Non-Executive Directors	B.1.4	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 for being a Director of the Board and additional fee for either chairing or being a member of a Committee, working on special Committees. They do not receive any performance-related incentive payments.	✓
Consultation of the Chairperson and access to professional advice	B.1.5	10.5 (e) – (g)	Inputs of the Chairperson are obtained regularly and external professional advice is sought by the Remuneration Committee, on a need basis through the Board Secretary.	✓
The Level and Makeup of Remuneration				
Level and make-up of remuneration	B.2.1 – B.2.9	10.5 (f) and (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 being 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 a strong alignment between the short-term and long-term interests of the Company.	✓
Remuneration of the Non-Executive Directors	B.2.10	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.	✓
Disclosure of Remuneration				
Disclosure of Directors' remuneration	B.3.1	16.1 (iv)	Refer the Remuneration Committee Report on page 150 for disclosure on the Remuneration Committee and the remuneration policy of the Company. Also Note 13.1 to the Financial Statement on page 185 provides the aggregate remuneration paid to Executive and Non-Executive Directors.	✓
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.	✓
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.	✓

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Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
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 procedures resorted to at the meetings 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 – C2.7	1.3 (d)	The Company has implemented the relevant communication channels and disclosed the policy and methodology along with other regulatory requirements for communication with shareholders.	✓
Major and material transactions	C.3.1 – C.3.2	2.1 (n), 10.1 (a), 12 and 16.1 (v)	During the year there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 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 are subject to and review by the Board-Related Party Transactions 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 31 March 2023 and at the end of each Quarter of 2022/23. 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 2 to 5 for the Directors Report which covers all aspects under the provision.	✓
Responsibility of Directors and Auditors and report/statement on internal controls	D.1.5	10.2 (d) 16 (i), 16 (ix)	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.	✓
Management Discussion and Analysis	D.1.6	10.1 (c), 16	The Management discussion and analysis is adequately provided in this Annual Report.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Communication with shareholders in the event of net assets falling below the threshold	D.1.7		Addressed on the Director's report 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. Subject to transitional provisions applicable.	✓
Risk Management and Internal Control				
Responsibilities of BOD in maintaining a sound system of risk management and internal controls	D.2.1 and D.2.5	1.4, 10.3. 11.1 and 11.2	The Company has established a comprehensive framework of policies and procedures for risk management and internal controls, which are regularly reviewed and updated by the BIRMC.	✓
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) and (xii)	The Directors Report, and Statement of Internal Control and Management Report addresses the risk management aspect of the Company where Board undertaking is depicted.	✓
Internal audit function	D.2.3	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.2.4	10.2 (d) (vi) - (viii), (e), (f) and (g) (i) and 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				
Composition and Secretary of the Committee		10.3 (a) and (b)	The Committee is chaired by an Independent Non-Executive Director and comprised of eight 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 Integrated Risk Management Committee Report in the Annual Report pages 147 to 148.	✓

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Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Duties and responsibilities		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. BCP is 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		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.	✓
Audit Committee				
Composition	D.3.1	10.1 (a) and (e), 10.2 (a) and (b)	The Company's 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 144 to 146.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Duties	D.3.2	10.1 (b) and 10.2 (d) - (h)	The Committee maintains an appropriate relationship with the External Auditors, KPMG (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. The Company's Audit Committee ensures that there is an effective internal control and financial reporting system by adopting the following measures: i. Audits are conducted by the Internal Audit Department, in areas involving high risks as identified in the annual internal audit plan. ii. A structured process is in place for loss reporting, control exception reporting and compliance breach reporting. iii. A comprehensive checklist is used to follow the status of implementation of all audit recommendations. iv. Periodic branch audits are performed on the Company's branch operations. v. The Company obtains the External Auditor's certification on the effectiveness of the internal control mechanism on financial reporting.	✓
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.	✓
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 3 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 Transactions Review Committee				
Establishment and Composition	D.4.1 and D.4.2	10.1 (a) and (e), 12.1 (a)	The Board Related Party Transactions Review Committee headed by an Independent Non-Executive Director with 1 Non-Executive Director and 2 Executive Directors. Please refer the BRPTRC Report on pages 152 to 153 for more information.	✓
Duties	D.4.3	12.1 (b) and (c), 12.2 and 12.3	The Committee is guided by its terms of reference and the Board Charter and procedures are in place depicting the mannerisms of reporting and reviewing related party transactions. Refer the RPTRC Report on pages 152 to 153 and the related party transaction disclosures on pages 231 to 232 for more information.	✓
Code of Business Conduct and Ethics				
Code of Business Conduct and Ethics	D.5.1	1.3 (b), 14.1, 14.2, 15.1, 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.	✓

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Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Whistle Blowing Policy and its implementation		14.3	The Whistle Blowing Policy has been adopted by the Board. All staff are urged to bring up any issue they sincerely believe involves 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.	✓
Reporting material, price-sensitive information	D.5.2	12.1 (c) 4 and 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 BOD, Key Management and employees involved in Financial Reporting	D.5.3		The management of related party transactions and conflict of interests includes and addresses the purchase of shares by BOD, key management and employees involved in financial reporting enabling prompt identification and management in addition to the disclosure requirements of CSE.	✓
Chairperson's affirmation and non-violation of the code of conduct and ethics	D.5.4	16.1 (xi)	Refer the Chairperson's Statement in the Annual Report for details.	✓
Conflict of interest		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 will abstain from any engagement giving rise to conflicts of interest. The Directors are guided by professional conduct and the Board cohesively ensures that no Director acts with undue influence and coercion in addition to the monitoring mechanisms that are in place. Managing conflicts of interest is covered under CDB Board Charter and addresses the requirements in the provision.	✓
Corporate Governance Disclosures				
Adherence to principles and practices of good corporate governance	D.6.1	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. Further, CDB has obtained a review report on Corporate Governance disclosures from the external auditors.	✓
Institutional investors				
Shareholder Voting	E.1	1.3 (d), 1.7 (a), 6.4 (i) and 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 is used as a platform to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. Additionally the Chairperson ensures that shareholder views are represented at the Board, and Company Communication Policy facilitates effective participation.	✓

Caption	ICASL reference	CBSL section	Principle, compliance and implementation	Status of compliance
Evaluation of Governance Disclosures	E.2	1.3 (d), 6.4 (i) and 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) and 16.1 (xiii)	Individual shareholders are encouraged to carry out adequate analysis and seek independent advice on their investing or divesting decisions.	✓
Shareholder Voting	F.2	1.3 (d), 1.7 (a), 6.4 (i) and 16.1 (xiii)	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.	✓
Internet of Things and Cyber Security				
Cyber security risk management process	G.1 – G.5	10.3 (c) and (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.	✓
Environment, Society and Governance (ESG)				
ESG Reporting	H.1 – H.1.1	16.1 (xii)	Please refer Impact and Sustain pillars on pages 63 to 106.	✓
Environmental Factors	H.1.2	1.3 (c)	Please refer Impact and Sustain pillars on pages 63 to 106.	✓
Social Factors	H.1.3	1.3 (c)	Please refer Impact and Sustain pillars on pages 63 to 106.	✓
Governance	H.1.4	1.3 (c)	Please refer Impact and Sustain pillars on pages 63 to 106.	✓
Board's Role on ESG Factors	H.1.5	1.3 (c)	Please refer Key Framework and Compliance Report on pages 63 to 106.	✓
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 Provision				
Transitional and other general provisions		3.2, 3.5 (a), 3.7, 8.1 (b), 10 and 12.1 (a)	The Company has complied with transitional provisions when applicable	✓

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Alastair Corera
Chairperson/
Non-Executive Independent Director

Mahesh Nanayakkara
Managing Director/Chief Executive Officer

Senior Professor Sampath Amaratunge
Non-Executive Independent Director

Alastair Corera serves as the Executive Director of Orion Fund Management (Pvt) Ltd., a company that oversees long-term investment portfolios for both individuals and corporations. This firm is regulated by the Securities and Exchange Commission of Sri Lanka. Prior to this role, Alastair held 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. Prior to that, he worked as the General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. He is a Chartered Financial Analyst, USA, and a Fellow of the Chartered Institute of Management Accountants, UK.

Mahesh Nanayakkara joined CDB in 2001, and possesses over 30 years experience in the field of financial services. Throughout 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 from an asset base of less than Rs. 1 Bn. to an asset base of over Rs. 100 Bn. 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. Mahesh received his education at Wesley College in Colombo, and 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.

Prof Amaratunge was appointed to the Board in 2016, bringing with him a wealth of expertise as an Economist specialising in rural development. He has served as a distinguished academic in Sri Lanka for over three decades. Currently, he 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, Raigam Wayamba Salterns PLC, Southern Salt Company (Pvt) Ltd., and Raigam Wayamba Cereals (Pvt) Ltd. Prof Amaratunge's 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. In 2021, he was honoured with "The Order of the Rising Sun" by His Majesty the Emperor

Damith Tennakoon
Deputy CEO/Chief Financial Officer/ Executive Director

Roshan Abeygoonewardena
Executive Director – Corporate Finance

Sasindra Munasinghe
Executive Director – Sales and Business Development

of Japan, recognising his distinguished contributions to fostering friendly relations with Japan. Prof Amaratunge holds a BA (Hons.) in Economics from the University of Sri Jayewardenepura, 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. He previously served as the Vice-Chancellor of the University of Sri Jayewardenepura and as the Chairperson of the Federation of University Teachers Association (FUTA).

With more than 27 years experience, Damith has a sound background and comprehensive knowledge across a wide variety of fields such as Finance, Treasury, Risk Management, Compliance, Recovery, and Strategic Planning. He is a Fellow at the Chartered Institute of Management Accountants, UK, and a Chartered Global Management Accountant (CGMA).

Roshan Abeygoonewardena assumed his position on the Board in 2011, bringing with him a wealth of experience exceeding 30 years in the financial services industry, as well as three years in the manufacturing sector. 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 a Fellow Member of the Sri Lanka Institute of Credit Management. Furthermore, he served as the Chairperson of the Finance Houses Association of Sri Lanka (FHASL), the apex body representing finance companies in Sri Lanka.

Leveraging his extensive expertise of over 32 years in the Leasing Industry, Sasindra Munasinghe joined the Board in April 2011. He played a pivotal role in establishing and developing the leasing operations at CDB, overseeing crucial aspects such as credit evaluations, recoveries, operations, and marketing. He holds an MBA from the Federation University of Australia, further enhancing his qualifications in the field

Dave De Silva
Executive Director – Business Operations

Dave De Silva assumed his position on the Board on 1 January 2012, as an Independent Non-Executive Director. Subsequently, he assumed the role of Executive Director – Business Operations, in October 2016. With over 22 years' experience in the financial services sector, he brings a wealth of industry knowledge. He holds a specialised BSc degree in Business Administration from the University of Sri Jayewardenepura, and is also an Associate Member of the Chartered Institute of Management Accountants, UK.

Karthik Elangovan
Executive Director – Chief Emergent Business Officer

Effective from 1 July 2020, Karthik Elangovan assumed his position on the Board. In 2017/18, he served as the President of the Sri Lankan Institute of Marketing (SLIM) and subsequently became the Director/CEO of a subsidiary following its amalgamation with CDB. He is a Chartered Marketer and is recognised as a Fellow of both the Chartered Institute of Marketing in the UK and the Sri Lanka Institute of Marketing. He obtained a BSc in Management from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM). He was recognised as an Honorary Fellow of the Institute of Marketing of Malaysia. In addition, he has participated in Executive Development Programmes at Harvard Business School (HBS) in Boston, USA. He also holds a National Diploma in Human Resource Management (IPM) and is a Chartered Global Management Accountant (CGMA).

Jagath Abhayaratne
Non-Executive Director

Jagath Abhayaratne currently holds the position of General Manager of Operations at Ceylinco Life Insurance PLC, which he held for more than 16 years. With a career spanning over 30 years, he possesses extensive experience in the Insurance Industry. 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.

Ms Rajitha Perera
Non-Executive Independent Director

Rajitha Perera is a partner at Gomes & Company, Chartered Accountants. She brings a wealth of experience to her role, 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 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.

Samitha Hemachandra
Non-Executive Director

Samitha Hemachandra currently holds the position of Deputy Chief Operating Officer at Ceylinco Life. 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. Throughout his tenure, he has played a pivotal role in designing, developing, and implementing numerous integrated marketing campaigns for Ceylinco Life. He has also served as the Chairperson of the Marketing and Sales Forum of the Insurance Association of Sri Lanka in the past, 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.

Sujeewa Kumarapperuma
Non-Executive Independent Director

With a professional journey spanning over 28 years, Sujeewa Kumarapperuma has amassed extensive expertise in the actuarial field. He played a key role as a founder member and associate 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.

Prof Prasadini Gamage
Non-Executive Independent Director

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. Prof Gamage 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 Jayewardenepura. In addition, she is an Attorney-at-Law of the Supreme Court of Sri Lanka and serves as a Member of the Governing Council of the Chartered Institute of Personnel Management of Sri Lanka.

CORPORATE MANAGEMENT TEAM

01.

Mahesh Nanayakkara
Managing Director/Chief Executive Officer

02.

Damith Tennakoon
Executive Director/Deputy CEO/
Chief Financial Officer

03.

Roshan Abeygoonewardena
Executive Director – Corporate Finance

04.

Sasindra Munasinghe
Executive Director – Sales and Business Development

05.

Dave De Silva
Executive Director – Business Operations

06.

Karthik Elangovan
Executive Director – Chief Emergent Business Officer

07.

Nayanthi Kodagoda
Senior General Manager –
HR and Administration

08.

Hasitha Dassanayake
Senior General Manager –
Emergent Business and Business Intelligence

09.

Senaka Attygalle
Chief Information Officer

10.

Isanka Kotigala
General Manager –
Sales and Business Development

11.

Sudath Fernando
General Manager – Leasing/Credit

12.
Ranjith Gunasinghe
General Manager – Risk

13.
Chaminda Jayawardana
General Manager – Recoveries

14.
Ruwan Chandrajith
General Manager – Finance and Planning

15.
Herath Dharmadasa
Deputy General Manager –
Business Development

16.
Nadee Silva
Deputy General Manager – Gold Loan

17.
Aruni Panagoda
Deputy General Manager –
Business Operations

18.
Sanjeewa Ranathunga
Deputy General Manager –
Post Disbursement Follow-up

19.
J L Priyantha
Deputy General Manager –
Asset Portfolio Sales

20.
Lalith Peiris
Deputy General Manager –
Liability Portfolio Sales

21.
Sarath Kumara
Deputy General Manager –
Branch Operations

22.
Rizvi Kareem
Deputy General Manager –
IT Systems

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01.

Mahesh Nanayakkara
Managing Director/Chief Executive Officer

Please refer profile on page 130.

02.

Damith Tennakoon
Executive Director/Deputy CEO/Chief Financial Officer

Please refer profile on page 131.

03.

Roshan Abeygoonewardena
Executive Director – Corporate Finance

Please refer profile on page 131.

04.

Sasindra Munasinghe
Executive Director – Sales and Business Development

Please refer profile on page 131.

05.

Dave De Silva
Executive Director – Business Operations

Please refer profile on page 132.

06.

Karthik Elangovan
Executive Director – Chief Emergent Business Officer

Please refer profile on page 132.

07.

Nayanthi Kodagoda
Senior General Manager – HR and Administration

With an Executive MBA from the University of Colombo and an Associate Membership in the Sri Lanka Institute of Credit Management. Nayanthi Kodagoda possesses a strong academic foundation and professional accreditation. Her extensive career in the Finance Business Industry spans over 26 years, during which she has gained sound expertise in various operational areas, including Finance, Human Resources, Credit Administration, and Branch Operations. Nayanthi has served the Company for over 26 years.

08.

Hasitha Dassanayake
Senior General Manager - Emergent Business and Business Intelligence

Hasitha Dassanayake brings a wealth of knowledge and expertise to the table. He holds an Honours degree in Bachelor of Commerce from the University of Colombo, as well as an MBA from the Postgraduate Institute of Management (PIM) of the University of Sri Jayawardenepura. With professional recognition, Hasitha is an Associate Member of the Chartered Institute of Management Accountants (UK), as well as a Chartered Global Management Accountant (CGMA). With a remarkable tenure of over 17 years at CDB, his experience and contributions have been invaluable to the Organisation.

09.

Senaka Attygalle
Chief Information Officer

With an MBA from the University of Lincoln, UK, Senaka Attygalle has equipped himself with advanced business knowledge. He holds memberships in prestigious professional organisations, including the British Computer Society (UK), the Institute of Management Information Systems (UK), and the Australian Computer Society. With a remarkable career spanning over 36 years, Senaka has amassed extensive experience in the field of Information Technology, demonstrating his expertise and proficiency in the industry.

10.

Isanka Kotigala
General Manager – Sales and Business Development

With an MBA from the University of Wales, Isanka Kotigala has a strong educational background. Prior to joining CDB, he has accumulated valuable experience both locally and internationally. With over eight years experience in prominent multinational companies, Isanka has brought his expertise to CDB, where he has served for over 17 years.

11.

Sudath Fernando
General Manager – Leasing/Credit

With a remarkable career spanning 32 years, Sudath Fernando has established himself as a seasoned professional in the Banking and Finance Business Industry. His expertise and knowledge have been honed through his dedicated service of over 14 years at CDB.

12.

Ranjith Gunasinghe
General Manager – Risk

Ranjith Gunasinghe has a strong educational background, including a Master of Financial Economics (MFE) from the University of Colombo, an MBA from the University of Southern Queensland in Australia, and a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka. Additionally, he holds a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM) and is a Certified Professional Marketer by the Asia Marketing Federation. With a remarkable career spanning over 24 years in the Finance Business Industry, Ranjith has dedicated over 21 years of his professional journey to CDB.

13.

Chaminda Jayawardana
General Manager – Recoveries

Having obtained an MBA from the Open University of Malaysia and an Intermediate Diploma in Banking, Chaminda Jayawardana has solid academic credentials. With an impressive career spanning over 32 years, he has garnered extensive expertise in the Banking and Finance Business Industry.

14.

Ruwan Chandrajith
General Manager – Finance and Planning

Ruwan Chandrajith possesses a Bachelor of Science degree in Accountancy from the University of

Sri Jayewardenepura, as well as a Master of Business and Innovation from the University of Southern Queensland (USQ). He is an Associate Member in 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 13 years.

15.

Herath Dharmadasa
Deputy General Manager – Business Development

Herath Dharmadasa has obtained an MBA from Cardiff Metropolitan University in the UK and a Bachelor of Arts degree from the University of Peradeniya. With a vast experience spanning over 27 years, he has worked extensively in the fields of Sales, Marketing, and the Financial Services Industry.

16.

Nadee Silva
Deputy General Manager – Gold Loan

Nadee Silva has been a dedicated member of CDB since 1998, amassing a remarkable experience of over 25 years in sales and marketing within the Financial Services Industry. Furthermore, she has accumulated more than 12 years of expertise in Business Development Management.
In recognition of her exceptional performance, Nadee was honoured with the “Best Female Sales Person of the Year” award and the “Territory Manager” Silver award in the Finance Sector category at the SLIM-NASCO 2013 Awards. Her accomplishments extend further as she emerged as the “National Champion” in the Sales and Marketing category of the Corporate and Professional Sector at the prestigious Sri Lanka Vanithabhimana Awards 2021.

17.

Aruni Panagoda
Deputy General Manager – Business Operations

Aruni Panagoda has earned an MBA from Cardiff Metropolitan University in the UK. Additionally, she is an Associate Member in the Sri Lanka Institute of Credit Management. With a career spanning 23 years, she has garnered valuable expertise in the areas of Credit Operations, Insurance Operations, and Deposit Operations while working at CDB.

18.

Sanjeewa Ranathunga
Deputy General Manager – Post Disbursement Follow-up

Sanjeewa Ranathunga is an Associate Member of several professional institutes, including the Sri Lanka Institute of Credit Management, the Institute of Certified Professional Managers, and the United Kingdom Association of Professionals. He possesses 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 24 years in the field of Post Disbursement follow-up.

19.

J L Priyantha
Deputy General Manager – Asset Portfolio Sales

J L Priyantha holds a BSc (Special) degree from the Faculty of Agriculture at the University of Peradeniya, as well as an MBA from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura. In recognition of his outstanding performance, he was honoured with the Gold Award in the Supervisor category of Financial Services and Products at the NASCO Awards 2013, organised by the Sri Lanka Institute of Marketing. Additionally, he received a Silver Award in the Territory Manager category in 2015.

Priyantha began his career with CDB in February 2005 as a sales trainee and has since accumulated 19 years of valuable experience in the fields of Sales and Marketing. He possesses specialised expertise in leasing and lending sales strategy.

20.

Lalith Peiris
Deputy General Manager – Liability Portfolio Sales

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.

With a comprehensive experience of over 17 years in Sales and Marketing, as well as Liability Sales Strategy in the Financial Service Industry, Lalith has proven his expertise in the field. 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 17 years of valuable experience within the organisation.

21.

Sarath Kumara
Deputy General Manager – Branch Operations

Sarath Kumara possesses extensive expertise in Branch Operations. Holding a specialised B.B. Management degree in Accounting from the University of Kelaniya, he 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.

22.

Rizvi Kareem
Deputy General Manager – IT 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 23 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.

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MANAGEMENT TEAM

Darshana Amerasinghe
Senior Assistant General Manager – Compliance

Dassana Chandrananda
Senior Assistant General Manager – Business Development

Mahesh Pathmalal
Senior Assistant General Manager – Internal Audit

Aravinda Perera
Assistant General Manager – Business Development

Ashad Weerabangsa
Assistant General Manager – Operations

Chamil Silva
Assistant General Manager – Business Development

Chamith Samarasena
Assistant General Manager – Corporate Finance and Treasury

Charitha Warnakulasooriya
Assistant General Manager – Marketing and Sustainability

Dilruk Abeydiwakara
Assistant General Manager – IT Operations

Kathiravel Sivagar
Assistant General Manager – Credit Evaluation

Laavanya Paheerathan
Assistant General Manager – Legal

Lahiru Thrikawala
Assistant General Manager – Post Disbursement Follow-up

Shavindra Fernando
Assistant General Manager – IT Risk

Steve Gabriel
Assistant General Manager – Credit Cards/Merchant Networks

Suneth Senadheera
Assistant General Manager – Emerging Digital Business

Tharanga Udawaththa
Assistant General Manager – Network and Security

Tharindu De Silva
Assistant General Manager – IT Infrastructure

Yenara Udayanga
Assistant General Manager – Business Development

Bandula Kumara
Senior Manager – Business Development

Dhammika Nawarathna
Senior Manager – Finance Reporting

Dhanushka De Silva
Senior Manager – Risk

Garry Reith
Senior Manager – Business Development

Gunanga Samanthilake
Senior Manager – Legal

Jagath Dissanayake
Senior Manager –
Credit Evaluation

Janani Philip
Senior Manager –
Card Centre

Nadarajah Sasigar
Senior Manager –
Business Development

Nadun Sooriyaarachchi
Senior Manager –
Branch Operations

Pandaram Pradeepkumar
Senior Manager –
Credit Evaluation

Priyangani Wickramage
Senior Manager –
Post Disbursement Follow-up

Priyantha Kumara
Senior Manager –
Finance and Planning

Rangana Pragnarathna
Senior Manager –
Green Product and Home Loans

Ravindran Subashkumar
Senior Manager –
Business Development

Sajith Sanjeewa
Senior Manager –
Business Intelligence

Shabni Mohideen
Senior Manager –
Business operations

Tharanga Suraweera
Senior Manager –
Business Development

Asenath Wijeratne
Manager –
Business Development

Dinesh Prasanna
Manager –
Post Disbursement Follow Up

Hansika Nawarathna
Manager –
Branch Operations

Hemal Fernando
Manager –
Internal Audit

Janendra Bandara
Manager –
CRM and Contact Center

Matheesha Kirtisinghe
Manager –
Finance and Planning

Mihiri Senaratne
Company Secretary

Nuwan Mathugama
Manager –
Gold Loan

Ruwan Priyadarshana
Manager –
Post Disbursement Follow Up

Sadun Viduranga
Manager –
Internal Audit

Sampath Jayasinghe
Manager –
Administration

Thilini Jayasuriya
Manager –
Human Resources

CDB's risk management overview

GRI 2-12, 2-25

Risk management is at the core of every decision-making process as CDB navigates through heightened economic, financial, and regulatory risks. Our purpose is to safeguard value, promote value creation, and ensure long-term sustainability. Managing strategic risks is crucial for both value creation and protection. CDB's enterprise-wide risk management approach enhances performance, fosters innovation, and facilitates the accomplishment of strategic objectives by capitalising on opportunities that drive business growth. The responsibility for risk management lies with the Board, which establishes the risk appetite, approves policies and limits, and ensures their implementation across CDB through appropriate risk tolerance limits and structures. To fulfil its obligations, the Board is supported by various committees, comprising experts with in-depth knowledge of their respective domains, to ensure that we achieve our risk-related objectives to the best of our capabilities.

Our ERM approach and governance

CDB's enterprise-wide risk management framework encompasses a comprehensive approach to identifying, assessing, and mitigating risks across all facets of its operations. It involves the development and implementation of robust risk management policies, procedures, and controls to ensure effective risk governance and compliance with regulatory requirements. The framework includes a systematic process for risk identification, risk assessment, and risk monitoring to proactively manage potential threats. CDB maintains a strong focus on financial stability and the protection of stakeholders' interests by continuously evaluating and managing strategic risk, credit risk, operational risk, liquidity and funding risk, market risk, capital risk, IT and security risk, as well as regulatory and compliance risk. Regular risk reporting and analysis are integral components of the framework to facilitate informed decision-making and foster a risk-aware culture within the Company.

Our enterprise risk management framework (ERMF)

Our Enterprise Risk Management Framework (ERMF) provides the governance structure and approach to identify, assess, and manage risks across the entire organisation, together with a clear risk appetite aligned with our strategy. By implementing the ERMF, we have enhanced risk awareness, strengthened decision-making processes, and improved the ability to proactively mitigate potential threats. It has helped us achieve regulatory compliance, safeguard assets, maintain stakeholder confidence, and ultimately, ensure the long-term sustainability and success of the Organisation.

Through the framework, we created higher levels of assurance and visibility about potential risks and provided clarity on risk identification and mitigation. The implementation of ERMF has enabled regulatory compliance, ensuring adherence to industry standards and minimising legal and reputational risks. Moreover, it has inculcated a risk-aware culture throughout the Organisation, fostering accountability and promoting transparency. Additionally, employees have benefitted from improved risk communication, increased awareness, and effective risk management practices, contributing to a positive work environment.

CDB Strategy

Governance and Structure

ERM Framework

Managing risk is a key part of CDBs' everyday activities. The framework ensures risks are managed in a consistent way across the Company with appropriate oversight and accountability.

BOD and its subcommittees

The board has the ultimate responsibility for the oversight of risk, including approval of strategy and risk appetite.

Management risk oversight committees

These committees are responsible for management of all risks and implementation of risk governance processes, standards, policies, and frameworks.

1st Line of Defense

2nd Line of Defense

3rd Line of Defense

Three lines of defense

CDB uses the three lines of defense governance model which promotes transparency, accountability, and consistency through the clear identification and segregation of roles. This emphasises the fundamental concept that risk ownership and management are everyone's responsibility across all levels of the hierarchy.

ERM processes

- Risk appetite
- Top risks and emerging threats
- Risk matrix
- Stress testing

CDBs' risk appetite statement sets out the aggregate level and types of risk that the Company is willing to accept to meet its strategic objectives. ERM processes enable CDB to measure, monitor, actively manage, and mitigate risks to ensure it remains within risk appetite.

Control framework

Risk standards, frameworks, policies and internal controls underpinned by:

- Systems, data, and infrastructure
- Risk culture and values

Our risk culture

Creating a risk culture that fosters long-term value for customers and stakeholders is integral. This involves open communication and accountability at all levels, promoting a proactive approach to risk management, encouraging continuous improvement, aligning risk objectives with business goals, and ensuring transparency in decision-making processes. Our risk culture is built on four principles: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all our risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every team member. Each of these principles is founded on our distinctive set of values (Perseverance, Empathy, Reliable, Consistency) that guides every action we take.

Snapshot of key risk categories, mitigating measures and future outlook

Please refer "Our business landscape" section on pages 32 to 40 for a detailed review of the key risk categories, their potential impacts and opportunities on our organisation, our strategic response to the risks, and future focus.

FINANCIAL REPORTS

REPORT OF THE AUDIT COMMITTEE

Composition of the Board Audit Committee

The Board Audit Committee is appointed by and is responsible to the Board of Directors of Citizens Development Business Finance PLC, consists of three Non-Executive Directors. All of them are members of recognised professional bodies and possess wide ranging financial, commercial and management experience. Ms P R W Perera who functions as the Chairperson of the Board Audit Committee, is a fellow member of The Institute of Chartered Accountants of Sri Lanka. The biographical details of the members of the Board Audit Committee are set out in the directors' profiles section of the Annual Report.

The Committee Members as at 31 March 2023

- **Ms P R W Perera**
  Independent,
  Non-Executive Director
- **Prof P N Gamage**
  Independent,
  Non-Executive Director
- **Mr J P Abhayaratne**
  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 was reviewed by the Board regularly. The process ensures that new developments and concerns are adequately addressed. 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 in order 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 two Board Audit Committee members.

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:

Name of the Director	Eligibility	Attendance
Ms P R W Perera: Independent, Non-Executive Director	10	10
Prof P N Gamage: Independent, Non-Executive Director	10	9
Mr J P Abhayaratne: Non-Executive Director	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 FY 2022/23

The Committee carried out the following activities:

Financial reporting

The Committee reviewed the interim and annual financial statements and obtained the approval of the Board, prior to their publication. 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 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 the revised policy document of the Sri Lanka Accounting Standard – SLFRS 9 on Financial Instruments to reflect the changes due to adopting the Direction No. 01 of 2020 – Classification and Measurement of Credit Facilities during the financial year. The Committee also reviewed the proposal submitted by the Finance Department to implement the IT system and automation of the processes for the calculation of impairments as per the Sri Lanka Accounting Standards and Regulatory Requirements.

Internal control over financial reporting

In line with Section 16 (1)(ix) of the Finance Business Act Direction No. 05 of 2021 - Corporate Governance, the Company is required to comply the said direction and assess the effectiveness of the Internal Control Over Financial Reporting as at 31 March 2023.

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 2023, the Company's Internal Controls over Financial Reporting were effective.

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. The Committee has had sufficient interaction with the Head of Internal Audit throughout the year.

The Committee continuously reviewed to ensure that appropriate measures and actions have been taken to manage the risks identified during lockdowns, and curtailed business operations due to the COVID-19 pandemic and subsequently due to the impact of unprecedented economic crisis that prevailed in the Country. A centralised review process was enhanced on selected high risk areas of the business operations by the Internal Audit Department.

During the year the Committee also reviewed the internal audit reports covering matters pertaining to Financial Reporting, Regulatory Compliance, Branches, Departments, 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. Audit findings presented in the reports were prioritised 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 Internal Audit Charter document and approved the relevant changes on 23 January 2023.

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 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 Management Letter issued by the External Auditors in respect of the financial year ended 31 March 2022 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

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 three 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 also reviewed the service period of the engagement of the External Audit Partner to ensure that it has not exceeded five years.

In line with the Finance Business Act Direction No. 05 of 2021 Corporate Governance issued by the Central Bank of Sri Lanka, the Committee recommended to the Board to change the current External Auditors, KPMG (Chartered Accountants), and appoint Ernst & Young (Chartered Accountants) as the Company's External Auditors for the financial year 2023/2024 onwards, 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. The Compliance Officer submitted a report to the Board Audit Committee on a quarterly basis, indicating the extent to which the Company was in compliance with mandatory statutory requirements. Due compliance with all requirements are monitored through this process. Further, 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.

Compliance with New Directions issued by the CBSL and applicable during the FY

The Committee specially reviewed the Company's readiness and implementation of the below mentioned directions issued by the CBSL.

- Direction No. 01 of 2020 – Classification and Measurement of Credit Facilities
- Direction No. 01 of 2022 – Technology Risk Management and Resilience
- Direction No. 05 of 2021 – Corporate Governance

Whistleblowing policy

GRI 2-16

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 wrong doings 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

28 June 2023
Colombo

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) plays a pivotal role for the Board in fulfilling their oversight responsibilities with respect to deciding risk appetite and ensuring that significant risks are competently managed.

Composition of the Board Integrated Risk Management Committee

The Board appointed Integrated Risk Management Committee comprises the following members:

- **Mr Sujeewa Kumarapperuma**
  Independent Non-Executive Director
- **Mr Alastair Corera**
  Independent Non-Executive Director
- **Mr Mahesh Nanayakkara**
  Executive Director/MD/CEO
- **Mr Damith Tennakoon**
  Executive Director/Deputy CEO/CFO
- **Mr Roshan Abeygoonewardena**
  Executive Director – Corporate Finance
- **Mr Sasindra Munasinghe**
  Executive Director – Sales and Business Development
- **Mr Dave De Silva**
  Executive Director – Business Operations
- **Mr Karthik Elangovan**
  Executive Director/Chief Emergent Business Officer
- **Mr Ranjith Gunasinghe**
  (GM – Risk/CRO) functions as Secretary to the Committee

Terms of reference of the Board Integrated Risk Management Committee

The Integrated Risk Management Committee was established as a Subcommittee of the Board in compliance with Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka, subject to transitional provisions as applicable.

Summarised responsibilities

- To formulate risk management strategies including risk appetite and ERM framework and approve organisations' risk governance structure and ERM policy.
- To review and assess the quality, integrity and effectiveness of the risk management function and systems in order to ensure that the risk policies and strategies are effectively managed by the management and that the risks taken are within the agreed tolerance and appetite levels
- To report to the BoD on risk management, risk status, changes and the areas of improvement to ensure the compliance with the ERM policy.
- To review the compliance function of the organisation to ensure that the organisation is complying with laws, regulations, directions, rules, regulatory guidelines, internal controls, and approved policies on all major areas of 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 BoD on a quarterly basis.

Attendance

Name of the member	Meetings held: 23 June 2022	22 September 2022	28 December 2022	28 March 2023
Mr Sujeewa Kumarapperuma	✓	✓	✓	✓
Mr Alastair Corera	✓	✓		✓
Mr Mahesh Nanayakkara	✓	✓	✓	✓
Mr Damith Tennakoon	✓	✓	✓	
Mr Roshan Abeygoonewardena	✓	✓	✓	✓
Mr Sasindra Munasinghe	✓	✓	✓	✓
Mr Dave de Silva	✓	✓	✓	
Mr Karthik Elangovan	✓	✓		

FINANCIAL REPORTS

Committee activities during the FY

Trigger points and risk appetite

Trigger points were reviewed and changed to reflect the prevailing context and based on the risk appetite which are related to KRIs reported under the risk dashboard.

Reporting risks

During the year under review, all the risk areas which were identified and reported to the Risk Management Division via the well-established risk reporting mechanism (via ERP system) were analysed and adequate risk mitigation measures were obtained. 29 members of the staff were rewarded and recognised as Risk Identification Champions.

Risk heat map

Risk matrix applicable to the Organisation 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 utilise in decision making.

Risk monitoring

Suspicious transactions, frauds, violations of procedures and controls etc. were identified and monitored based on the information extracted through the exceptional reports.

Business continuity plan (BCP) and Disaster recovery (DR)

During the pandemic, where the businesses struggle in continuing their business operations, we had successfully overcome the challenges and continued to provide services to our valued customers. We were able to successfully align our Business Continuity Management System to the renowned ISO 22301 standard and minimise operational disruptions while ensuring the safety of our workforce, service continuity, disaster recovery and incident handling throughout the COVID-19 pandemic and thereafter.

Updates from Committees

The Committee also reviewed the updates from the four management committees namely Asset-Liability Committee, Compliance Committee, Credit Committee and Information Security Steering Committee who are also involved in the risk management process.

Board reporting

The BoD was updated on a regular basis on the performance of identified risk indicators and prudential limits defined and approved by the Committee.

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 and framework benchmarking industry best practices to ensure that the Company is managing its risks within the defined risk appetite. Expecting to fully adopt to requirements under Finance Companies Direction No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka subject to transitional provision depicted under the direction.

Sujeewa Kumarapperuma
Chairman
Integrated Risk Management Committee

28 June 2023
Colombo

REPORT OF THE NOMINATION COMMITTEE

GRI 2-10

Composition of the Committee

The Board-appointed Nomination 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** (Chairman/Independent Non-Executive Director)
- **Senior Prof S P P Amaratunga** (Member/Independent Non-Executive Director)
- **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

The Committee formally did not meet during the year under review.

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.

J R A Corera
Chairman
Nomination Committee

28 June 2023
Colombo

REPORT OF THE REMUNERATION COMMITTEE

GRI 2-19, 2-20

Composition of the Committee

The Board-appointed 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**
  Chairman/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

The Company's remuneration policy aims to recruit, retain and motivate high-calibre personnel at Board and Executive levels who possess 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 spirit for the Company.

The Company's remuneration framework has been designed, incorporating the newly developed Human Resource Information System to enhance value for stakeholders of the Company as well as to align the inspiration of the executives with the short and long-term interests of the Company. In designing competitive compensation packages, the policy is to appreciate and reward high performers while consciously balancing short-term performance with medium to long-term commitment to the Company.

Purpose

The Remuneration Committee recommends adoption of a market-oriented remuneration policy for its staff and ensures the selection of the best talent and creates incentives for staff for their performance and loyalty. The Committee also reviews the recruitment, evaluation of employee performance, incentive schemes, bonus policy of the Company, rewarding 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. The Committee evaluates the performance of the CEO and Key Management Personnel against predetermined set targets and goals to determine the basis for recommending the basis for rewarding, increments and other benefits.

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

- Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms
- Evaluated and recommended the individual remuneration packages of the Managing Director/CEO and Executive Directors
- Abiding by the principles of good governance and recommended best practices

Meetings

The Committee formally met thrice 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.

The year ahead

The Committee would continue to propose remuneration policies and best practices to attract and retain the best talent for the Company.

Senior Prof Sampath Amaratunge
Chairman
Remuneration Committee

28 June 2023
Colombo

REPORT OF THE CREDIT COMMITTEE

The Credit Committee of the Company direct the Company's credit strategy, credit 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 Mahesh Nanayakkara**
  Managing Director/Chief Executive Officer
- **Mr Damith Tennakoon**
  Executive Director/Deputy Chief Executive Director/Chief Financial Officer
- **Mr Dave De Silva**
  Executive Director – Business Operations
- **Mr Roshan Abeygoonewardena**
  Executive Director – Corporate Finance
- **Mr Sasindra Munasinghe**
  Executive Director – Sales and Business Development
- **Mr Karthik Elangovan**
  Executive Director – Chief Emergent Business Officer

Company credit policy

The Board of Directors has approved the credit policy of the Company, where all product guidelines and exposure limits have been highlighted. The credit 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 2022/23

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 policy.

W P C M Nanayakkara
Chairman
Credit Committee

28 June 2023
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 Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code"), 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 1 July 2024).

The Board Related Party Transactions Review Committee comprises of 1 Independent Non-Executive Directors, 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 2022/23 consisted of the following members:

- **Prof P N Gamage**
  Committee Chairperson/Independent Non-Executive Director
- **Mr E R S G S Hemachandra**
  Non-Executive Director
- **Mr Damith Tennakoon**
  Executive Director/Deputy CEO/ Chief Financial Officer
- **Mr Roshan Abeygoonewardena**
  Executive Director/Corporate Finance

The above composition is in compliance with the provisions of the Code and CBSL Direction related to Board Related Party Transactions Review Committee.

Objectives

This Committee's primary objectives are to:

- Consider, review, evaluate and provide oversight of related party transactions of all types (excluding section 9.5 exempted transactions) 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 and 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 except those explicitly exempted in the code under rule 27;
- 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 code 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 code are made in a timely and detailed manner.

Meetings

During 2022/23 the committee held 4 meetings. Attendance by the Committee members at each of these meetings is given in the table on page 114 of the Annual Report.

Review of transactions for the Financial Year 2022/23

All related party transactions that had taken place during 2022/23 were reviewed by the BRPTR. 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 27 June 2023. Please refer pages 231 to 232 for RPTs published in the Note 45 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 2022/23 is give on pages 2 to 5 of the Annual Report.

Committee meetings

The attendance of the members of the Committee was as follows for the FY 2022/23:

Name of the Directors/KMPs	Designation	Total Number of Meetings Eligible to Attend	Number of Meetings Attended
Prof P N Gamage	Committee Chairperson/ Independent Non-Executive Director	4	4
Mr E R S G S Hemachandra	Non-Executive Director	4	4
Mr Damith Tennakoon	Executive Director/Deputy CEO/Chief Financial Officer	4	4
Mr Roshan Abeygoonewardena	Executive Director/ Corporate Finance	4	4

Prof P N Gamage
Chairperson
Board Related Party Transactions Review Committee

28 June 2023
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

GRI 2-15

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 pages 166 to 169.

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 KPMG were reappointed, 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

28 June 2023
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 2017 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" issued in 2014 with a date of initial application of 1 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 loss" under SLFRS 9, the Company developed models to calculate Expected Credit Losses (ECL). A number of key assumptions were made by the Company in applying the requirement 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 the External Auditors.

The Board Audit Committee reviewed the related Policies on principles, methodologies, and assumptions during the financial year 2022/23 with consideration of elevated risks due to implications from the economic crisis.

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 KPMG, has reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 March 2023 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 page 159 of this Annual Report.

Statement on prudential requirements, regulations and laws

There were no material non-compliance 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
Director/Deputy CEO/
Chief Financial officer

28 June 2023
Colombo

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

AUDITORS' ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

To the Board of Directors of Citizens Development Business Finance PLC

Report on 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 Directors' Statement on Internal Control ("Statement") included in the annual report for the year ended 31 March 2023.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with paragraph 16.1 (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

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.

Auditors' responsibilities

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 License Finance Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that the auditor's plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes 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

Our engagement has been conducted 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 system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

a) Inquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.

b) Reviewed the documentation prepared by the Management to support their Statement made.

c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

e) Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

f) Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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 the auditor's judgment, having regard to the auditor's understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Auditor's 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 of the Licensed Finance Company

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
28 June 2023

CDB continued to maintain liquidity levels above the regulatory minimum and stringent ALCO targets were maintained during the year.

FINANCIAL REPORTS

FINANCIAL CALENDAR

Dividend payments	
Final dividend for the year ended 31 March 2023 to be paid on*	Date to be notified
Final dividend for the year ended 31 March 2022 paid on	Friday, 18 August 2022

*Subject to confirmation by shareholders at Annual General Meeting

	2022/23	2023/24 (Proposed)
Audited Financial Statements and Annual General Meeting (AGM)		
Audited Financial Statements	Wednesday, 28 June 2023	Monday, 3 June 2024
Annual General Meeting	Wednesday, 2 August 2023	Friday, 28 June 2024
Interim Financial Statements to CSE*		
Quarter ended 30 June	Monday, 15 August 2022	Tuesday, 15 August 2023
Quarter ended 30 September	Friday, 11 November 2022	Wednesday, 15 November 2023
Quarter ended 31 December	Wednesday, 15 February 2023	Thursday, 15 February 2024
Quarter ended 31 March	Wednesday, 31 May 2023	Friday, 31 May 2024

* In terms of the Rule 7.4 of the CSE and as per the requirements of the Central Bank of Sri Lanka.

	Newspaper	2022/23	2023/24 (Proposed)
Six Months Financial Statements**			
Year ended 31 March (Audited)	Lankadeepa	Friday, 30 June 2023	Friday, 28 June 2024
	Virakesari	Friday, 30 June 2023	Friday, 28 June 2024
	DailyFT	Friday, 30 June 2023	Friday, 28 June 2024
Six months ended 30 September (Unaudited)	Lankadeepa	Tuesday, 29 November 2022	Friday, 29 November 2023
	Virakesari	Tuesday, 29 November 2022	Friday, 29 November 2023
	DailyFT	Tuesday, 29 November 2022	Friday, 29 November 2023

**In terms of the requirements in Direction No. 2 of 2006, Central Bank of Sri Lanka.

Unaudited Financial Statements
Wednesday, 31 May 2023

Audited Financial Statements
Wednesday, 28 June 2023

Audited Financial Statements published on Newspapers
Friday, 30 June 2023

Annual General Meeting
Wednesday, 2 August 2023

FINANCIAL STATEMENTS – TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

Rs. 21.6 Bn.
Revenue

Rs. 1.6 Bn.
Net Profit after Tax

Rs. 23.29
Earnings per Share

Rs. 105.2 Bn.
Total assets

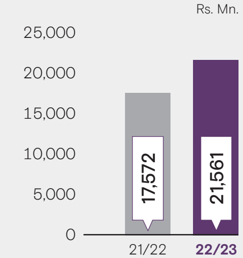
Rs. 76.5 Bn.
Loan Book

Rs. 260.40
Net Assets Value per Share

Key performance indicator	2022/23	2021/22	%
Financial performance (Rs. Mn.)			
Gross revenue	21,561	17,572	22.7
Net interest income	7,556	9,038	-16.4
Net operating income	8,173	10,220	-20.0
Profit before tax	2,494	5,268	-52.7
Profit after tax	1,627	3,612	-55.0
Position as at the year end (Rs. Mn.)			
Loans and receivables to customers	76,477	78,725	-2.9
Total assets	105,166	105,420	-0.2
Total equity	18,190	17,648	3.1
Deposits from customers	62,875	52,217	20.4
Financial ratios (%)			
Profitability perspective			
Operating profit margin (%)	14.38	33.05	
Net interest margin (%)	7.18	9.05	
Cost to income ratio (Excluding taxes on financial services) (%)	56.47	38.65	
Return on average assets (ROA) - After tax (%)	1.55	3.62	
Investor Perspective			
Earnings per share (Rs.)	23.29	51.75	
Earnings yield (%)	10.23	22.43	
Return on equity (ROE) - After tax (%)	9.08	22.79	
Dividend per share	5.00	3.75	
Dividend yield (%)	2.20	1.63	
Dividend cover (times)	4.66	13.80	
Dividend payout (%)	21.47	7.25	
Net assets value per share (Rs.)	260.40	252.63	
Market value per share - Closing - Voting	227.75	230.75	
Market value per share - Closing - Non-voting	79.10	86.10	
Market capitalisation (Rs. Mn.)	14,372	14,623	
Price to earnings (Times)	9.78	4.46	
Statutory ratios (%)			
Capital adequacy			
Tier I (Minimum requirement - 8%) (%)	16.23	15.16	
Tier I and II (Minimum requirement - 12%) (%)	17.35	17.07	
Statutory liquidity ratio	16.16	14.14	
Non-performing advances ratio*			
Gross NPL (Net of IIS) (%)	10.99	5.89	
Net non-performing loans (Net of IIS and provisions) (%)	5.12	0.11	

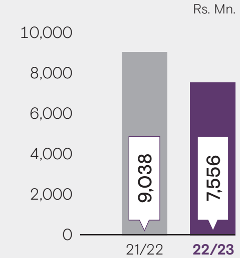
*Non-performing advances ratio calculated based on 120 DPD in 2023 and 150 DPD in 2022.

REVENUE



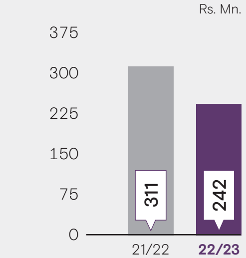
23%

NET INTEREST INCOME



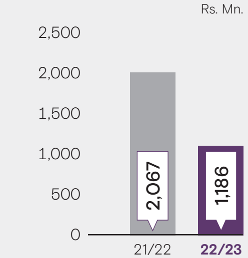
16%

FEE AND COMMISSION INCOME



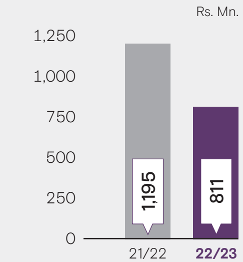
22%

OTHER OPERATING INCOME



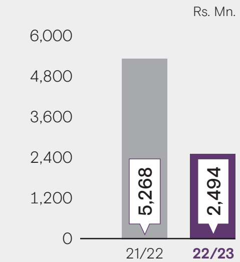
43%

IMPAIRMENT CHARGES



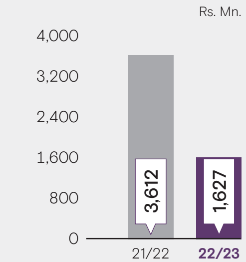
32%

PROFIT BEFORE TAX



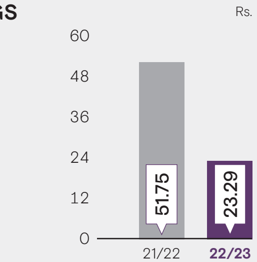
53%

PROFIT AFTER TAX



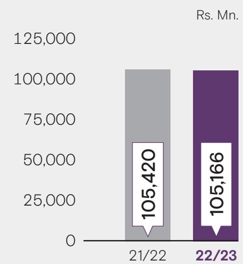
55%

BASIC EARNINGS PER SHARE



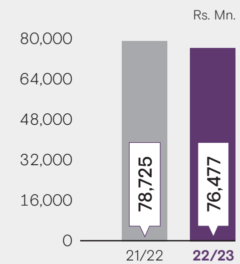
55%

TOTAL ASSETS



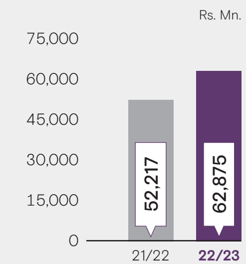
0.2%

LOANS AND ADVANCES TO CUSTOMERS



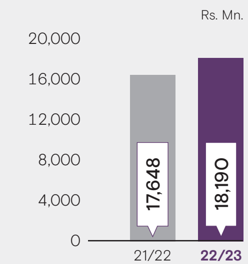
3%

DEPOSITS FROM CUSTOMERS



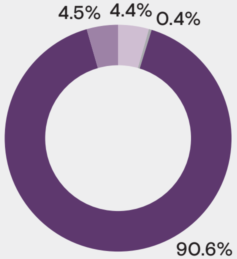
20%

EQUITY



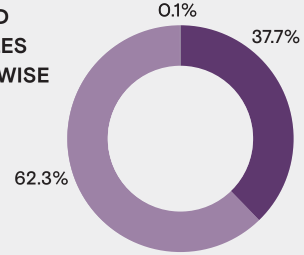
3%

INTEREST INCOME - PRODUCT WISE



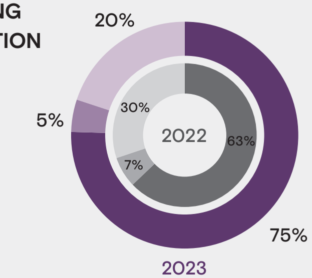
- Placements with financial institutions
- Loans and receivables to customers
- Loans and receivables to banks
- Other financial investments

LOANS AND RECEIVABLES PRODUCT WISE



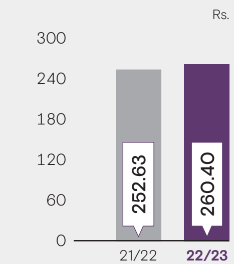
- Loans and Advances
- Net Investments in Hiring contracts
- Net Investments in Leases

BORROWING COMPOSITION



- Deposits from customers
- Other interest bearing borrowings
- Debt securities issued

NET ASSETS VALUE PER SHARE



3%

INDEPENDENT AUDITORS' REPORT

GRI 2-5

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

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 statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2023, and of its 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 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.

01. Allowance for impairment of loans and receivables to customers

Refer to the "Note 2.12" (Use of Judgements and Estimates), "Note 12" (Impairment of loans and receivables to customers) and "Note 24" (Loans and receivables to customers) to the Financial Statements.

Risk Description	Our response
As at 31 March 2023, 73% of its total assets of the Company consisted of loan and receivables to customers totalling to Rs. 76.47 Bn, net of impairment allowance of Rs. 4.93 Bn. Impairment of loans and receivables to customers is a subjective area due to the level of judgment applied by management in determining impairment allowances. From the Company's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and receivables to customers were those where impairments were derived from internally developed statistical models, where the loans and receivables to customers were unsecured or where the loans and receivables to customers were subject to potential collateral shortfalls. The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information	Our audit procedures included: Obtaining and understanding of an assessing the design, implementation and operating effectiveness of management's key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counter party credit quality and restructuring of loans and receivables to customers, the process of the measurement of impairment allowances for loans and receivables to customers; Challenging the validity of the models used and assumptions adopted in Company calculation of the impairment allowances by critically assessing: - input parameters involving management judgment; - the overdue statistical data for the loan and receivable portfolios; and - historical loss parameters used. Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgment applied in the use of economic factors and forward looking information and assessing key internal controls over the input of underlying data into the models;

Risk Description	Our response
The prevailing uncertain and volatile macro-economic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk. The disclosures regarding the Company's application of SLFRS 9 and SLFRS 7 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results. We identified assessing impairment of loans and receivables to customers as a key audit matter because there is a high degree of complexity and judgment involved for the Company in estimating individual and collective credit impairment provisions against these loans. These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions.	Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic development; Assessing the ongoing effectiveness of the significant increase in credit risk criteria and independently calculated the loans' stage; Working with KPMG specialists, we assessed the reasonability of the adjustments made by the Company to the forward-looking macroeconomic factors and assumptions used in the ECL model; Assessing the completeness and reasonableness of additional allowance overlays by checking the consistency of risks we identified in the portfolios against the Company's assessment. Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; Assessing the appropriateness of the Company's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

02. IT systems and controls over financial reporting

Risk description	Our response
Automated accounting procedures and IT environment controls, which include IT governance, controls over program changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Key areas of importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems and accounting systems. We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamentally reliant on IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.	Our audit procedures included: We worked with KPMG IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: • Assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting; • Examining the framework of governance over the Company's IT organisation and the controls over changes, access to programs and data and IT operations, including compensating controls where required; • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Company's compliance activities; • Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • Testing preventative controls designed to enforce segregation of duties between users within particular systems;

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics 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, related safeguards.

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 3272 (FCA).

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
29 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Revenue	8	180	21,561,194	17,572,154
Interest income	9.1	180	20,133,427	15,194,413
Less: Interest expense	9.2	181	12,577,015	6,156,858
Net interest income	9	180	7,556,412	9,037,555
Fee and commission income	10	181	242,015	311,128
Other operating income	11	182	1,185,752	2,066,613
Total operating income			8,984,179	11,415,296
Less: Impairment charges and other credit losses	12	182	811,118	1,195,145
Net operating income			8,173,061	10,220,151
Less: Operating expenses				
Personnel expenses	13.1	184	1,806,530	1,772,596
Premises, equipment and establishment expenses	13.2	185	2,733,087	2,103,505
Other expenses	13.3	185	533,906	536,362
Total operating expenses	13	184	5,073,523	4,412,463
Operating profit before taxes on financial services			3,099,538	5,807,688
Less: Taxes on financial services	14	186	605,319	539,744
Profit before tax			2,494,219	5,267,944
Less: Income tax expense	15	186	867,336	1,655,864
Profit for the year			1,626,883	3,612,080
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Fair value changes in hedge reserve			248,464	(145,759)
Items that will not be reclassified to profit or loss				
Change in deferred tax on revaluation due to rate change			(64,153)	–
Increase in revaluation surplus			–	284,076
Less : Deferred tax on revaluation			–	(68,178)
Financial investments at FVOCI - net change in fair value			(264,618)	75,240
Less : Deferred tax on financial investments at FVOCI			73,418	–
Net actuarial gain/(loss) on defined benefit plan			(100,835)	319,405
Total other comprehensive income			(107,724)	464,784
Total comprehensive income for the year			1,519,159	4,076,864
Earnings per share				
Basic earnings per share (Rs.)	16	188	23.29	51.75
Diluted earnings per share (Rs.)	16	188	22.73	51.14

The Notes to the Financial Statements on pages 175 to 262 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Assets				
Cash and cash equivalents	20	198	**3,267,193**	2,023,974
Financial assets measured at fair value through profit or loss (FVTPL)	21	198	**37,041**	148,685
Derivative financial assets	32	217	**925,656**	1,121,320
Loans and receivables to banks	22	199	**1,166,430**	240,435
Deposits with financial institutions	23	199	**7,218,324**	8,292,576
Loans and receivables to customers	24	200	**76,476,889**	78,725,310
Other investment securities	25	203	**7,519,968**	6,576,030
Investment property	26	208	**535,000**	–
Property, plant and equipment	27	208	**3,382,065**	3,351,990
Intangible assets	28	214	**265,691**	136,078
Goodwill on amalgamation	29	215	**45,225**	156,489
Retirement benefit assets	38	226	**331,313**	407,807
Right-of-use assets	30	215	**782,533**	768,480
Other assets	31	217	**3,212,383**	3,470,809
Total assets			**105,165,711**	105,419,983
Liabilities				
Deposits from customers	33	219	**62,875,226**	52,216,802
Debt securities issued and subordinated debt	34	220	**3,850,182**	5,726,897
Other interest-bearing borrowings	35	222	**16,610,517**	24,964,628
Lease liabilities	30	215	**832,102**	802,503
Current tax liabilities	36	224	**1,053,990**	1,400,532
Deferred tax liabilities	37	224	**403,901**	630,110
Other liabilities	39	228	**1,349,572**	2,030,436
Total liabilities			**86,975,490**	87,771,908
Equity				
Stated capital	40	228	**2,361,947**	2,361,947
Reserves	41	229	**4,531,003**	2,829,785
Retained earnings	42	230	**11,297,271**	12,456,343
Total equity			**18,190,221**	17,648,075
Total liabilities and equity			**105,165,711**	105,419,983
Net assets value per share (Rs.)	43	230	**260.40**	252.63
Contingencies and commitments	44	231	**4,550,869**	4,547,705

The Notes to the Financial Statements on pages 175 to 262 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 and Finance Business Act No. 42 of 2011.

Damith Tennakoon
Deputy CEO/Director/CFO

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

28 June 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

	Note	Page No.	Stated capital Rs. '000	Reserves: Other capital reserve Rs. '000	Reserves: Revaluation reserve Rs. '000	Reserves: Fair value reserve Rs. '000	Reserves: Hedge reserve Rs. '000	Reserves: Statutory reserve fund Rs. '000	Reserves: Regulatory loss allowance reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 1 April 2021			2,350,363	–	609,661	3,924	–	1,881,996	–	9,206,276	14,052,220
Total comprehensive income for the year 2021/22											
Profit for the year			–	–	–	–	–	–	–	3,612,080	3,612,080
Other comprehensive income for the year											
Fair value changes in hedge reserve			–	–	–	–	(145,759)	–	–	–	(145,759)
Increase in revaluation surplus			–	–	284,076	–	–	–	–	–	284,076
Less: Deferred tax on revaluation			–	–	(68,178)	–	–	–	–	–	(68,178)
Equity investments at FVOCI – net change in fair value			–	–	–	75,240	–	–	–	–	75,240
Net actuarial loss on defined benefit plan	38	226	–	–	–	–	–	–	–	319,405	319,405
Total comprehensive income for the year 2021/22			–	–	215,898	75,240	(145,759)	–	–	3,931,485	4,076,864
Transactions with equity holders of the Company											
Employee share option plan			–	33,211	–	–	–	–	–	–	33,211
Exercise of share options			11,584	(2,357)	–	–	–	–	–	–	9,227
Dividend to equity holders for the year – 2021/22			–	–	–	–	–	–	–	(523,447)	(523,447)
Transfers during the year	41.3 & 41.5	229 & 230	–	–	–	(22,633)	–	180,604	–	(157,971)	–
Total transactions with equity holders			11,584	30,854	–	(22,633)	–	180,604	–	(681,418)	(481,009)
Balance as at 31 March 2022			2,361,947	30,854	825,559	56,531	(145,759)	2,062,600	–	12,456,343	17,648,075
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	15.4	187	–	–	–	–	–	–	–	(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: Deferred tax on revaluation			–	–	(64,153)	–	–	–	–	–	(64,153)
Financial investments at FVOCI – net change in fair value			–	–	–	(244,256)	–	–	–	(20,362)	(264,618)
Deferred tax on financial investment at FVOCI			–	–	–	73,418	–	–	–	–	73,418
Net actuarial loss on defined benefit plan	38	226	–	–	–	–	–	–	–	(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 – 2022/23			–	–	–	–	–	–	–	(261,960)	(261,960)
Transfers during the year	41.5 & 41.6	230	–	–	–	–	–	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

The Notes to the Financial Statements on pages 175 to 262 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Cash flow from operating activities				
Interest receipts			19,096,231	15,053,780
Commission receipts			295,316	353,404
Other income receipts			1,308,248	1,751,759
Interest payments			(11,124,434)	(6,405,376)
Fee and business promotion expenses			(402,460)	(404,044)
Employee related payments			(1,805,870)	(1,770,097)
Supplier payments			(5,237,444)	(3,780,757)
Financial expenses			(23,532)	(30,059)
Operating profit before changes in operating assets			2,106,055	4,768,610
(Increase)/decrease in operating assets				
Investments in financial institutions			148,257	(2,563,025)
Investments in Government securities			108,437	935
Net funds advanced to customers			2,494,499	(4,807,633)
Changes in other short-term assets			384,550	443,525
Changes in inventories			(199,426)	(79,660)
			2,936,317	(7,005,858)
Increase/(decrease) in operating liabilities				
Net borrowings			(7,786,192)	5,212,611
Net deposits from customers			9,205,843	3,457,741
			1,419,651	8,670,352
Net cash generated from/(used in) operating activities			6,462,023	6,433,104
Contribution to plan asset	38	226	(30,000)	(100,000)
Income tax	15.3	187	(1,369,193)	(1,329,853)
Surcharge tax	15.3	187	(715,053)	-
			4,347,777	5,003,251

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.	2023 Rs. '000	2022 Rs. '000
Cash flow from investing activities				
Dividend receipts	11	182	35,774	32,852
Proceed from employee share options			–	9,227
Investment in other investment securities			(943,938)	(3,906,071)
Purchase of property, plant and equipment and intangible assets			(409,085)	(251,033)
Proceeds from sale of property, plant and equipment and investment property			–	36,000
Net cash from/(used in) investing activities			(1,317,249)	(4,079,025)
Cash flow from financing activities				
Dividend paid	42	230	(261,960)	(523,446)
Net change in debentures and subordinated debt			(1,994,079)	(546,266)
Net cash inflows/(outflows) from financing activities			(2,256,039)	(1,069,712)
Net increase/(decrease) in cash and cash equivalents			774,489	(145,486)
Cash and cash equivalents at the beginning of the year			1,769,083	1,914,569
Cash and cash equivalents at the end of the year			2,543,572	1,769,083
Cash and cash equivalents at the beginning of the year				
Cash at bank and cash in hand	20	198	2,023,974	2,090,509
Bank overdrafts	35	222	(254,891)	(175,940)
			1,769,083	1,914,569
Cash and cash equivalents at the end of the year				
Cash at bank and cash in hand	20	198	3,267,193	2,023,974
Bank overdrafts	35	222	(723,621)	(254,891)
			2,543,572	1,769,083

The Notes to the Financial Statements on pages 175 to 262 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENT

1. 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 2023 – 1,680 (2022 – 1,966).

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.

2. 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 2023 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 28 June 2023.

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 No.
Retirement benefit obligation	Fair value of plan assets less the present value of the defined benefit obligation	38	226
Freehold land	Fair value	27	208
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	21	198
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25	203
Equity investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25	203

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 intents 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

In light of ongoing economic crisis of the country the Company has assessed its going concern and a detailed disclosure of its assessment are provided in the financial statements. In preparing the Financial Statements for the year ended 31 March 2023, the management has assessed the possible effects of the ongoing economic crisis of the country on the businesses of the Company to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company would continue as a going concern. Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Company have adequate resources to continue as a going concern for a foreseeable future. The Company had positive net asset, and positive working capital and cash flow positions for the next twelve months. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis. Please refer Note 51 for more details.

(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. 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 27.1.

(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 44 and Litigations against the Company are disclosed in Note 46.

(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 15 on Income Taxes.

3. Changes in accounting policies

The Company has consistently applied the Accounting Policies as set out in these Financial Statements.

4. Accounting Impact of COVID-19 relief measures

Since March 2020 based on the guidelines issued by Central Bank of Sri Lanka and Company's own initiatives various forms of assistance to customers including debt moratorium were granted. Related adjustments were made in the last year Financial Statements to be in line with the SLFRS 09 and SLFRS 16.

5. Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however, the company has not early adopted the new and amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The company accounts for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the company will recognise a separate deferred tax asset and a deferred tax liability. As at 31 March 2023, the taxable temporary difference in relation to the right-of-use asset is Rs. 783 Mn. (Note 30.1) and the deductible temporary difference in relation to the lease liability is Rs. 832 Mn. (Note 30.2), resulting in a net deferred tax asset of Rs. 15 Mn. (Note 37). Under the amendments, the company will present a separate deferred tax liability of Rs. 234 Mn. and a deferred tax asset of Rs. 249 Mn.

There will be no impact on retained earnings on adoption of the amendments.

B. Other standards

The following new and amended standards are not expected to have a significant impact on the company's financial statements.

- Classification of Liability as Current or Non-current (Amendments to LKAS 1)
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to LKAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16)

6. General accounting policies

6.1 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.

7. 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:

8. 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.	2023 Rs. '000	2022 Rs. '000
Interest income	9.1	180	20,133,427	15,194,413
Fee and commission income	10	181	242,015	311,128
Other operating income	11	182	1,185,752	2,066,613
Total revenue			21,561,194	17,572,154

9. 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.

ACCOUNTING POLICY

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 credit-adjusted 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 12.

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 income and expense on all assets and liabilities measured at fair value

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Interest income	9.1	180	20,133,427	15,194,413
Less: Interest expense	9.2	181	(12,577,015)	(6,156,858)
Net interest income			7,556,412	9,037,555

9.1 Interest income

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Placements with financial institutions			892,693	208,934
Loans and receivables to banks			81,482	96,603
Loans and receivables to customers	9.1.1	181	18,249,957	14,697,345
Other financial investments	9.1.2	181	909,295	191,531
Total interest income			20,133,427	15,194,413

9.1.1 Interest on loans and receivables to customers

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Finance leases	10,058,440	9,934,738
Loans and advances and Stock out on hire	7,769,096	4,199,616
Ijara profit income	341,495	358,580
Murabaha profit income	80,926	204,411
Total interest income from loans and receivables to customers	18,249,957	14,697,345

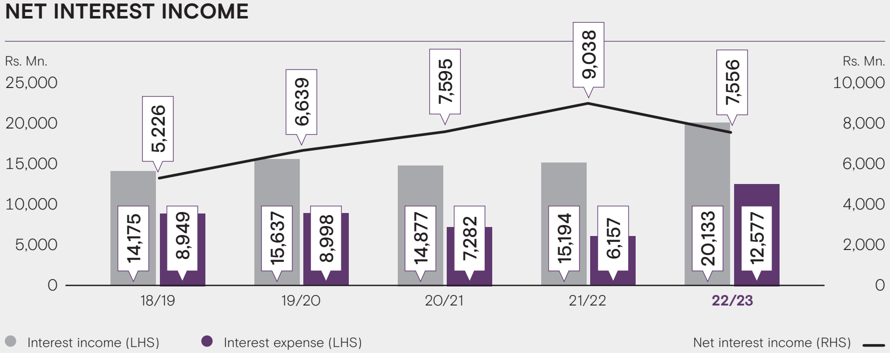
9.1.2 Interest on other financial investments

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Government Treasury Bond investments	174,732	13,196
Government Treasury Bill investments	729,620	166,668
Other investments	4,943	11,667
Total interest income from other financial investments	909,295	191,531

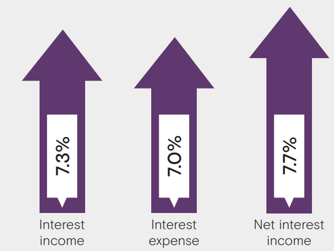
9.2 Interest expense

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Term deposits from customers	8,668,868	3,708,957
Savings deposits from customers	156,201	100,343
Mudharaba investments from customers	202,026	18,188
Debentures	575,945	603,061
Foreign borrowings	856,244	557,602
Other borrowings	2,117,731	1,168,707
Total interest expenses	12,577,015	6,156,858

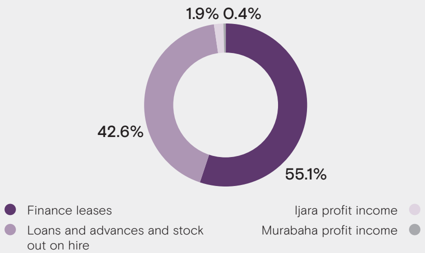
NET INTEREST INCOME



COMPOUND ANNUAL GROWTH RATE (5 YEAR)



INTEREST ON LOANS AND RECEIVABLES TO CUSTOMERS



10. Fee and commission income

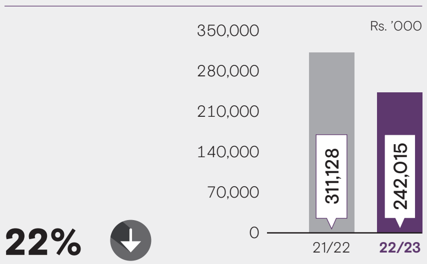
ACCOUNTING POLICY

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.

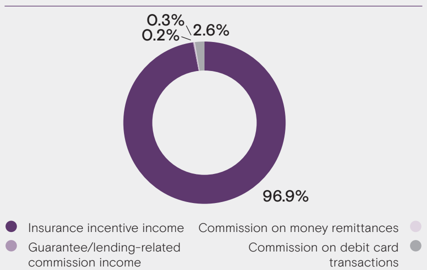
A contract with a customer that results in a recognition of a financial instrument in the Company's Financial Statements may be partially in the scope of SLFRS 9 and SLFRS 15. If this is the case the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Insurance incentive income	234,433	304,376
Guarantee/lending-related commission income	576	919
Commission on money remittances	657	134
Commission on debit card transactions	6,349	5,699
Total fee and commission income	242,015	311,128

FEE AND COMMISSION INCOME



FEES AND COMMISSION INCOME



11. 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.	2023 Rs. '000	2022 Rs. '000
Dividend income from quoted equity investments			35,774	32,852
Other net income from trading portfolio	11.1	182	(3,207)	(1,151)
Profit on sale of fixed assets			18,661	81,572
Other income			765,084	507,378
Income from credit cards			169,733	122,709
Income from early settlement of lending facilities			373,432	1,108,057
Foreign exchange income/(loss)	11.2	182	(173,725)	215,196
Total other operating income			1,185,752	2,066,613

11.1 Other net income from trading portfolio

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Trading income – Treasury Bonds	6,335	9,867
Mark to market adjustment		
Treasury Bonds (Refer Note 21.1)	(9,542)	(11,018)
Total net income from trading portfolio	(3,207)	(1,151)

11.2 Foreign exchange gain/(loss)

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Foreign exchange gain/(loss) on transactions*	(141,875)	(355,073)
Exchange (loss)/gain on foreign borrowings	(31,850)	570,269
Total foreign exchange (loss)/gain	(173,725)	215,196

* Foreign exchange gain/loss on transaction represent exchange differences arising from settlement of monetary items and retranslation of foreign currency denominated monetary items.

12. 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.

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 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 120 days past due (2022 – 150 DPD).

12 months ECLs are the portion of ECLs 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).

ACCOUNTING POLICY

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 No 01 of 2020 issued by the Central Bank of Sri Lanka on 14 February 2020 on classification and measurement of credit facilities, and subsequent amendments, the Company has adopted 120 past due date in the classification of non-performing contract for the 12 month period from 1 April 2021 and the classification of non-performing contract will be done based on 90 DPD with effect from 1 April 2023.

Measurement of ECLs

ECLs 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).

ECLs 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 120 days past due (2022 – 150 DPD);
- 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.

ACCOUNTING POLICY

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.

Assessment of Expected credit losses considering the impact of prevailing economic conditions

In order to factor the impact of prevailing economic conditions and possible increases in ECL, the Company evaluated scenarios by evaluating the sensitivities through worst case situations and adjusted provisions to reflect possible adverse implications.

Expected Credit Losses (ECL) as per SLFRS 9 – “Financial Instruments” and other assets

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Expected credit losses (ECL) loans and receivables to customers				
Finance leases receivables			299,597	818,832
Hiring contracts			6,491	496
Loans and advances			(109,730)	172,494
Total impairment charges on loans and receivables to customers			196,358	991,822
Other financial assets measured at amortised cost	31.1	217	138,082	66,855
Net deficit from disposal of leased assets			215,299	48,777
Impairment of Goodwill	29	215	111,264	87,691
Impairment of investment Property	26	208	150,115	–
Total impairment charges on assets			811,118	1,195,145

Refer Note 24.2 for more details on allowance for impairment and other credit losses.

Refer Note 51.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

13. 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	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Personnel expenses	13.1	184	1,806,530	1,772,596
Premises, equipment and establishment expenses	13.2	185	2,733,087	2,103,505
Other expenses	13.3	185	533,906	536,362
Total operating expense			5,073,523	4,412,463

13.1 Personnel expenses

ACCOUNTING POLICY

Personnel expenses includes salaries and bonus, terminal benefit expenses and other employee related expenses.

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.

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.

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 38. 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.

ACCOUNTING POLICY

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 2,972,454 ordinary voting shares for the period commencing from 1 September 2021 to 1 September 2023. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

Accordingly on 1 September 2021 share options of 891,736 (1.5% of the voting shares) were immediately vested and remained exercisable for a period of three years ending 31 August 2024.

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 recognised an employee cost of Rs. 33 Mn. arising from the above in Financial Statements in the financial year 2022.

Personnel expenses includes the following significant items:

For the year ended 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Salary and bonus			1,366,662	1,339,456
Employees' defined benefit plan service expenses	38	226	5,659	2,500
Contribution to employees' provident fund and trust fund			157,212	138,660
Directors' emoluments			312,847	255,968

13.2 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.

ACCOUNTING POLICY

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	2023 Rs. '000	2022 Rs. '000
Depreciation and amortisation	433,846	438,930
Contribution to deposit insurance scheme of CBSL	83,896	74,363
Legal expense and professional charges	113,749	72,839
Auditor's remuneration		
Audit fees and expenses	6,455	6,727
Audit-related fees and expenses	1,703	2,705
Non-audit services	996	980

13.3 Other expenses

Other expenses includes the following significant items:

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Advertising and communication	297,701	314,453
Activities on corporate social responsibility	37,396	25,384
Interest cost for lease liabilities	107,913	102,027

14. Taxes on financial services GRI 207-1

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%. (2021/22 – 15% – 18%).

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 1 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.

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
VAT on financial services	546,361	496,815
Crop insurance levy (CIL)	16,494	42,929
SSCL on financial services	42,464	–
Total taxes on financial services	605,319	539,744

15. Income tax expense

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.

ACCOUNTING POLICY

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 deferred 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 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	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Current income tax expense	15.2	187	1,185,035	1,430,758
Changes in provision estimates of prior periods	36.1	224	(100,756)	39,634
Deferred tax expense	37.2	225	(216,943)	185,472
Income tax charge for the year			867,336	1,655,864

15.1 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 for second six month of the year of assessment 2022/23. Income tax rate applicable for the financial year 2022 is 24% according to the Inland Revenue Act No. 24 of 2017 and amendment thereto.

15.2 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	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Accounting profit before tax			2,494,219	5,267,944
Tax expenses as per accounting profit			673,479	1,264,307
Tax expenses for the year (dividend at applicable tax rate)			768	4,599
Adjustments				
Tax effect of capital portion of lease rentals			206,826	299,229
Income from non-taxable sources			(14,039)	(46,367)
Tax effect of disallowed expenses			586,271	555,232
Tax effect of deductible expenses and tax losses			(268,270)	(646,243)
Tax on business profit (Based on taxable profit)			1,185,035	1,430,758
Prior period under/(over) provision	36.1	224	(100,756)	39,634
Deferred tax expenses	37.2	225	(216,943)	185,472
Income tax expense			867,336	1,655,864

15.3 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	2023 Rs. '000	2022 Rs. '000
Direct taxes		
DRL/NBT and VAT on financial services	698,603	472,321
Crop insurance levy	18,920	31,531
Surcharge tax	715,053	–
Social security contribution levy	33,521	–
Income tax	1,369,193	1,329,853
Indirect taxes (Collected and paid)		
Value added tax	32,000	32,157
AIT/WHT	88,290	–
Stamp duty	136,467	235,007
PAYE tax	86,987	41,659
Total taxes paid during the financial year	3,179,034	2,142,528

During the current financial year, CDB have settled, the Income Tax assessment for the year of assessment 2018/19 and tax assessments on Debt Repayment Levy, NBT on Financial services and VAT on Financial Services for the year of assessment 2019/20, amounting to Rs. 104,246,996/- and Rs. 231,151,316/- respectively.

15.4 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.

16. 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.

Basic earnings per share

For the year ended 31 March	2023	2022
Amount used as numerator:		
Net profit attributable to equity holders (Rs.)	1,626,883,572	3,612,079,799
Amount used as denominator:		
Weighted average number of ordinary shares	69,856,043	69,798,023*
Basic earnings per ordinary share (Rs.)	23.29	51.75

*63,295 Ordinary shares were listed during the March 2022, 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	2023	2022
Amount used as numerator:		
Net profit attributable to equity holders (Rs.)	1,626,883,572	3,612,079,799
Amount used as denominator:		
Average weighted average number of ordinary shares	71,576,221	70,636,684
Diluted earnings per ordinary share (Rs.)	22.73	51.14

17. 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.

For the year ended 31 March	2023	2022
Gross dividend per share (Rs.)	5.00	3.75
Dividend payout ratio (%)	21.47	7.25

The Board has proposed 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.

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 2023.

18. 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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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 financial liabilities

As at 31 March			2023					
			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
Cash and cash equivalents	20	198			3,267,193			3,267,193
Financial assets measured at FVTPL	21	198	37,041					37,041
Derivative financial assets	32	217	925,656					925,656
Loans and receivables to banks	22	199			1,166,430			1,166,430
Deposits with financial institutions	23	199			7,218,324			7,218,324
Loans and receivables to customers	24	200			76,476,889			76,476,889
Other investment securities	25	203		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								105,165,711
Deposits from customers	33	219					62,875,226	62,875,226
Debt securities issued and subordinated debt	34	220					3,850,182	3,850,182
Other interest-bearing borrowings	35	222					16,610,517	16,610,517
Lease liabilities	30	215					832,102	832,102
Total financial liabilities							84,168,027	84,168,027
Other non-financial liabilities								2,807,463
Total liabilities								86,975,490

As at 31 March			2022					
			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
Cash and cash equivalents	20	198			2,023,974			2,023,974
Financial assets measured at FVTPL	21	198	148,685					148,685
Derivative financial assets	32	217	1,121,320					1,121,320
Loans and receivables to banks	22	199			240,435			240,435
Deposits with financial institutions	23	199			8,292,576			8,292,576
Loans and receivables to customers	24	200			78,725,310			78,725,310
Other investment securities	25	203		2,243,001	4,333,029			6,576,030
Total financial assets			1,270,005	2,243,001	93,615,324			97,128,330
Other non-financial assets								8,291,653
Total assets								105,419,983
Deposits from customers	33	219					52,216,802	52,216,802
Debt securities issued and subordinated debt	34	220					5,726,897	5,726,897
Other interest-bearing borrowings	35	222					24,964,628	24,964,628
Lease liabilities	30	215					802,503	802,503
Total financial liabilities							83,710,830	83,710,830
Other non-financial liabilities								4,061,078
Total liabilities								87,771,908

19. 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.

ACCOUNTING POLICY

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 date from observable markets, then the financial instrument is initially measured at a fair value, adjusted to defer the deference 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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

19.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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

19.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.

19.c Valuation summary

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Assets disclosed at fair value – Fair value hierarchy	19.d	194	6,054,203	5,697,256
Assets not disclosed at fair value – Fair value hierarchy	19.f	196	99,111,508	99,722,727
Total assets			**105,165,711**	105,419,983
Liabilities disclosed at fair value – Fair value hierarchy	19.d	194	–	–
Liabilities not disclosed at fair value – Fair value hierarchy	19.f	196	86,975,490	87,771,908
Total liabilities			**86,975,490**	87,771,908

19.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			2023				2022			
	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 1 Rs. '000	Total Rs. '000
Financial assets										
Financial assets measured at FVTPL	21	198								
– Government securities – Treasury bonds			37,041			37,041	148,685			148,685
Derivative financial assets	32	217		925,656		925,656		1,121,320		1,121,320
Other investment securities measured at FVOCI	25	203								
– Equity instruments – Quoted shares			1,874,446			1,874,446	1,681,150			1,681,150
– Equity Instruments – Unquoted shares					124	124			124	124
– Debt instruments – Treasury bonds			1,032,686			1,032,686	561,727			561,727
Total financial assets disclosed at fair value			2,944,173	925,656	124	3,869,953	2,391,562	1,121,320	124	3,513,006
Other non-financial assets										
Property, plant and equipment – Freehold land	27	208			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			2,944,173	925,656	2,184,374	6,054,203	2,391,562	1,121,320	2,184,374	5,697,256

19.e Level 3 fair value measurements

19.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 2021	1,900,174
Purchases/additions	–
Disposals during the year	–
Revaluation surplus	284,076
Balance as at 31 March 2022	2,184,250
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

19.e.ii Unobservable inputs used in measuring fair value

Refer Note 27.1 for information about significant unobservable inputs used in 31 March 2023 to measure the fair value of freehold lands categorised under Level 3 in the fair value hierarchy.

19.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
2023	21,843	(21,843)
2022	21,843	(21,843)

19.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 are given in Note 27.1.

19.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			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	20	198	3,267,193	–	–	3,267,193	3,267,193
Loans and receivables to banks	22	199	–	–	1,166,430	1,166,430	1,166,430
Deposits with financial institutions	23	199	–	–	7,218,324	7,218,324	7,102,268
Loans and receivables to customers	24	200	–	–	76,476,889	76,476,889	69,394,275
Other investment securities	25	203					
– 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
Total assets not disclosed at fair value			7,425,970	–	85,315,703	99,111,508	91,894,739
Liabilities							
Deposits from customers	33	219	–	–	62,875,226	62,875,226	62,793,143
Debt securities issued and subordinated debt	34	220	–	–	3,850,182	3,850,182	3,850,182
Other interest-bearing borrowings	35	222	–	–	16,610,517	16,610,517	16,610,517
Lease liabilities			–	–	832,102	832,102	832,102
Other liabilities			–	–	–	2,807,463	2,807,463
Total liabilities not disclosed at fair value			–	–	84,168,027	86,975,490	86,893,407

As at 31 March			2022				
	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	20	198	2,023,974	–	–	2,023,974	2,023,974
Loans and receivables to banks	22	199	–	–	240,435	240,435	242,988
Deposits with financial institutions	23	199	–	–	8,292,576	8,292,576	8,388,764
Loans and receivables to customers	24	200	–	–	78,725,310	78,725,310	80,235,255
Other investment securities	25	203					
– Treasury bills			4,263,197	–	–	4,263,197	4,241,659
– Treasury bonds			44,665	–	–	44,665	44,037
– Unit trusts			–	–	25,167	25,167	25,167
Other assets			–	–	–	6,107,402	6,107,402
Total assets not disclosed at fair value			6,331,836	–	87,283,488	99,722,726	101,309,246
Liabilities							
Deposits from customers	33	219	–	–	52,216,802	52,216,802	50,756,882
Debt securities issued and subordinated debt	34	220	–	–	5,726,897	5,726,897	5,726,897
Other interest-bearing borrowings	35	222	–	–	24,709,737	24,709,737	24,709,737
Lease liabilities			–	–	802,503	802,503	802,503
Other liabilities			–	–	–	4,315,969	4,315,969
Total liabilities not disclosed at fair value			–	–	83,455,939	87,771,908	86,311,988

19.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.

Asset/Liability	Methodology and assumptions
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.
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.
Other interest-bearing borrowings	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

20. 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	2023 Rs. '000	2022 Rs. '000
Local currency in hand	966,981	882,591
Foreign currency in hand	114,309	34,951
Demand/savings deposit balances with Banks	2,185,903	1,106,432
Total cash and cash equivalents	**3,267,193**	2,023,974

Maturity analysis of cash and cash equivalents is given in Note 49.

21. 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 18.

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Government securities	21.1	199	37,041	148,685
Total financial assets measured at FVTPL			37,041	148,685

Maturity analysis of financial assets measured at FVTPL is given in Note 49.

21.1 Government securities

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Amortised cost			46,583	159,703
Gain from mark to market valuation	11.1	182	(9,542)	(11,018)
Fair value			37,041	148,685

* Government securities include treasury bonds.

22. 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 is given in Note 18.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Securities purchased under resale agreements – Treasury Bills	1,166,430	240,435
Less: Allowance for expected credit losses	–	–
Net loans and receivables to banks	1,166,430	240,435

No expected credit losses (ECL) were recognised for Government securities since those are rated as risk free investments.

Maturity analysis of loans and receivables to banks is given in Note 49.

23. 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 is given in Note 18.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Term deposits with financial institutions	7,247,083	8,321,335
Less: Allowance for expected credit losses	(28,759)	(28,759)
Total deposits with financial institutions	7,218,324	8,292,576

Maturity analysis of deposits with financial institutions is given in Note 49.

24. 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 12 for impairment policy based on expected credit losses (ECL).

Classification of financial assets is given in Note 18.

Loans and receivables from customers are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Gross loans and receivables to customers			81,406,204	83,458,267
Less: Allowance for impairment and other credit losses	24.2	201	(4,929,315)	(4,732,957)
Net loans and receivables to customers	24.1	200	76,476,889	78,725,310

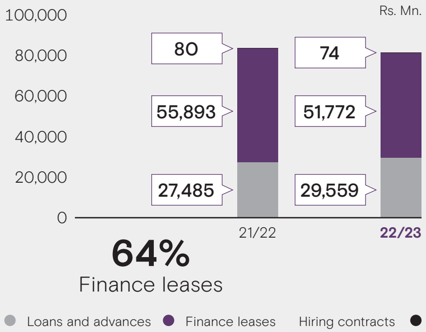
Maturity analysis of loans and receivables from customers is given in Note 49 and pre terminations may cause actual maturities differ from contractual maturities.

24.1 Analysis

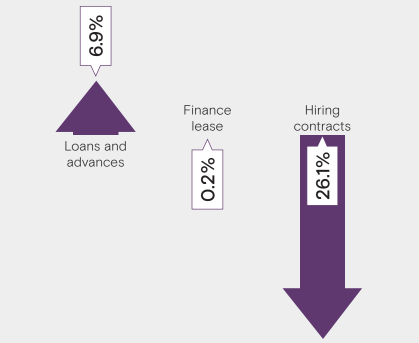
Product-wise analysis

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Loans and advances to customers	24.1.1	201	29,559,366	27,484,911
Finance lease receivables	24.1.2	201	51,772,443	55,893,015
Hiring contracts	24.1.3	201	74,395	80,341
Gross loans and receivables to customers			81,406,204	83,458,267
Less: Allowance for impairment and other credit losses	24.2	201	(4,929,315)	(4,732,957)
Net loans and advances to customers			76,476,889	78,725,310

PRODUCT-WISE ANALYSIS OF LOAN PORTFOLIO



COMPOUND ANNUAL GROWTH RATE (5 YEAR)



Further analysis on loans and receivables to customers is given in Note 51 (Financial Risk Management).

24.1.1 Loans and advances to customers

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Short-term loans			2,112,020	2,411,213
Term and vehicle loans			9,830,646	12,917,205
Staff loans			539,040	504,959
Gold-related lending			15,789,950	10,773,585
Credit card			1,287,710	877,949
Gross loans and advances to customers			29,559,366	27,484,911
Less: Allowance for impairment and other credit losses	24.2	201	(768,975)	(878,705)
Net loans and advances to customers			28,790,391	26,606,206

24.1.2 Finance lease receivable

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Gross investment in finance leases				
Receivable within one year			24,952,060	26,670,464
Receivable after one year before five years			44,889,882	45,591,084
Receivable after five years			936,159	1,140,280
Total finance lease receivables			70,778,101	73,401,828
Unearned finance income			(19,005,658)	(17,508,813)
Gross finance lease receivables			51,772,443	55,893,015
Less: Allowance for impairment and other credit losses	24.2	201	(4,132,533)	(3,832,936)
Net finance lease receivables			47,639,910	52,060,079

24.1.3 Hiring contracts

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Gross investment in hiring contracts			74,395	80,341
Less: Allowance for impairment and other credit losses	24.2	201	(27,807)	(21,316)
Net investment in hiring contracts			46,588	59,025

24.2 Allowance for impairment and other credit losses

Provision for Expected Credit Losses (ECL) as per SLFRS 9 – "Financial Instruments"

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

As at 31 March	2022			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	706,211	3,014,104	20,820	3,741,135
Charge/(reversal) for the year	172,494	818,832	496	991,822
Balance as at the end of the year	878,705	3,832,936	21,316	4,732,957

Refer Note 51.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

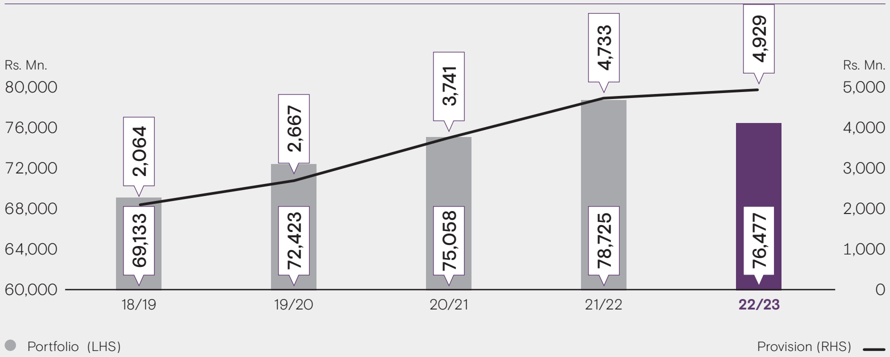
Movements in allowance for expected credit losses (stage transition)

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

As at 31 March	2022			
	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	394,184	560,481	2,786,470	3,741,135
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,685)	32,271	4,414	–
Transferred from lifetime ECL not credit-impaired	199,056	(231,914)	32,858	–
Transferred from lifetime ECL credit-impaired	256,463	162,976	(419,439)	–
Net remeasurement of loss allowance	522,013	178,275	291,534	991,822
Balance as at the end of the year	1,335,031	702,089	2,695,837	4,732,957

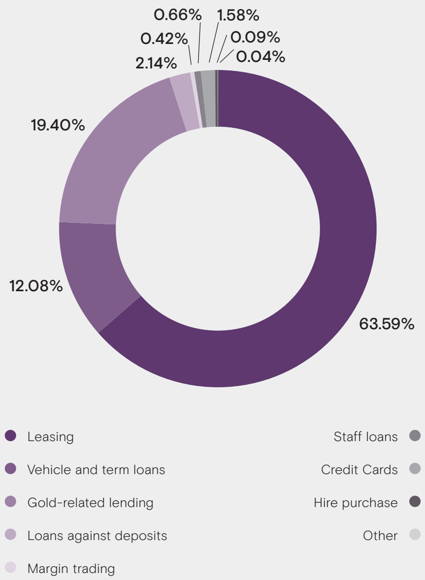
24.3 Allowance for impairment against loan portfolio

ALLOWANCE FOR IMPAIRMENT AGAINST LOAN PORTFOLIO

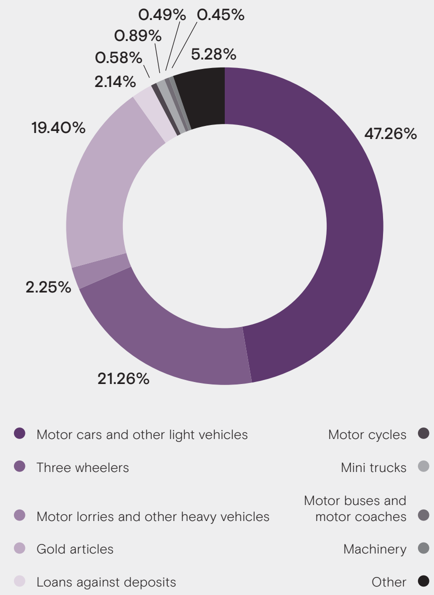


24.4 Analysis of loans and receivables to customers

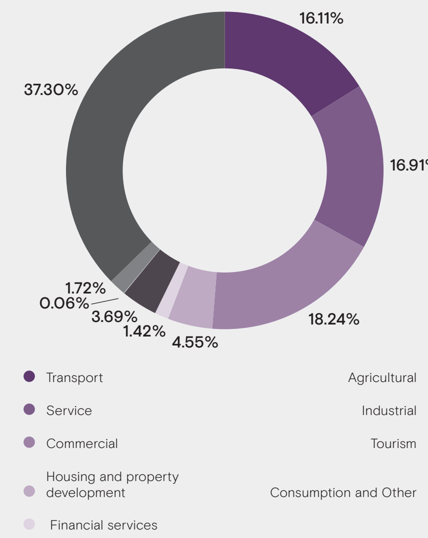
PRODUCT CONCENTRATION



ASSET CONCENTRATION



SECTOR CONCENTRATION



25. 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.

ACCOUNTING POLICY

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 12 for further details on ECL policy.

ACCOUNTING 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 revenue using the effective interest method
- ECL 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 18.

No impairment loss is recognised on equity investments classified quoted under FVOCI.

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Debt investments measured at amortised cost	25.1	204	4,612,713	4,333,029
Debt investments measured at FVOCI	25.2	204	1,032,686	561,727
Unquoted equity investments measured at FVOCI	25.3	205	124	124
Quoted equity investments measured at FVOCI	25.4	206	1,874,445	1,681,150
Total other investment securities			7,519,968	6,576,030

Maturity analysis of other investment securities is given in Note 49.

25.1 Debt investments measured at amortised cost

As at 31 March	2023 Rs. '000	2022 Rs. '000
Treasury Bills	4,158,653	4,263,197
Treasury Bonds	–	44,665
Unit trusts	454,060	25,167
Debt investments measured at amortised cost	4,612,713	4,333,029

25.2 Debt investments measured at FVOCI

As at 31 March	2023 Rs. '000	2022 Rs. '000
Treasury Bonds	1,032,686	561,727
Debt investments measured at FVOCI	1,032,686	561,727

25.3 Unquoted equity investments measured as at FVOCI

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	–	–
Credit Information Bureau of Sri Lanka (CRIB)	100	124	124	124	124
Total unquoted equity investments			24,789	124	124

As at 31 March	2022				
	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
Total unquoted equity investments			24,789	124	124

*These unquoted investments were fully impaired

25.4 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	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

As at 31 March		2022				
	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
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	682,464	2,300	1,569,667	1,423,625	146,042
Pan Asia Banking Corporation PLC – Voting	Bank, Finance and Insurance	150,000	11	1,620	2,100	(480)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	75,000	46	3,435	4,035	(600)
Vallibel One PLC – Voting	Bank, Finance and Insurance	100,000	40	4,020	7,786	(3,766)
Hemas Holdings PLC - Voting	Diversified Holdings	83,134	46	3,841	6,464	(2,623)
Sunshine Holdings PLC - Voting	Diversified Holdings	60,000	37	2,196	3,112	(916)
Hayleys PLC - Voting	Diversified Holdings	50,000	77	3,845	6,167	(2,322)
Expolanka Holdings PLC – Voting	Diversified Holdings	100,000	208	20,775	29,578	(8,803)
CIC Holdings PLC – Voting	Manufacturing	215,533	38	8,212	11,778	(3,566)
CIC Holdings PLC – Non Voting	Manufacturing	176,956	25	4,424	8,000	(3,576)
Ceylon Grain Elevators PLC – Voting	Manufacturing	44,998	61	2,745	6,438	(3,694)
Royal Ceramics Lanka PLC – Voting	Manufacturing	85,000	41	3,460	4,811	(1,351)
ACL Cables PLC – Voting	Manufacturing	144,684	57	8,247	15,067	(6,820)
Dipped Products PLC – Voting	Manufacturing	116,610	33	3,790	6,621	(2,831)
Tokyo Cement Company (Lanka) PLC – Non-voting	Manufacturing	200,198	26	5,265	14,395	(9,130)
Tokyo Cement Company (Lanka) PLC – Voting	Manufacturing	411,450	34	13,948	29,061	(15,113)
Haycarb PLC – Voting	Manufacturing	263,990	50	13,252	26,811	(13,559)
Hayleys Fabric PLC - Voting	Manufacturing	100,000	29	2,910	3,650	(740)
Ex-pack Corrugated Cartons PLC - Voting	Manufacturing	100,000	10	990	1,805	(815)
Overseas Realty (Ceylon) PLC – Voting	Land and property	27,007	16	421	419	2
Lion Brewery PLC – Voting	Beverage, food and tobacco	451	525	237	141	96
Lanka IOC PLC - Voting	Energy	125,000	31	3,850	8,231	(4,381)
Total equity investments				1,681,150	1,620,095	61,054

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. 96 Mn. from the disposal of investments has been transferred to retain earnings as disclosed in the changes in equity.

26. 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	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	–	20,198
Acquisitions during the year	685,115	–
Disposals during the year	–	(20,198)
Balance as at the end of the year	685,115	–
Less: Provision for impairment	(150,115)	–
Balance as at the end of the year	535,000	–

Investment property comprises land acquired by the Company and held for capital appreciation purpose. The Company has sold its investment property during the financial year 2022 for consideration of Rs. 36 Mn. and resulting a disposal profit of Rs 14.7 Mn. has been recognised in the profit or loss.

In the financial year 2023 the Company acquired investment property situated at No. 79/81, Colombo Street, Kandy. This investment property comprises land and buildings and held for capital appreciation purpose.

27. 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.

ACCOUNTING POLICY

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 27.1.

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.

ACCOUNTING POLICY

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 reach 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 Sri Lanka Accounting Standard 23.

(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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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 2022	2,184,251	655,133	947,926	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	**2,184,251**	**819,767**	**1,051,140**	**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	**2,184,251**	**683,584**	**173,808**	**108,565**	**59,244**	**114,622**	**57,991**	**3,382,065**

	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 2021	1,900,175	655,133	929,723	641,762	260,404	275,418	68,476	4,731,091
Additions during the year	–	–	18,203	31,948	17,870	80,039	58,465	206,525
Revaluation during the year	284,076	–	–	–	–	–	–	284,076
Balance as at 31 March 2022	2,184,251	655,133	947,926	673,710	278,274	355,457	126,941	5,221,692
Accumulated depreciation								
Balance as at 1 April 2021	–	103,084	712,294	452,109	222,465	150,801	–	1,640,753
Charged during the year	–	16,378	88,465	72,973	11,774	39,359	–	228,949
Disposal during the year	–	–	–	–	–	–	–	–
Balance as at 31 March 2022	–	119,462	800,759	525,082	234,239	190,160	–	1,869,702
Carrying value								
Balance as at 31 March 2022	2,184,251	535,671	147,167	148,628	44,035	165,297	126,941	3,351,990

Maturity Analysis of property, plant and equipment is given in Note 49.

27.1 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 2023	Extent (Perches)	Date of valuation	Rs. '000
Land – No. 123, Orabipasha Mawatha, Colombo 10	85.2	Saturday, 23 April 2022	979,800
Land – No. 40, Sri Sangaraja Mawatha, Colombo 10	4	Wednesday, 27 April 2022	44,000
Land – No. 377/2, Kandy Road, Mahara, Kadawatha	39	Saturday, 23 April 2022	136,500
Land – No. 79, Mihindu Mawatha, Kadawatha	76	Saturday, 23 April 2022	114,000
Land – Madapatha, Piliyandala Lot 1A	11.85	Tuesday, 26 April 2022	14,220
Land – Madapatha, Piliyandala Lot X	11	Tuesday, 26 April 2022	10,450
Land – No. 119, Galle Road, Moratuwa	5.2	Tuesday, 17 May 2022	20,800
Land – No. 79, Colombo Road, Kurunegala – Front	23	Sunday, 15 May 2022	218,500
Land – No. 79, Colombo Road, Kurunegala – Rear	2.1	Sunday, 15 May 2022	7,980
Land – No. 63, Ananda Coomaraswamy Mawatha, Colombo 03	29	Thursday, 28 April 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.

27.2 Cost of the revalued properties

Property as at 31 March 2023	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 03	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 2023.

27.3 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.

27.4 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.

27.5 Fully depreciated property, plant and equipment

The Company is having Rs. 326 Mn. fully depreciated assets available within the Company as at the reporting date.

27.6 Temporary idle property, plant and equipment

There were no any temporary idle property, plant and equipment as at the reporting date.

27.7 Property, plant and equipment retired from active use

There were no property plant and equipment retired from active use as at the reporting date.

27.8 Borrowing cost

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

27.9 Number of buildings in lands held by the Company

There are five 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

27.10 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 2023.

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 it is 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	2023 Rs. '000	2022 Rs. '000
Cost		
Balance as at the beginning of the year	318,072	273,565
Additions during the year	158,586	44,507
Disposals during the year	–	–
Balance as at the end of the year	476,658	318,072
Accumulated amortisation		
Balance as at the beginning of the year	181,994	157,089
Charge during the year	28,973	24,905
Disposals during the year	–	–
Balance as at the end of the year	210,967	181,994
Carrying value		
Balance as at the end of the year	265,691	136,078

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 49.

29. Goodwill on amalgamation

ACCOUNTING POLICY

Goodwill on amalgamation

The results of amalgamation of three 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.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	156,489	244,180
Additions during the year	–	-
Disposal during the year	–	-
Write-off during the year	(111,264)	(87,691)
Balance as at the end of the year	45,225	156,489

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. 111 Mn. recognised during 2022/23 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. 239 Mn. and discount rate of 30%)

30. 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.

ACCOUNTING POLICY

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.

30.1 Right-of-use assets movement during the year

As at 31 March	2023 Rs. '000	2022 Rs. '000
Right-of-use asset		
Balance as at 1 April	1,289,447	1,132,893
Additions and improvements during the year	198,611	156,554
Disposals during the year	–	–
Balance as at 31 March	1,488,058	1,289,447
Accumulated depreciation		
Balance as at 1 April	520,967	335,892
Charge during the year	184,558	185,075
Balance as at 31 March	705,525	520,967
Carrying value		
Balance as at 31 March	782,533	768,480

30.2 Lease liabilities movement during the year

As at 31 March	2023 Rs. '000	2022 Rs. '000
Lease liabilities		
Balance as at 1 April	802,503	810,682
Additions and improvements during the year	157,591	114,442
Disposals during the year	–	–
Accretion of interest during the year	107,913	102,027
Payments during the year	(235,905)	(224,648)
Balance as at 31 March	832,102	802,503

30.3 Amounts recognised in profit or loss

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Depreciation of right-of-use assets	184,558	185,075
Interest on lease liabilities	107,913	102,027
Total cost recognised in profit or loss	292,471	287,102

30.4 Amounts recognised in statement of cash flows

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Total cash outflow for leases	(235,905)	(224,648)

30.5 Maturity analysis – Contractual undiscounted cash flows

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Less than one year	223,501	240,384
Between one and five years	705,589	667,611
More than five years	327,343	374,312
Total undiscounted cash flows	1,256,433	1,282,307

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 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	Page	2023 Rs. '000	2022 Rs. '000
Insurance premium receivable and capitalised charges			2,316,164	2,755,306
Insurance referral income receivable			58,449	80,182
Unamortised cost on staff loans			117,526	111,587
Gift stock			7,715	8,293
Other stocks			464,156	264,153
Other receivables and advances			471,936	336,769
Gross other assets			3,435,946	3,556,290
Less: Allowance for impairment	31.1	217	(223,563)	(85,481)
Net other assets			3,212,383	3,470,809

Maturity analysis of other assets is given in Note 49.

31.1 Allowance for impairment

As at 31 March	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	85,481	47,124
Provision for impairment	138,082	38,357
Balance as at the end of the year	223,563	85,481

32. Derivative financial assets

ACCOUNTING POLICY

Derivative contract is a financial instrument or other contract with all three of the following characteristics.

(a) 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").

(b) 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.

(c) 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.

ACCOUNTING POLICY

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.

ACCOUNTING POLICY

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	2023 Rs. '000	2022 Rs. '000
Forward exchange contracts – Financial Liabilities	–	–
Forward exchange contracts – Financial Assets	925,656	1,121,320

Maturity analysis of derivative financial instruments is given in Note 49.

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) in the financial year 2022 and these are designated as Cash Flow Hedges.

Refer Note 35.2 for more details on foreign borrowings.

Hedging Instrument	Line item in the statement of financial position	Note	Page No.	As at 31 March 2023 Carrying amount Rs. '000	As at 31 March 2023 Amount set off/ charged in the income statement Rs. '000
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	Other interest bearing borrowings	35.2	223	2,098,685	795,536
Impact on Income Statement					
Amortisation of hedge reserve					27,416

Hedging Instrument	Line item in the statement of financial position	Note	Page No.	As at 31 March 2022 Carrying amount Rs. '000	As at 31 March 2022 Amount set off/ charged in the income statement Rs. '000
Hedge of foreign exchange risk arising from foreign currency denominated long term liabilities using currency SWAP	Derivative Financial Asset			1,121,320	(1,237,500)
Hedge Item					
Foreign currency borrowings	Other interest bearing borrowings	35.2	223	3,711,268	1,237,500
Impact on Income statement					
Amortisation of hedge reserve					29,578

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	2023 Rs. '000	2022 Rs. '000
Term deposits	58,256,266	48,843,572
Savings deposits	2,730,101	3,004,145
Mudharabah	1,888,859	369,085
Total deposits from customers	62,875,226	52,216,802

Maturity analysis of deposits from customers is given in Note 49 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 –

a. Deposit liabilities to member institutions
b. 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.	2023 Rs. '000	2022 Rs. '000
Listed debentures	34.1	220	2,062,686	4,056,765
Subordinated debt			1,787,496	1,670,132
Total debt securities issued			**3,850,182**	5,726,897

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 2023. (2022 – Nil)

Maturity analysis of debt securities issued is given in Note 49

34.1 Details of listed debentures issued

Debenture issue – 2018

Initial issue of ten million (10,000,000) Subordinated, Listed, Rated (BB+(lka); RWN), Unsecured, Redeemable debentures at a price of Rs. 100/- each with an option to issue up to a further ten million (10,000,000) debentures in the event of an oversubscription of the initial issue.

Debenture issue – 2019 January

Five million (5,000,000) Subordinated, Listed, Rated (BB+(lka); RWN), 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 [BB+(lka); RWN] 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.

Description	Face value Rs. '000	Amortised cost 2023 Rs. '000	Amortised cost 2022 Rs. '000	Allotment date	Maturity date	Term (Years)	Interest rate %	Repayment term
Issued in 2018								
Type A	1,066,990	–	1,067,765	28 March 2018	27 March 2023	5	13.75	Semi-annually
Type B	933,010	–	933,722	28 March 2018	27 March 2023	5	14.20	Annually
	2,000,000	–	2,001,487					
Issued in 2019								
Type A	259,180	265,933	263,497	31 January 2019	30 January 2024	5	15.00	Semi-annually
Type B	668,590	686,526	680,267	31 January 2019	30 January 2024	5	15.50	Annually
	927,770	952,459	943,764					
Issued in 2019 (December)								
Type A	387,900	400,258	400,661	10 December 2019	9 December 2024	5	13.43	Semi-annually
Type B	687,300	709,969	710,853	10 December 2019	9 December 2024	5	13.88	Annually
	1,075,200	1,110,227	1,111,514					
Total debt securities issued		2,062,686	4,056,765					

34.2 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs. ('000)	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. ('000) (A)	Total proceeds %	Amounts utilised in Rs. ('000) (B)	Utilisation against allocation (B/A) %
Issued in 2018						
Supporting the general business growth opportunities of the Company	2,000,000	Within the next 12 months from the date of allotment	2,000,000	100	2,000,000	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						
Issued in 2019 (January)						
Supporting the general business growth opportunities of the Company	927,770	Within the next 12 months from the date of allotment	927,770	100	927,770	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						
Issued in 2019 (December)						
Supporting the general business growth opportunities of the Company	1,075,200	Within the next 12 months from the date of allotment	1,075,200	100	1,075,200	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						

35. Other interest-bearing borrowings

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.	2023 Rs. '000	2022 Rs. '000
Due to banks	35.1	222	11,662,312	16,758,507
Due to foreign institutional lenders	35.2	223	4,224,584	7,751,544
Securitisation	35.3	223	–	199,686
Bank overdraft			723,621	254,891
Total other interest-bearing borrowings			**16,610,517**	24,964,628

Maturity analysis of other interest – bearing borrowings is given in Note 49.

35.1 Due to banks

As at 31 March	Term	Tenure (Months)	Loan obtained	2023 Rs. '000	2022 Rs. '000
DFCC Bank PLC – Term Loan 1	Floating	48	500,000	–	12,580
DFCC Bank PLC – Term Loan 2	Floating	60	750,000	512,697	672,836
DFCC Bank PLC – Short Term Loan	Fixed	3	100,000	100,326	–
Hatton National Bank PLC – Term Loan 5	Floating	36	1,000,000	–	156,056
Hatton National Bank PLC – Term Loan 6	Floating	48	1,500,000	470,844	904,734
Hatton National Bank PLC – Term Loan 7	Floating	48	1,500,000	909,850	1,302,552
Hatton National Bank PLC – Term Loan 8	Fixed	12	1,500,000	1,464,048	1,452,020
Hatton National Bank PLC – Short Term Loan 1	Floating	3	300,000	–	301,805
Hatton National Bank PLC – Short Term Loan 2	Fixed	3	500,000	511,807	–
Hatton National Bank PLC – Short Term Loan 3	Fixed	3	1,000,000	1,002,830	
Hatton National Bank PLC – Short Term Loan 4	Fixed	1	500,000	500,283	
National Savings Bank – Term Loan 2	Floating	36	500,000	–	152,783
Nations Trust Bank PLC – Term Loan 2	Floating	36	750,000	–	118,159
Nations Trust Bank PLC – Term Loan 4	Floating	36	1,000,000	667,234	996,446

As at 31 March	Term	Tenure (Months)	Loan obtained	2023 Rs. '000	2022 Rs. '000
Nations Trust Bank PLC – Short Term Loan	Fixed	02	200,000	200,640	201,007
Sampath Bank PLC – Term Loan 2	Floating	48	1,500,000	–	306,009
Sampath Bank PLC – Term Loan 3	Floating	48	1,000,000	–	315,640
Sampath Bank PLC – Term Loan 4	Floating	48	500,000	378,034	500,000
Seylan Bank PLC – Term Loan 4	Floating	60	500,000	–	112,061
Seylan Bank PLC – Term Loan 5	Floating	60	1,000,000	100,188	323,040
Seylan Bank PLC – Term Loan 6	Floating	60	400,000	66,744	206,735
Seylan Bank PLC – Term Loan 7	Floating	60	1,500,000	477,475	864,787
Seylan Bank PLC – Term Loan 8	Fixed	48	1,500,000	84,088	446,366
Seylan Bank PLC – Term Loan 9	Fixed	48	1,500,000	1,031,982	1,417,450
National Development Bank PLC – Term Loan 2	Floating	60	1,000,000	612,805	891,782
National Development Bank PLC – Term Loan 3	Fixed	60	1,000,000	–	960,901
National Development Bank PLC – Term Loan 4	Fixed	48	1,500,000	1,002,267	1,604,874
National Development Bank PLC – Term Loan 5	Fixed	24	2,534,375	1,066,580	2,537,884
National Development Bank PLC – Short Term Loan	Fixed	03	500,000	501,591	–
Total due to banks				**11,662,312**	16,758,507

35.2 Due to foreign institutional lenders

As at 31 March	Term	Tenure (Months)	Loan obtained Rs. '000	2023 Rs. '000	2022 Rs. '000
Belgian Investment Company for Developing Countries (BIO)	Fixed	60	1,597,500	–	324,077
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V. (FMO)	Floating	60	4,562,500	2,098,685	3,711,268
BlueOrchard Microfinance Fund	Floating	60	4,487,500	2,125,899	3,716,199
Total due to foreign institutional lenders			10,647,500	**4,224,584**	7,751,544

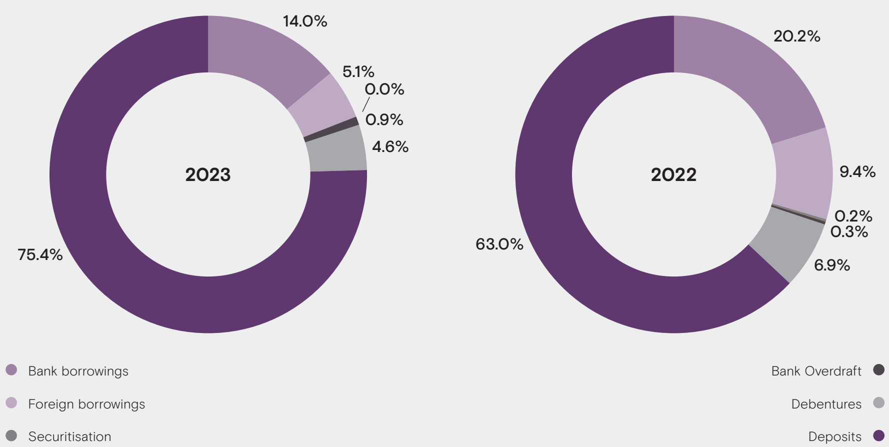
35.3 Securitisation

Details of securitisation as at 31 March 2022 is as follows:

Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2022 Rs. '000	Security
D29	750,000	28	HNB	199,686	Mortgage over lease and hire purchase receivables
Total securitisation				199,686	

35.4 Analysis of interest-bearing funding mix

PRODUCT CONCENTRATION



36. 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 15 for more details on taxation.

The Company is subject to income taxes and other taxes including VAT on financial services.

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
VAT on financial services			129,920	187,835
Withholding tax payable			42,066	196
Provision for income tax	36.1	224	844,068	1,128,982
Other taxes on financial services			37,936	83,519
Total current tax liabilities			1,053,990	1,400,532

Maturity analysis of current tax liabilities is given in Note 49.

36.1 Provision for income tax

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year			1,128,982	988,442
Current tax for the year	15	186	1,185,035	1,430,758
Over provision in respect of prior years	15	186	(100,756)	39,634
Self-assessment payment of tax			(1,369,193)	(1,329,852)
Balance as at the end of the year			844,068	1,128,982

37. Deferred 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.

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 15 for more details on taxation.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Deferred tax liabilities	590,268	695,761
Deferred tax assets	(186,367)	(65,651)
Total net deferred tax liabilities	403,901	630,110

Net deferred tax assets/liabilities of one entity cannot be set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets/liabilities of different entities are separately recognised in the Statement of Financial Position.

Maturity analysis of deferred tax asset/liabilities are given in Note 49.

37.1 Summary of net deferred tax liability

As at 31 March	2023		2022	
	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	415,326	124,598	574,661	137,919
Accelerated depreciation for tax purposes – leased assets	469,380	140,814	1,238,078	297,139
Deferred tax on revaluation surplus	1,082,852	324,856	1,086,261	260,703
Deferred tax assets on:				
Right-of-use assets	(49,569)	(14,872)	(34,023)	(8,166)
Expected credit losses on loans and receivables from customers*	(326,925)	(98,077)	(239,520)	(57,485)
Fair Value adjustment – Treasury Bond	(244,727)	(73,418)	–	–
Net deferred tax liability	1,346,337	403,902	2,625,457	630,110

37.2 Movement of net deferred tax liability

As at 31 March	2023			2022		
	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	630,110	–	–	376,460	–	–
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	(13,321)	(13,321)	–	(17,841)	(17,841)	–
Accelerated depreciation for tax purposes – Leased assets	(156,325)	(156,325)	–	268,964	268,964	–
Right-of-use assets	(6,705)	(6,705)	–	(8,166)	(8,166)	–
Expected credit losses on loans and receivables from customers	(40,592)	(40,592)	–	(57,485)	(57,485)	–
Change in deferred tax on revaluation	–	–	–	68,178	–	68,178
Fair value adjustment – Treasury bond	(73,418)	–	(73,418)	–	–	–
Change in deferred tax on revaluation due to rate change	64,153	–	64,153	–	–	–
Total effect on total comprehensive income	(226,208)	(216,943)	(9,265)	253,650	185,472	68,178
Net deferred tax liability as at 31 March	403,901			630,110		

***Expected credit losses on loans and receivables from customers**

As per the Subsection (2) and (3) of Section 66 of the Inland Revenue (Amendment) Act No. 10 of 2021, no specific provision shall be deducted for impairment charges of Stage 1 and 2 credit facilities classified as per the Sri Lanka Accounting Standards (SLFRS 9).

As per the above provision, we have claimed only the impairment charges of Stage 3 credit facilities as allowable expense in the calculation of current tax expense for the year 2022/23. Accordingly, deferred tax asset of Rs. 98 Mn. has been recognised in the Financial Statement for the year 2022/23 based on historical stage transfer rate from stage 1 and 2 to stage 3. As a result there was an unrecognised deferred tax asset of Rs. 515 Mn. for the financial year 2023.

Change of the Income tax rate from 24% to 30%

The Company applied the revised income tax rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the deferred tax assets/liabilities as at 31 March 2023. Accordingly, the net deferred tax liability was increased by Rs. 80 Mn.

38. Retirement benefit obligation GRI 201-3

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 13.1 for Company's policy on retirement benefit obligation.

As at 31 March	2023			2022		
	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	798,568	1,206,375	(407,807)	837,788	828,690	9,098
Recognised in profit or loss						
Current service cost	66,830	–	66,830	60,890	–	60,890
Past service cost	–	–	–	(59,072)	–	(59,072)
Interest cost/income	119,785	180,956	(61,171)	62,834	62,152	682
	186,615	180,956	5,659	64,652	62,152	2,500
Recognised in other comprehensive income						
Actuarial gain/loss	(7,818)	(108,653)	100,835	(88,689)	230,716	(319,405)
	(7,818)	(108,653)	100,835	(88,689)	230,716	(319,405)
Others						
Contributions made during the year	–	30,000	(30,000)	–	100,000	(100,000)
Benefits paid by the plan asset	(22,145)	(22,145)	–	(15,183)	(15,183)	–
Total net defined benefit obligation as at end of the year	955,220	1,286,533	(331,313)	798,568	1,206,375	(407,807)

Maturity analysis of retirement benefit obligation is given in Note 49.

38.1 Plan assets

Plan assets comprise the followings and all equity investments are quoted:

As at 31 March	2023 Rs. '000	2022 Rs. '000
Cash and cash equivalents	4,593	13,223
Quoted equity securities	499,718	506,301
Term deposits	535,806	546,070
Other financial assets	246,416	140,781
Total plan assets	**1,286,533**	1,206,375

38.2 Actuarial valuation

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2023 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".

38.3 Asset ceiling

As per LKAS 19 – "Employee Benefits" if a plan is in surplus, recognised 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 2023.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 13% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

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:

Assumption	Change	Adjusted present value of net defined benefit liability	Net effect on present value of defined benefit liability
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.

Actuarial assumptions

Assumption	Description		2023	2022
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	Permanent	6%	6%
		Contract	54%	54%
Normal retirement age	Age at which an employee normally retires		60 years	60 years
Duration	Weighted average duration of defined benefit obligation		8.2 Years	8.17 Years
Financial assumptions				
Discount rate	Determined based on the long-term Government Bond rate and expected inflation in long-term		18%	15%
Future salary growth	Normal annual salary increment rate per employee was considered		13%	10%

Expected benefits to be paid out in future years

As at 31 March	2023 Rs. '000	2022 Rs. '000
Within next year	63,305	52,478
Between 2 and 5 years	402,255	350,882
Beyond 5 years	489,660	395,208
Total benefits	**955,220**	798,568

39. 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	2023 Rs. '000	2022 Rs. '000
Accrued expenses	170,653	244,569
Supplier payable	258,863	391,456
Insurance premium payable	310,244	326,560
Rentals received in advance from loans and advances to customers	368,047	629,081
Other liabilities	241,765	438,770
Total other liabilities	**1,349,572**	2,030,436

Maturity analysis of other liabilities is given in Note 49.

40. 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	2023		2022	
	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000
Balance as at the beginning of the year	69,856,043	2,361,947	69,792,748	2,350,363
Issued during the year				
Exercise of share options – Voting	–	–	63,295	11,584
Balance as at the end of the year	69,856,043	2,361,947	69,856,043	2,361,947
Composition of number of shares				
Voting	59,512,375	1,887,116	59,512,375	1,887,116
Non-voting	10,343,668	474,831	10,343,668	474,831
Total stated capital	69,856,043	2,361,947	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. 3.75 per share for its voting and non-voting shares for the year ended 31 March 2022.

The Board has proposed a first and final dividend of Rs. 5.00 per share for its voting and non-voting shareholders for the financial year ended 31 March 2023.

41. Reserves

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Other capital reserve	41.1	229	30,854	30,854
Revaluation reserve	41.2	229	761,406	825,559
Fair value reserve	41.3	229	(114,307)	56,531
Hedge reserve	41.4	229	102,705	(145,759)
Statutory reserve fund	41.5	230	2,143,943	2,062,600
Regulatory Loss allowance reserve	41.6	230	1,606,402	–
Total reserves			4,531,003	2,829,785

41.1 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	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	30,854	–
Employee share options granted during the year	–	33,211
Employee share options exercised during the year	–	(2,357)
Balance as at the end of the year	30,854	30,854

Board of Directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,454 ordinary voting shares for the period commencing from 1 September 2021 to 1 September 2023. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

Accordingly on 1 September 2021 share options of 891,736 (1.5% of the voting shares) were immediately vested and remained exercisable for a period of three years ending 31 August 2024.

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 recognised an employee cost of Rs. 33 Mn. arising from the above in the year ended 31 March 2022.

63,295 ordinary shares were listed during the March 2022, consequent to the exercising of options under employee share option schemes.

41.2 Revaluation reserve

This revaluation reserve relates to revaluation of freehold land and represent the fair value changes as at the reporting date.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	825,559	609,661
Surplus on revaluation of lands during the year	–	284,076
Deferred tax on revaluation of lands during the year	(64,153)	(68,178)
Balance as at the end of the year	761,406	825,559

41.3 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	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	56,531	3,924
Net change in fair value during the year	(170,838)	75,240
Net transfers during the year	–	(22,633)
Balance as at the end of the year	(114,307)	56,531

41.4 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	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	(145,759)	–
Net change in fair value during the year	248,464	(145,759)
Balance as at the end of the year	102,705	(145,759)

41.5 Statutory reserve fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	2,062,600	1,881,996
Transfers during the year	81,343	180,604
Balance as at the end of the year	2,143,943	2,062,600

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of each year after due provisions has been made for taxation and bad and doubtful debts on following basis:

Capital funds to deposit liabilities	Percentage of transfer to reserve fund (%)
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 not less than 25% category.

41.6 Regulatory loss allowance reserve

As per the Section 7.1 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. 1,606,401,938/- from retained earnings to regulatory loss allowance reserve during the year.

As at 31 March	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	–	–
Transfers during the year	1,606,402	–
Balance as at the end of the year	1,606,402	–

42. Retained earnings

As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year			12,456,343	9,206,276
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	15.4	187	(715,053)	–
Profit for the year			1,626,883	3,612,080
Remeasurement of defined benefit liability/(asset)			(100,835)	319,405
Financial investments at FVOCI - net change in fair value			(20,362)	–
Dividends to equity holders			(261,960)	(523,447)
Net Transfers during the year			(1,687,745)	(157,971)
Balance as at the end of the year			11,297,271	12,456,343

43. Net assets value per share

As at 31 March	2023	2022
Numerator		
Total equity attributable to equity holders (Rs.)	18,190,221,000	17,648,075,000
Denominator		
Total number of shares	69,856,043	69,856,043
Net assets value per share (Rs.)	260.40	252.63

44. 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.	2023 Rs. '000	2022 Rs. '000
Contingencies				
– Contingent liabilities/(assets)			–	–
Commitments				
– Undrawn commitments	44.1	231	4,073,316	2,746,165
– Capital commitments	44.2	231	477,553	1,801,540
Total contingencies and commitments			4,550,869	4,547,705

Refer Note 46 for litigations against the Company.

44.1 Undrawn commitments

As at 31 March	2023 Rs. '000	2022 Rs. '000
Direct credit facilities		
Undrawn credit card balances	2,419,009	1,665,156
Unutilised margin trading balances	1,654,307	1,081,009
Total undrawn commitments	4,073,316	2,746,165

44.2 Capital commitments

As at 31 March	2023 Rs. '000	2022 Rs. '000
Commitments in relation to property, plant and equipment		
– Approved and contracted for	53,818	170,707
– Approved but not contracted for	423,735	1,503,751
Commitments in relation to intangible assets		
– Approved and contracted for	–	127,082
– Approved but not contracted for	–	–
Total capital commitments	477,553	1,801,540

45. Related party disclosures

45.1 Parent and ultimate controlling party

The Company (CDB) does not have an identifiable parent of its own.

45.2 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

45.2.1 Compensation of KMP

As at 31 March	2023 Rs. '000	2022 Rs. '000
Short-term employment benefits	312,847	237,764
Post-employment benefits	–	–
Other long-term benefits	–	–
Termination benefits; and	–	–
Share-based payment	–	18,204
Total compensation	312,847	255,968

45.2.2 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. Aggregate value of the transactions with KMPs and their CFMs are described below:

As at 31 March	Year-end balance 2023 Rs. '000	2022 Rs. '000
Assets		
Loans and receivables	–	–
Other credit facilities	–	–
Total assets	–	–
Liabilities		
Deposits placed by KMP and CFM	91,082	89,301
Other credit facilities	–	–
Total liabilities	91,082	89,301
Commitments and contingencies	–	–
Total outstanding balance	91,082	89,301

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Interest income	–	–
Interest expense	13,021	4,333
Total transactions during the year	13,021	4,333

No losses have been recorded against loan balances outstanding with KMP during the period and no provisions have been made for impairment losses against such balances as at the reporting date.

Dividend paid to KMP and CFM

For the year ended 31 March	2023	2022
Number of ordinary shares (Voting) held	7,137,648	7,137,648
Number of ordinary shares (Non-voting) held	131,083	123,757
Cash dividends paid (Rs. '000)	27,258	54,085

Above figures were computed considering the KMPs and CFMs of the Company as at 31 March 2023.

45.3 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	2023 Rs. '000	2022 Rs. '000
Ceylinco Life Insurance Limited	34.66	–	As at 31 March		
			Loans and receivables	–	–
			Deposits	500,000	500,000
			Debentures	100,000	100,000
			Other liabilities	–	–
			Commitments and contingencies	–	–
			Total	600,000	600,000

Transactions, arrangements and agreements involving with entities which are controlled and/or jointly controlled by the KMPs and their CFMs.

Related company	Nature of relationship	Nature of transaction	As at 31 March 2023 Rs. '000	2022 Rs. '000
Asset Capital Venture (Private) Limited	Other Related Party	Cost of services obtained	111,500	50,905
		Other liabilities	10,361	5,284
		Total	121,861	56,189

46. 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 makes 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.

A. 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 2 October 2023.

B. 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 5 September 2023.

C. 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 Trial on 2 October 2023.

D. 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 6 November 2023.

E. Court action has been filed by two customers jointly in Anuradhapura District Court bearing No. 27815/M for the amount of Rs.6,600,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 2 October 2023.

F. Court action has been filed by a customer in Anuradhapura District Court bearing No. 27816/M for the amount of Rs. 4,700,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 2 October 2023.

G. Court action has been filled by a party in Colombo District Court bearing No. CLM156/15 for the amount of Rs. 45 Mn. in relation to a land purchased by CDB requiring to restore the purchase transaction in to its original position. This case was laid by until a decision was arrived in Case No. WP/HCCA/COL/128/2017/LA. The objection raised by us was upheld in the High Court Civil Appeal (HCCA). The case is fixed for pre trial on 18 November 2023 at District Court of Colombo.

H. There are 7 pending cases bearing DSP37/13 and DSP 14/16 in the District Court of Kandy, DSP 513/15 and DSP 59/21 in the District Court of Colombo, 597/17M in the District Court of Jaffna, , SPL 68/21 in the District Court of Gampaha and CL/148 in the District Court of Chilaw relating to lending facilities claiming a total sum of Rs. 26,002,000/- which are at the hearing stage.

ACCOUNTING POLICY

I. In Case No. HCR/21/2019 in the High Court of Kurunegala, CDB has been cited as the third Defendant for transportation of illegal goods in the vehicle leased by CDB.

J. 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.

K. In Case No. DTR/08/2018 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 9385/SPL in the District Court of Kurunegala, CDB has been made a Defendant to the case due to the absolute ownership of CDB in the vehicle which is mentioned in the case and the Plaintiff has stated in the Plaint that the Plaintiff is not claiming any relief from CDB.

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.

47. 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. 5.00 per share for its voting and non-voting shareholders for the financial year ended 31 March 2023.

48. 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.

ACCOUNTING POLICY

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 2023 and comparative figures.

As at 31 March	Lease and stock out on hire		Loans and advances		Other		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	9,411,549	10,426,526	7,240,629	4,270,818	3,481,249	497,069	20,133,427	15,194,413
Non-interest income							1,427,767	2,377,741
Segmented revenue	9,411,549	10,426,526	7,240,629	4,270,818	3,481,249	497,069	21,561,194	17,572,154
Interest expense							12,577,015	6,156,858
Charges for impairment and other credit losses	306,088	819,328	(109,730)	172,494	614,760	203,323	811,118	1,195,145
Segment contribution							8,173,061	10,220,151
Depreciation and amortisation	214,788	301,198	131,963	123,373	87,095	14,359	433,846	438,930
Unallocated expenses							4,639,677	3,973,543
Taxes on financial services							605,319	539,744
Profit before tax							2,494,219	5,267,944
Income tax expense							867,336	1,655,864
Profit for the year							1,626,883	3,612,080
Segment assets	47,372,021	53,823,094	29,104,867	27,944,779	19,208,957	15,363,853	95,685,845	97,131,726
Additions of property, plant and equipment during the year	123,963	141,720	76,161	58,050	50,266	6,756	250,390	206,526
Unallocated assets							9,229,476	8,081,731
Total assets	47,495,984	53,964,814	29,181,028	28,002,829	19,259,223	15,370,609	105,165,711	105,419,983

49. 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 shareholders' funds is detailed below:

As at 31 March			2023									
Assets/Liabilities			Maturity period									
	Note	Page No.	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	Unclassified Rs. '000	Total Rs. '000
Assets												
Cash and cash equivalents	20	198	3,267,193	–	–	–	–	–	–	–	–	3,267,193
Financial assets measured at FVTPL	21	198	37,041	–	–	–	–	–	–	–	–	37,041
Derivative financial assets	32	217	925,656	–	–	–	–	–	–	–	–	925,656
Loans and receivables to banks	22	199	1,166,430	–	–	–	–	–	–	–	–	1,166,430
Deposits with financial institutions	23	199	9,599	2,669,868	4,538,857	–	–	–	–	–	–	7,218,324
Loans and receivables to customers	24	200	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	25	203	829,727	2,732,942	337,357	712,811	–	1,032,685	–	–	1,874,446	7,519,968
Investment property	26	208	–	–	–	–	–	–	–	–	535,000	535,000
Property, plant and equipment	27	208	–	–	–	–	–	–	–	–	3,382,065	3,382,065
Intangible assets	28	214	–	–	–	–	–	–	–	–	265,691	265,691
Goodwill on amalgamation	29	215	–	–	–	–	–	–	–	–	45,225	45,225
Right-of-use assets	30	215	14,885	29,451	41,892	78,292	131,343	109,168	173,014	204,488	–	782,533
Retirement benefit asset	38	226	–	–	–	21,957	32,749	53,385	53,386	169,836	–	331,313
Other assets	31	217	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												
Deposits from customers	33	219	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 and subordinated debt	34	220	–	–	–	1,122,252	1,300,587	1,427,343	–	–	–	3,850,182
Other interest-bearing borrowings	35	222	2,236,153	5,502,341	3,400,769	2,727,643	2,022,083	646,528	75,000	–	–	16,610,517
Lease liabilities	30	215	15,827	31,317	44,546	83,252	139,662	116,083	183,973	217,442	–	832,102
Current tax liabilities	36	224	–	1,053,990	–	–	–	–	–	–	–	1,053,990
Deferred tax liabilities	37	224	108,790	37,780	25,431	50,833	69,458	56,412	51,020	4,177	–	403,901
Other liabilities	39	228	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	40	228	–	–	–	–	–	–	–	–	2,361,947	2,361,947
Reserves	41	229	–	–	–	–	–	–	–	–	4,531,003	4,531,003
Retained earnings	42	230	–	–	–	–	–	–	–	–	11,297,271	11,297,271
Total equity			–	–	–	–	–	–	–	–	18,190,221	18,190,221
Total equity and liabilities			16,143,590	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		

As at 31 March			2022									
Assets/Liabilities			Maturity period									
	Note	Page No.	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	Unclassified Rs. '000	Total Rs. '000
Assets												
Cash and cash equivalents	20	198	2,023,974									2,023,974
Financial assets measured at FVTPL	21	198	148,685									148,685
Derivative financial assets	32	217	1,121,320									1,121,320
Loans and receivables to banks	22	199	240,435									240,435
Deposits with financial institutions	23	199	3,151,339	1,426,197	3,715,040							8,292,576
Loans and receivables to customers	24	200	19,422,851	4,012,362	4,932,808	9,792,219	14,653,645	11,771,411	12,790,710	1,349,304		78,725,310
Other investment securities	25	203	4,283,124	44,665					561,727		1,686,514	6,576,030
Property, plant and equipment	27	208									3,351,990	3,351,990
Intangible assets	28	214									136,078	136,078
Goodwill on amalgamation	29	215									156,489	156,489
Right-of-use assets	30	215	14,617	28,922	41,140	76,886	128,984	107,208	169,907	200,816		768,480
Retirement benefit asset	38	226		407,807								407,807
Other assets	31	217	750,629	1,287,569	980,158	452,453						3,470,809
Total assets			31,156,974	7,207,522	9,669,146	10,321,558	14,782,629	11,878,619	13,522,344	1,550,120	5,331,071	105,419,983
Percentage of total assets (%)			29.56	6.84	9.17	9.79	14.02	11.27	12.83	1.47	5.06	
Cumulative percentage (%)			29.56	36.39	45.56	55.35	69.38	80.65	93.47	94.94	100.00	
Liabilities												
Deposits from customers	33	219	12,727,352	7,107,803	5,659,078	16,079,382	6,070,504	2,853,346	1,691,545	27,792		52,216,802
Debt securities issued and subordinated debt	34	220					3,235,031	1,188,039	1,303,827			5,726,897
Other interest-bearing borrowings	35	222	2,107,132	4,860,403	2,780,362	5,901,188	6,565,264	2,028,750	721,529			24,964,628
Lease liabilities	30	215	15,264	30,203	42,961	80,290	134,694	111,954	177,429	209,708		802,503
Current tax liabilities	36	224		1,400,532								1,400,532
Deferred tax liabilities	37	224	155,528	32,116	39,480	78,369	117,266	94,197	102,354	10,800		630,110
Other liabilities	39	228	306,263	207,440	894,410	622,323						2,030,436
Total liabilities			15,311,539	13,638,497	9,416,291	22,761,552	16,122,759	6,276,286	3,996,684	248,300		87,771,908
Shareholders' funds												
Stated capital	40	228									2,361,947	2,361,947
Reserves	41	229									2,829,785	2,829,785
Retained earnings	42	230									12,456,343	12,456,343
Total equity											17,648,075	17,648,075
Total equity and liabilities			15,311,539	13,638,497	9,416,291	22,761,552	16,122,759	6,276,286	3,996,684	248,300	17,648,075	105,419,983
Percentage of total liabilities and equity (%)			14.52	12.94	8.93	21.59	15.29	5.95	3.79	0.24	16.74	
Cumulative percentage (%)			14.52	27.46	36.39	57.99	73.28	79.23	83.02	83.26	100.00	
Maturity gap			15,845,435	(6,430,975)	252,855	(12,439,994)	(1,340,130)	5,602,333	9,525,660	1,301,820	(12,317,004)	
Cumulative gap			15,845,435	9,414,460	9,667,315	(2,772,679)	(4,112,809)	1,489,524	11,015,184	12,317,004	–	
Asset/liability gap – Cumulative percentage (%)			15.04	8.93	9.17	-2.64	3.90	1.42	10.45	11.58		

50. 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.

Statement of financial position

Overdraft balances has been reclassified out of other liabilities to other interest-bearing borrowings during the financial year 2022/23.

Other than mentioned above there were no any other significant reclassifications have been made during the reporting periods of 2022/23 and 2021/22.

As at 31 March 2022	As previously reported Rs.'000	Reclassification Rs.'000	As per statement of financial position Rs.'000
Other interest-bearing borrowings	24,709,737	254,891	24,964,628
Other liabilities	2,285,327	(254,891)	2,030,436

51. 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.

FINANCIAL RISK MANAGEMENT FRAMEWORK

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.

Probable impact of ongoing economic crisis

The country's severing grade downgrade, diminishing forex reserves, significant devaluation of the currency, huge filing us of government's external debts and inflationary pressure have been adversely affected to economy of the Country. This crisis got further worsened by the power cuts, scarcity of gas and fuel which almost crippled the economy affecting all the sectors. Increasing inflationary pressures coupled with disturbed economic activities affected the buying power and the repayment capacity of the citizens as a whole. This may put pressure on Company's credit risk profile and the management is closely monitoring the developments to take prompt risk mitigating actions. Further the increase of policy rates and subsequent increase in treasury bills rates compelled the market rates to increase significantly. As a result the interest rate risk is on the rise for all financial institutions of the country including the Company. The impact of rising interest rate risk materialised in the current financial year. The Company is currently implementing the risk mitigation strategies to reduce the impact of interest rate risk. Moreover the current economic crisis of the country may result in negative 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.

Future outlook and going concern

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (i.e forecasts for key economic factors including GDP, interest rate and unemployment). This includes the disruption to capital markets, deteriorating credit quality, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

FINANCIAL RISK MANAGEMENT FRAMEWORK

During the preparation of Financial Statements for the year ended 31 March 2023 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 risk committee.

FINANCIAL RISK MANAGEMENT FRAMEWORK

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 Delegated Credit Committee (DCC).

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 Company credit, the Head of Company credit, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company 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 Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Company 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 Company 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 manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Company and operating subsidiaries. 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, as far as possible, 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 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 obtaining funding.
- Carrying out stress testing of the Company's liquidity position.

Central Treasury 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. Central Treasury 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. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in coordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries with local regulatory limits on daily basis.

FINANCIAL RISK MANAGEMENT FRAMEWORK

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 on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risking aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Company Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) 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 Company market risk, 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.

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.

FINANCIAL RISK MANAGEMENT FRAMEWORK

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 tool, risk measurement techniques, stress testing and other risk measures to the Corporate Management Team.

Financial risk review of the Company

This presents information about the Company's exposure to financial risks and the Company's management of capital.

Corporate Centre CDB

- **Deposit operations**
  - Liquidity risk
  - Operational risk
  - Market risk
- **Lending operations**
  - Liquidity risk
  - Operational risk
  - Market risk
- **Central treasury operations**
  - Liquidity risk
  - Operational risk
  - Credit risk
- **Corporate advisory**
  - Liquidity risk
  - Operational risk
  - Credit risk

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:	Lifetime 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

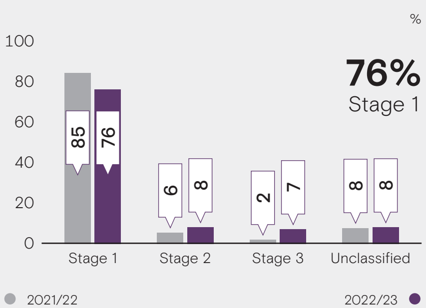
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

As at 31 March			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	20	198	3,267,193				3,267,193
Financial assets measured at FVTPL	21	198	37,041				37,041
Derivative financial assets	32	217	925,656				925,656
Loans and receivables to banks	22	199	1,166,430				1,166,430
Deposits with financial institutions	23	199	7,218,324				7,218,324
Loans and receivables to customers	24	200	60,168,507	8,723,395	7,584,987		76,476,889
Other investment securities	25	203	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

As at 31 March	Note	Page No.	2022				
			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	20	198	2,023,974				2,023,974
Financial assets measured at FVTPL	21	198	148,685				148,685
Derivative financial assets	32	217	1,121,320				1,121,320
Loans and receivables to banks	22	199	240,435				240,435
Deposits with financial institutions	23	199	8,292,576				8,292,576
Loans and receivables to customers	24	200	70,714,837	5,892,168	2,118,305		78,725,310
Other investment securities	25	203	6,576,030				6,576,030
Other non-financial assets						8,291,653	8,291,653
Total assets			89,117,857	5,892,168	2,118,305	8,291,653	105,419,983

ASSETS BASED ON THREE STAGE APPROACH



Default definition was changed from 150 DPD to 120 DPD with effect from 1 April 2022 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	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. Audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behaviour	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies including industry-standard credit scores	Existing and forecast changes in business, financial and economic conditions

Due to the implications of moratorium/debt concessionary schemes on PDs and LDGs (due to limited movements to Stage 2 and 3), adjustments have been made as overlays based on stress testing and historic patters to better reflect the adequacy of ECL.

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 60 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 120 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 followings:

Unemployment rate	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest rate	
GDP Growth rate	
Inflation rate	
Sector NPL Ratio	
Credit Growth	

As at 31 March 2023, 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 uncertainty associated with the current economic crisis, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.

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	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

As at 31 March	2022			
	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	394,184	560,481	2,786,470	3,741,135
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,685)	32,271	4,414	–
Transferred from lifetime ECL not credit-impaired	199,056	(231,914)	32,858	–
Transferred from lifetime ECL credit-impaired	256,463	162,976	(419,439)	–
Net remeasurement of loss allowance	522,013	178,275	291,534	991,822
Balance as at the end of the year	1,335,031	702,089	2,695,837	4,732,957

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	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

As at 31 March	2022			
	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	48,516,870			48,516,870
Grade 2 – Low risk	9,492,425			9,492,425
Grade 3 – Low risk	9,080,763			9,080,763
Grade 4 – Low risk	4,959,810			4,959,810
Grade 5 – Watch list		2,752,230		2,752,230
Grade 6 – Watch list		2,293,487		2,293,487
Grade 7 – Watch list		1,548,540		1,548,540
Grade 8 – Default			4,814,142	4,814,142
Gross loans and receivables to customers	72,049,868	6,594,257	4,814,142	83,458,267
Expected credit loss allowance	(1,335,031)	(702,089)	(2,695,837)	(4,732,957)
Net loans and receivables to customers	70,714,837	5,892,168	2,118,305	78,725,310

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	2023			
	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 1 April 2022	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 31 March 2023	60,168,507	8,723,395	7,584,987	76,476,889

As at 31 March	2022			
	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 1 April 2021	63,385,093	7,545,029	4,128,209	75,058,331
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12 months ECL	(3,475,680)	3,071,132	404,548	–
Transferred from lifetime ECL not credit impaired	3,399,920	(3,881,519)	481,599	–
Transferred from lifetime ECL credit impaired	1,253,179	799,393	(2,052,572)	–
Financial assets that have been derecognised	(14,841,451)	(3,737,760)	(3,734,286)	(22,313,497)
Net change in expected credit loss allowance	(522,013)	(178,275)	(291,534)	(991,822)
Other net changes in portfolio	21,515,789	2,274,168	3,182,341	26,972,298
Balance as at 31 March 2022	70,714,837	5,892,168	2,118,305	78,725,310

A.II Impaired financial instruments

Impaired loans and receivables and other financial instruments

The Company regards a loan and receivable or 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.

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	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial assets measured at amortised cost								
0-30 days	54,673,073	58,009,295	1,166,430	240,435	7,218,324	8,321,335	7,519,969	6,576,031
31-60 days	9,623,417	9,080,763	–	–	–	–	–	–
61-90 days	4,587,404	4,959,810	–	–	–	–	–	–
91-120 days	2,761,043	2,752,230	–	–	–	–	–	–
Above 120 days	9,761,267	8,656,169	–	–	–	–	–	–
Total gross amount	81,406,204	83,458,267	1,166,430	240,435	7,247,083	8,321,335	7,519,969	6,576,031
Allowance for impairment	(4,929,315)	(4,732,957)	–	–	(28,759)	(28,759)	(1)	(1)
Net carrying amount	76,476,889	78,725,310	1,166,430	240,435	7,218,324	8,292,576	7,519,968	6,576,030
Financial assets measured at FTVPL								
0 days	–	–	–	–	–	–	37,041	148,685
Total gross amount	–	–	–	–	–	–	37,041	148,685
Allowance for impairment	–	–	–	–	–	–	–	–
Net carrying amount	–	–	–	–	–	–	37,041	148,685
Maximum exposure	76,476,889	78,725,310	1,166,430	240,435	7,218,324	8,292,576	7,557,009	6,724,715

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 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	2023 Rs. '000	2022 Rs. '000
Impaired financial instruments		
Loans and receivables to customers	7,584,987	2,118,305
Total credit impaired value	**7,584,987**	2,118,305

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.

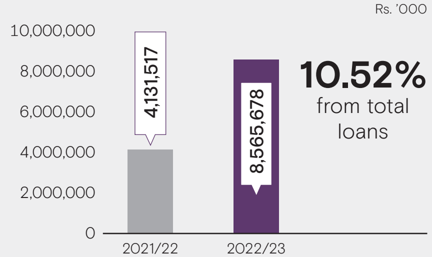
The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is 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	2023	2022
Gross carrying amount (Rs. '000)	8,565,678	4,131,517
Total gross loans and receivables (Rs. '000)	81,406,204	83,458,267
Percentage of renegotiated loans (%)	10.52	4.95

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.

Collateral held

	Note	Page No.	Percentage of exposure that is subject to collateral requirements 2023 %	2022 %	Type of collateral Held
Loans and receivables to banks					
Securities purchased under resale agreements	22	199	100	100	Marketable Securities
Loans and receivable to customers					
Lease and hiring contracts	24	200	100	100	Vehicles
Mortgage loan	24	200	100	100	Property and equipment
Personal loans and staff loans	24	200	–	–	Vehicles and guarantors
Loans against deposits	24	200	100	100	Lien deposits
Gold loans	24	200	100	100	Pawning articles
Margin trading	24	200	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 corporate management level committees, where it sets targets and present strategies to the Management in optimising the diversification. Asset and liability product owners are advised on the strategic decisions taken to diversify the portfolio to align their product development activities accordingly.

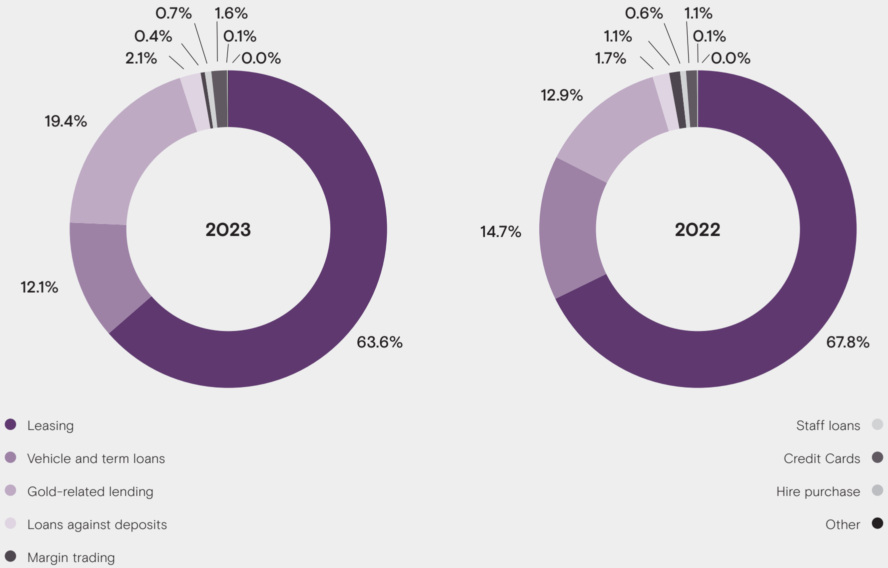
The Company monitors concentration of credit risk by product, by sector and by geographical location. An analysis of concentrations of credit risk of loan and receivable to customers and other financial investments is shown below:

Product concentration

The Company monitors concentration risk by product categories and analysis which is shown below:

As at 31 March	2023 Rs. '000	2023 %	2022 Rs. '000	2022 %
Leasing	51,772,443	63.6	55,893,015	67.8
Gold-related lending	15,789,950	19.4	10,773,585	12.9
Vehicle and term loans	9,822,536	12.1	12,917,205	14.7
Loans against deposits	1,741,277	2.1	1,455,057	1.7
Credit cards	1,287,710	1.6	877,949	1.1
Staff loans	539,040	0.7	504,959	0.6
Margin trading	345,696	0.4	918,999	1.1
Hire purchase	74,395	0.1	80,341	0.1
Other	33,157	0.0	37,157	0.0
Gross loans and receivables to customers	81,406,204		83,458,267	

PRODUCT CONCENTRATION

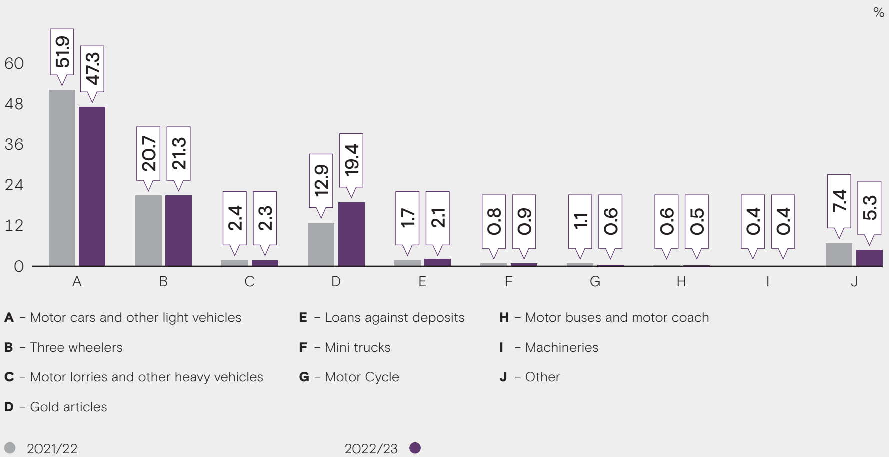


Asset concentration

The Company monitors concentration risk by asset categories and an analysis is shown below:

As at 31 March	2023 Rs. '000	2023 %	2022 Rs. '000	2022 %
Motor cars and other light vehicles	38,470,809	47.3	43,302,048	51.9
Three wheelers	17,307,724	21.3	17,302,346	20.7
Gold articles	15,789,950	19.4	10,773,585	12.9
Motor lorries and other heavy vehicles	1,833,987	2.3	2,030,207	2.4
Loans against deposits	1,741,277	2.1	1,455,057	1.7
Mini trucks	725,067	0.9	688,193	0.8
Motor cycle	475,944	0.6	877,247	1.1
Motor buses and motor coach	394,887	0.5	514,785	0.6
Machineries	365,143	0.4	349,763	0.4
Other	4,301,416	5.3	6,165,036	7.4
Gross loans and receivables to customers	81,406,204		83,458,267	

ASSET CONCENTRATION



Geographical concentration

Company reviews its geographical diversification on a regular basis at management level committees and sets long-term target in achieving a geographically well-diversified credit portfolio. Apart of physical branch network across the country, virtual branch operation also is contributed for our geographical diversification of the portfolios. 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	2023		2022	
	Rs. '000	%	Rs. '000	%
Western	43,747,356	53.7	35,496,546	42.5
North Western	9,795,038	12.0	12,182,684	14.6
Central	6,666,745	8.2	10,288,597	12.3
Sabaragamuwa	7,043,464	8.7	8,643,617	10.4
Southern	5,586,276	6.9	6,282,289	7.5
Uva	3,224,412	4.0	3,915,542	4.7
North Central	2,760,658	3.4	3,803,171	4.6
Eastern	1,714,038	2.1	2,006,965	2.4
North	868,217	1.1	838,856	1.0
Gross loans and receivables to customers	81,406,204		83,458,267	

Sector-wise analysis of credit exposures

Company manages its credit exposure to the different industries by regularly reviewing the portfolio. CDB closely monitors the exposure to risk elevated industries reviewing the credit quality of each segment of the portfolio and strategic decisions are obtained with regard to sector diversification of new businesses.

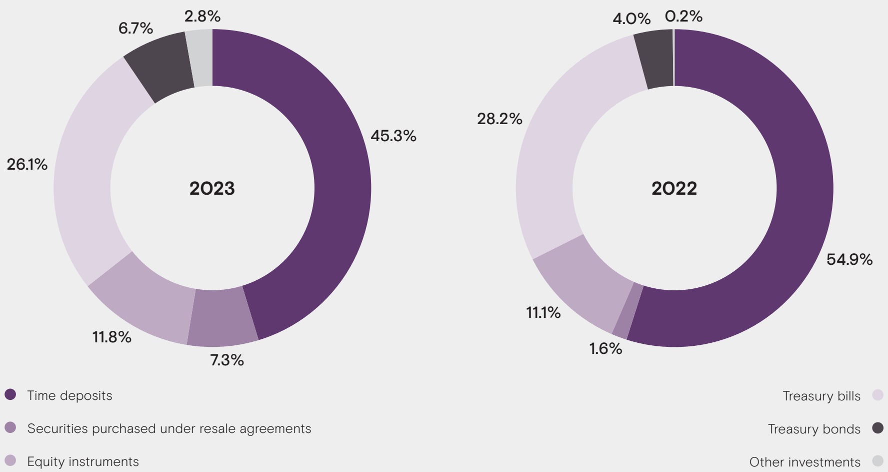
As at 31 March	2023		2022	
	Rs. '000	%	Rs. '000	%
Consumption and other	30,361,499	37.3	17,232,453	20.6
Commercial	14,851,715	18.2	18,404,843	22.1
Service	13,765,620	16.9	16,086,462	19.3
Transport	13,113,248	16.1	18,846,717	22.6
Housing and property development	3,706,938	4.6	5,185,657	6.2
Agricultural	3,001,516	3.7	3,008,338	3.6
Tourism	1,402,763	1.7	2,301,393	2.8
Financial services	1,151,930	1.4	2,336,811	2.8
Industrial	50,975	0.1	55,593	0.1
Gross loans and receivables to customers	81,406,204		83,458,267	

Concentration of other financial investments

Company manages its credit exposure to different investment securities by regularly reviewing the investment portfolio at Investment and Treasury committees. 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	2023		2022	
	Rs. '000	%	Rs. '000	%
Time deposits	7,218,324	45.3	8,292,576	54.9
Securities purchased under resale agreements	1,166,430	7.3	240,435	1.6
Equity instruments	1,874,446	11.8	1,681,274	11.1
Treasury bills	4,158,777	26.1	4,263,197	28.2
Treasury bonds	1,069,727	6.7	755,077	4.0
Other investments	454,060	2.8	25,167	0.2
Total other financial investments	15,941,764		15,257,726	

INVESTMENT CONCENTRATION



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	2023				
	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	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

As at 31 March	2022				
	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	240,435		240,435		Treasury bills
Loans and receivables to customers	1,455,057		1,455,057		Term deposits

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:

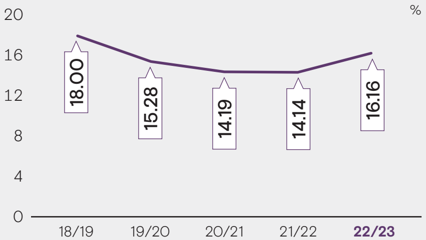
	2023 %	2022 %
As at 31 March	16.16	14.14
Average for the period	13.22	14.49
Maximum for the period	16.16	16.63
Minimum for the period	11.32	12.85

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	2023 Rs. '000	2022 Rs. '000
Required minimum amount of liquid assets	7,381,141	6,426,391
Total liquid assets	11,705,814	8,874,907
Excess liquidity	4,324,673	2,448,516

LIQUIDITY RATIO



16.16%
Liquid assets

B.II Maturity analysis for financial liabilities and financial assets

Detailed maturity analysis is given in Note 49.

The amounts shown in the maturity analysis above have been compiled by applying discounted cash flows which exclude future interest which is applicable. Some 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:

			More than 12 months	
As at 31 March	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Financial assets				
Loans and receivables to customers	24	200	34,284,158	40,565,070
Other investment securities	25	203	2,907,131	2,248,241
Total financial assets			37,191,289	42,813,311
Financial liabilities				
Deposits from customers	33	219	5,779,047	10,643,187
Debt securities issued and subordinated debt	34	220	2,305,700	5,726,897
Other interest-bearing liabilities	35	222	2,743,611	9,315,543
Total financial liabilities			10,828,358	25,685,627

B.III Liquidity reserves

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2023 Rs. '000	2022 Rs. '000
Cash and balances with other banks	2,850,568	1,625,744
Other cash and cash equivalents	2,749,736	2,271,755
Investments in Government securities	6,105,510	4,977,408
Total liquidity reserves	11,705,814	8,874,907

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			2023				
			Encumbered		Unencumbered		
	Note	Page No.	Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20	198				3,267,193	3,267,193
Financial assets measured at FVTPL	21	198				37,041	37,041
Derivative financial assets	32	217				925,656	925,656
Loans and receivables to banks	22	199	311,972			854,458	1,166,430
Deposits with financial institutions	23	199	3,960,376		3,257,948		7,218,324
Loans and receivables to customers	24	200	4,277,271		55,895,326	16,304,292	76,476,889
Other investment securities	25	203			–	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.

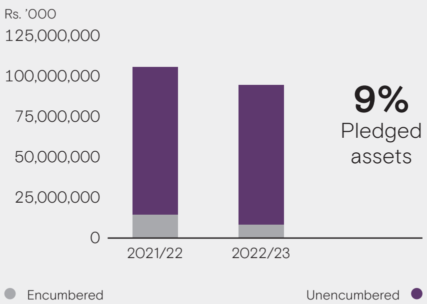
** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.

As at 31 March			2022				
			Encumbered		Unencumbered		
	Note	Page No.	Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20	198				2,023,974	2,023,974
Financial assets measured at FVTPL	21	198				148,685	148,685
Derivative financial assets	32	217				1,121,320	1,121,320
Loans and receivables to banks	22	199				240,435	240,435
Deposits with financial institutions	23	199	6,034,580		2,257,996		8,292,576
Loans and receivables to customers	24	200	8,664,293		57,490,484	12,570,533	78,725,310
Other investment securities	25	203			–	6,576,030	6,576,030
Non-financial assets					8,291,653		8,291,653
Total assets			14,698,873		68,040,133	22,680,977	105,419,983

* 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



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			2023		
			Carrying amount	Market risk measure	
				Trading assets	Non-trading assets
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000
Assets subject to market risk					
Cash and cash equivalents	20	198	3,267,193		3,267,193
Financial assets measured at FVTPL	21	198	37,041	37,041	
Derivative financial assets	32	217	925,656	925,656	
Loans and receivables to banks	22	199	1,166,430		1,166,430
Deposits with financial institutions	23	199	7,218,324		7,218,324
Loans and receivables to customers	24	200	76,476,889		76,476,889
Other investment securities	25	203	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					
Deposits from customers	33	219	62,875,226		62,875,226
Debt securities issued and subordinated debt	34	220	3,850,182		3,850,182
Other interest-bearing liabilities	35	222	16,610,517		16,610,517
Total liabilities subject to market risk			83,335,925		83,335,925

As at 31 March	Note	Page No.	2022 Carrying amount	Market risk measure Trading assets Rs. '000	Non-trading assets Rs. '000
Assets subject to market risk					
Cash and cash equivalents	20	198	2,023,974		2,023,974
Financial assets measured at FVTPL	21	198	148,685	148,685	
Derivative financial assets	32	217	1,121,320	1,121,320	
Loans and receivables to banks	22	199	240,435		240,435
Deposits with financial institutions	23	199	8,292,576		8,292,576
Loans and receivables to customers	24	200	78,725,310		78,725,310
Other investment securities	25	203	6,576,030		6,576,030
Total assets subject to market risk			97,128,330	1,270,005	95,858,325
Liabilities subject to market risk					
Deposits from customers	33	219	52,216,802		52,216,802
Debt securities issued and subordinated debt	34	220	5,726,897		5,726,897
Other interest-bearing liabilities	35	222	24,709,737		24,709,737
Total liabilities subject to market risk			82,653,436		82,653,436

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 and 2022 is given below:

As at 31 March	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

As at 31 March	2022 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	148,685	150,000	170,227	20,227
Total financial assets measured at FVTPL	148,685	150,000	170,227	20,227

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 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 reprice 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			2023				
				Market risk measure			
	Note	Page No.	Carrying amount Rs. '000	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							
Financial assets measured at FVTPL	21	198	37,041	37,041	–	–	–
Derivative financial assets	32	217	925,656	925,656	–	–	–
Loans and receivables to banks	22	199	1,166,430	1,166,430	–	–	–
Deposits with financial institutions	23	199	7,218,324	7,218,324	–	–	–
Loans and receivables to customers	24	200	76,476,889	42,192,731	13,151,503	20,341,768	790,887
Other investment securities	25	203	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							
Deposits from customers	33	219	62,875,226	57,096,179	2,702,973	3,033,719	42,355
Debt securities issued and subordinated debt	34	220	3,850,182	1,122,252	1,300,587	1,427,343	–
Other interest-bearing borrowings	35	222	16,610,517	13,866,906	2,022,083	721,528	–
Total interest-bearing liabilities			83,335,925	72,085,337	6,025,643	5,182,590	42,355
Net interest-bearing assets gap			10,008,383	(15,932,318)	7,125,860	16,191,863	2,622,978

As at 31 March	Note	Page No.	2022 Carrying amount Rs. '000	Market risk measure: 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							
Financial assets measured at FVTPL	21	198	148,685	148,685	–	–	–
Derivative financial assets	32	217	1,121,320	1,121,320	–	–	–
Loans and receivables to banks	22	199	240,435	240,435	–	–	–
Deposits with financial institutions	23	199	8,292,576	8,292,576	–	–	–
Loans and receivables to customers	24	200	78,725,310	38,160,243	14,653,645	24,562,121	1,349,301
Other investment securities	25	203	6,576,030	4,327,788	–	561,727	1,686,515
Total interest-bearing assets			95,104,356	52,291,047	14,653,645	25,123,848	3,035,816
Interest-bearing liabilities							
Deposits from customers	33	219	52,216,802	41,573,615	6,070,504	4,544,891	27,792
Debt securities issued and subordinated debt	34	220	5,726,897	–	3,235,032	2,491,865	–
Other interest-bearing borrowings	35	222	24,709,737	15,394,195	6,565,264	2,750,278	–
Total interest-bearing liabilities			82,653,436	56,967,810	15,870,800	9,787,034	27,792
Net interest-bearing assets gap			12,450,920	(4,676,763)	(1,217,155)	15,336,814	3,008,024

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.

	2023 100 bp Increase Rs.	2023 100 bp Decrease Rs.	2022 100 bp Increase Rs.	2022 100 bp Decrease Rs.
Sensitivity of projected net interest income	35,708	(35,708)	124,509	(124,509)
Sensitivity of reported net assets	35,708	(35,708)	124,509	(124,509)

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.

Foreign currency exposures of the Company is shown below:

As at 31 March	2023 Amount	2023 Rate	2023 Value Rs. '000	2022 Amount	2022 Rate Rs.	2022 Value Rs. '000	Net exposure Increase/ decrease (%)
USD	188,593	318.28	60,025	3,004	288.75	867	>100
SGD	9,210	239.26	2,203	6,418	214.26	1,375	60
GBP	20,868	393.83	8,218	6,984	379.84	2,653	>100
EUR	90,494	346.72	31,377	55,131	325.73	17,958	75
CAD	10,618	233.91	2,484	14,356	230.81	3,314	(25)
AUD	46,925	212.99	9,995	40,671	215.96	8,783	14

The Company has obtained foreign borrowings from Belgian Investment Company for Developing Countries (BIO), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), BlueOrchard Microfinance Fund and Triodos IM. However the Company has entered into forward contracts and other hedging mechanisms to cover the exchange rate risk exposed from the above borrowings. (Refer Note 32 and 35)

There is no significant impact from the movement in exchange rates during the FY on the company's exposure to the foreign currency denominated borrowings due to above mentioned hedging arrangements.

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 (%)	2023 Strengthening Rs. '000	2023 Weakening Rs. '000	2022 Strengthening Rs. '000	2022 Weakening Rs. '000
USD	1	600	(600)	9	(9)
EUR	1	314	(314)	14	(14)
USD	3	1,800	(1,800)	27	(27)
EUR	3	941	(941)	180	(180)
USD	5	3,000	(3,000)	33	(33)
EUR	5	1,569	(1,569)	88	(88)

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	2023		2022	
	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 as at 31 March	1,874,446	1,874,446	1,681,150	1,681,150

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	2023			2022		
Shock Levels	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)	–	187,445	187,445	–	168,651	168,651
10% shock (Decrease)	–	(187,445)	(187,445)	–	(168,651)	(168,651)

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.

As at 31 March	Total net weight of pawning articles (in Grams)	Market price per gram*	Total market value Rs. '000	Gold loan receivable amount Rs. '000	Value excess Rs. '000
2023	1,132,950	20,866	23,640,133	15,789,950	7,850,183
2022	1,017,132	18,523	18,840,619	10,773,585	8,067,034

* 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	2023		2022	
Shock Levels	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)	2,360,582	2,360,582	1,884,062	1,884,062
10% shock (Decrease)	(2,360,582)	(2,360,582)	(1,884,062)	(1,884,062)

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	2023			2022		
	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	37,041	5,191,463	5,228,504	148,685	4,864,350	5,013,035

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	2023			2022		
Shock Levels	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)	49,768	–	49,768	43,112	–	43,112
10% shock (Decrease)	(49,768)	–	(49,768)	(43,112)	–	(43,112)

Rates on Government securities as per Central Bank of Sri Lanka 2022/23 – during the year

Shock Levels	Last traded rate as at 31 March 2022 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2023 %
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

Rates on Government securities as per Central Bank of Sri Lanka 2021/22 – during the year

Shock Levels	Last traded rate as at 31 March 2021 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2022 %
Treasury Bills				
91 Days	5.04	5.05	8.63	12.10
181 Days	5.08	5.10	8.55	11.98
364 Days	5.11	5.15	8.59	12.00
Treasury Bonds				
5 Years	7.08	7.05	11.92	14.70
8 Years	7.39	11.63	11.63	11.63

D. Capital management

Central Bank of Sri Lanka (CBSL) has introduce 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 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, general provisions/impairment allowances and unsecured subordinated debts.

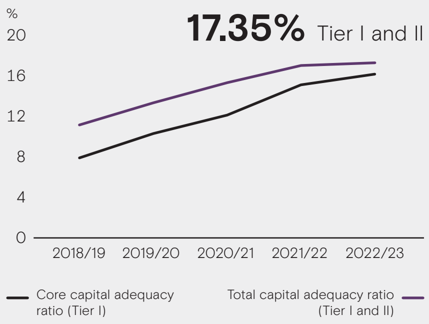
The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka for credit risk and the basic indicator approach is used for operational risk.

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.

D.I Capital adequacy ratio

		2023 Rs. '000	2022 Rs. '000
Core capital adequacy ratio (Tier I)	Core capital Risk-weighted assets	16.23	15.16
Total capital adequacy ratio (Tier I and II)	Total capital Risk-weighted assets	17.35	17.07

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.

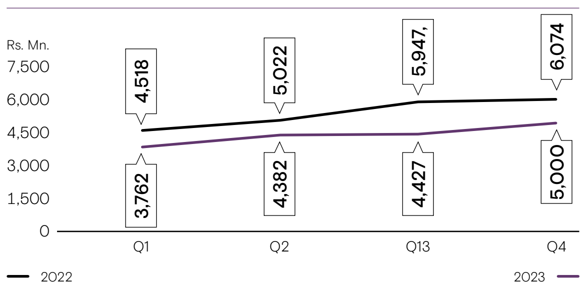
SUPPLEMENTARY REPORTS

QUARTERLY STATISTICS 2022-23

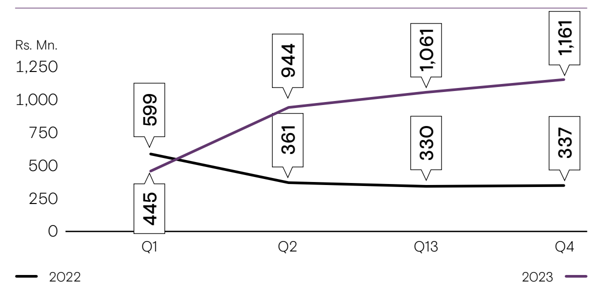
	2022/23				2021/22			
	30 June 2022	30 September 2022	31 December 2022	31 March 2023	30 June 2021	30 September 2022	31 December 2021	31 March 2022
Statement of profit or loss (Rs. '000)								
Revenue	4,518,452	5,021,965	5,947,031	6,073,746	3,762,157	4,382,100	4,427,919	4,999,978
Net interest income	2,035,891	1,617,109	1,955,337	1,948,075	1,801,362	2,070,984	2,381,676	2,783,533
Total operating income	2,208,761	1,910,653	2,390,814	2,473,951	2,208,761	2,910,322	2,951,984	3,344,229
Net operating income	2,275,477	1,874,746	2,229,451	1,793,387	1,780,908	2,625,464	2,810,014	3,003,765
Non-interest expenses	1,426,038	1,433,806	1,625,363	1,193,635	1,160,806	1,321,566	1,399,862	1,069,973
Profit before tax	849,439	440,940	604,088	599,752	620,102	1,303,898	1,410,152	1,933,792
Income tax expense	250,000	80,000	274,247	263,089	175,000	360,000	348,550	772,314
Profit for the period	599,439	360,940	329,841	336,663	445,102	943,898	1,061,602	1,161,478
Statement of financial position (Rs. '000)								
Total assets	107,895,704	107,509,665	104,857,610	105,165,711	93,586,498	92,684,007	96,873,639	105,419,983
Loans and advances to customers	80,038,919	80,564,008	77,642,886	76,476,889	73,963,677	74,080,553	76,520,471	78,725,310
Deposits and borrowings	84,082,126	83,386,258	83,052,657	83,335,925	75,334,040	74,285,543	76,964,147	82,908,327
Shareholders' funds	17,407,227	17,589,224	18,012,039	18,190,221	14,416,737	15,066,677	16,317,239	17,648,075
Key ratios								
Net assets value per share (Rs.)	249.19	251.79	257.85	260.40	206.56	215.88	215.88	252.63
Return on average shareholders' equity (Annualised) (%)	13.68	10.90	9.65	9.08	12.51	19.08	19.08	22.79
Net Non-performing loans ratio* (%)	3.55	4.67	5.61	5.12	2.86	1.80	1.34	0.11
Core capital adequacy ratio (Tier I)	14.56	15.17	15.61	16.23	11.70	12.88	12.88	15.16
Total Capital Adequacy Ratio (Tier I and II)	16.46	17.28	17.46	17.35	14.72	15.90	15.90	17.07

*Non-performing loans ratio calculated based on 120 DPD in 2023 and 150 DPD in 2022.

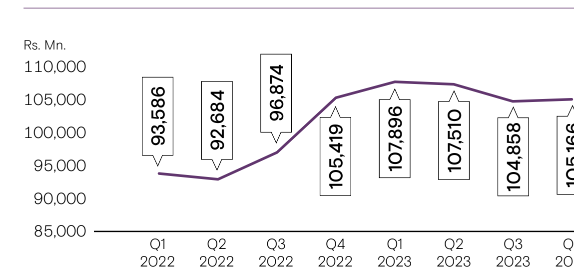
REVENUE



PROFIT FOR THE PERIOD



TOTAL ASSETS



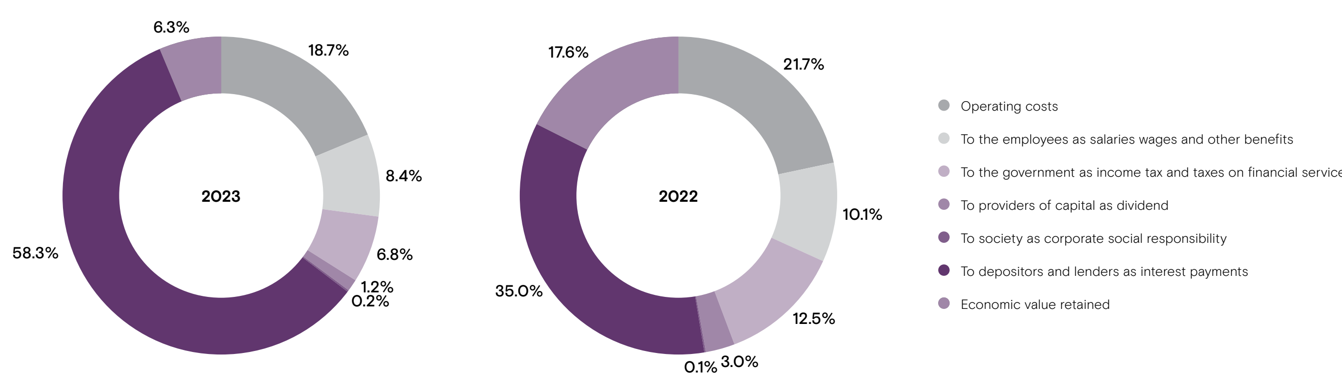
VALUE ADDED STATEMENT

GRI 201-1

Value added aim to provide a value creation and distribution analysis of the Company among its key stakeholders.

	2022/23 Rs. '000	2021/22 Rs. '000	Increase %
Value Created			
Interest income	20,133,427	15,194,413	
Fee commission income	242,015	311,128	
Other operating income	1,185,752	2,066,613	
Total direct economic value generated	21,561,194	17,572,154	23
Value distributed			
Operating costs	4,040,715	3,809,628	
To the employees as salaries wages and other benefits	1,806,530	1,772,596	
To the government as income tax and taxes on financial services	1,472,655	2,195,608	
To providers of capital as dividend	261,960	523,447	
To society as corporate social responsibility	37,396	25,384	
To depositors and lenders as interest payments	12,577,015	6,156,858	
Total economic value distributed	20,196,271	14,483,521	39
Economic value retained	1,364,923	3,088,633	-56

VALUE DISTRIBUTED



TEN YEAR STATISTICAL SUMMARY

	2022/23 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000
Operating results										
Revenue	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	6,267,086
Interest income	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	5,895,604
Interest expenses	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	3,553,403
Non-interest income	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	481,482
Operating expenses (Including VAT)	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	2,093,715
Profit before income tax	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	729,968
Income tax expense	867,336	1,655,864	909,999	434,873	401,173	285,629	220,986	248,790	249,686	168,755
Profit for the year	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	561,213
Liabilities and shareholders' funds										
Deposits from customers	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	24,518,193
Borrowings	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	4,314,338
Other liabilities	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	1,213,714
Deferred taxation	403,901	630,110	376,460	609,271	1,336,061	860,819	628,721	479,764	282,079	145,383
Shareholders' funds	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	3,576,914
Total liabilities and shareholders' funds	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	33,768,542
Assets										
Loans and receivables to customers (Net)	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	25,724,945
Cash and short term funds	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	3,168,727
Property, plant and equipment	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	1,004,471
Other assets	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	3,870,400
Total assets	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	33,768,542
Ratios										
Growth in income (%)	23	6	(4)	7	38	37	15	8	8	45
Growth in interest expenses (%)	104	(15)	(19)	1	34	42	31	6	5	49
Growth in other expenses (%)	6	5	(4)	(10)	51	29	1	3	23	52
Growth in profit after Tax (%)	(55)	41	39	7	22	39	1	43	25	15
Growth in total assets (%)	(0.2)	12	1	1	22	40	7	33	13	38
Earnings per share (Rs.)	23.29	51.75	36.64	26.32	30.05	25.8	18.53	18.51	12.92	10.33
Return on average assets (%)	1.55	3.62	2.73	1.98	2.04	2.17	1.93	2.27	1.96	1.93
Dividend per share (Rs.)	5.00*	3.75	7.50	-	5.00	5.00	3.50	3.50	3.50	3.00

*Proposed

USD ACCOUNTS

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".

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	2023 USD '000	2022 USD '000
Revenue	65,886	58,770
Interest income	61,523	50,817
Interest expense	38,432	20,591
Net interest income	23,091	30,226
Fee and commission income	740	1,041
Other operating income	3,623	6,912
Total operating income	27,454	38,179
Less: Impairment charges and other credit losses	2,479	3,997
Net operating income	24,975	34,182
Less: Operating expenses		
Personnel expenses	5,520	5,928
Premises, equipment and establishment expenses	8,352	7,035
Other expenses	1,631	1,794
Total operating expenses	15,503	14,757
Operating profit before taxes on financial services	9,472	19,425
Less: Taxes on financial services	1,850	1,805
Profit before tax	7,622	17,620
Less: Income tax expense	2,650	5,538
Profit for the year	4,972	12,082

For the year ended 31 March	2023 USD '000	2022 USD '000
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes in hedge reserve	759	(487)
Items that will not be reclassified to profit or loss		
Change in deferred tax on revaluation due to rate change	(196)	–
Increase in revaluation surplus	–	950
Less : Deferred tax on revaluation	–	(228)
Financial investments at FVOCI – net change in fair value	(809)	252
Less : Deferred tax on Financial investments at FVOCI	224	–
Net actuarial gain/(loss) on defined benefit plan	(308)	1,068
Total other comprehensive income	(330)	1,555
Total comprehensive income for the year	4,642	13,637
Earnings per share		
Basic earnings per share (USD)	0.071	0.173
Diluted earnings per share(USD)	0.069	0.171

Exchange rate of USD was Rs. 327.25 as at 31 March 2023 (Rs. 299.00 as at 31 March 2022).

The Statement of Profit or Loss and Other Comprehensive Income 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	2023 USD '000	2022 USD '000
Assets		
Cash and cash equivalents	9,984	6,769
Financial assets measured at fair value through profit or loss (FVTPL)	113	497
Derivative financial assets	2,829	3,750
Loans and receivables to banks	3,564	804
Deposits with financial institutions	22,058	27,734
Loans and receivables to customers	233,696	263,295
Other investment securities	22,979	21,993
Investment property	1,635	-
Property, plant and equipment	10,335	11,211
Intangible assets	812	455
Goodwill on amalgamation	138	523
Retirement benefit assets	1,012	1,364
Right-of-Use assets	2,391	2,570
Other assets	9,816	11,608
Total assets	321,362	352,573
Liabilities		
Deposits from customers	192,132	174,638
Debt securities issued and subordinated debt	11,765	19,154
Other interest-bearing borrowings	50,758	82,641
Lease liabilities	2,543	2,684
Current tax liabilities	3,221	4,684
Deferred tax liabilities	1,234	2,107
Other liabilities	4,123	7,642
Total liabilities	265,776	293,550

As at 31 March	2023 USD '000	2022 USD '000
Equity		
Stated capital	7,218	7,899
Reserves	13,846	9,464
Retained earnings	34,522	41,660
Total equity	55,586	59,023
Total liabilities and equity	321,362	352,573
Net assets value per share (USD)	0.80	0.84
Contingencies and commitments	13,906	11,594

Exchange rate of USD was Rs. 327.25 as at 31 March 2023 (Rs. 299.00 as at 31 March 2022).

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.

Shareholder analysis

ORDINARY VOTING – COMPOSITION ACCORDING TO SHAREHOLDING

Shareholdings	Resident			Non-resident			Total		
	Number of shareholders	No. of shares	Percentage %	Number of shareholders	No. of shares	Percentage %	Number of shareholders	No. of shares	Percentage %
1 to 1,000 Shares	1,004	173,845	0.29	3	408	0.00	1,007	174,253	0.29
1,001 to 10,000 Shares	426	1,105,569	1.86	2	7,230	0.01	428	1,112,799	1.87
10,001 to 100,000 Shares	121	3,500,368	5.88	1	15,685	0.03	122	3,516,053	5.91
100,001 to 1,000,000 Shares	23	5,708,453	9.59	0	0	0.00	23	5,708,453	9.59
Over 1,000,000 Shares	11	49,000,817	82.34	0	0	0.00	11	49,000,817	82.34
	1,585	59,489,052	99.96	6	23,323	0.04	1,591	59,512,375	100.00

COMPOSITION OF VOTING SHAREHOLDERS

Categories of shareholders	2022/23			2021/22		
	No. of shareholders	No. of shares	Holding %	No. of shareholders	No. of shares	Holding %
Individual	1,522	6,693,393	11.25	1,561	7,184,617	12.07
Institutional	69	52,818,982	88.75	75	52,327,758	87.93
	1,591	59,512,375		1,636	59,512,375	100.00

ORDINARY NON-VOTING – COMPOSITION ACCORDING TO SHAREHOLDING

Shareholdings	Resident			Non-resident			Total		
	Number of shareholders	No. of shares	Percentage %	Number of shareholders	No. of shares	Percentage %	Number of shareholders	No. of shares	Percentage %
1 to 1,000 Shares	1,652	232,185	2.24	4	916	0.01	1,656	233,101	2.25
1,001 to 10,000 Shares	230	808,465	7.82	2	14,046	0.14	232	822,511	7.96
10,001 to 100,000 Shares	77	2,476,620	23.94	2	138,750	1.34	79	2,615,370	25.28
100,001 to 1,000,000 Shares	14	3,538,123	34.21	2	216,018	2.09	16	3,754,141	36.30
Over 1,000,000 Shares	2	2,918,545	28.22	0	0	0.00	2	2,918,545	28.22
	1,975	9,973,938	96.42	10	369,730	3.58	1,985	10,343,668	100.00

COMPOSITION OF NON-VOTING SHAREHOLDERS

Categories of shareholders	2022/23			2021/22		
	No. of shareholders	No. of shares	Holding %	No. of shareholders	No. of shares	Holding %
Individual	1,896	5,282,734	51.07	1,918	5,329,186	51.52
Institutional	89	5,060,934	48.93	99	5,014,482	48.48
	10,343,668	10,343,668		2,017	10,343,668	100.00

List of 20 major shareholders based on their shareholdings as of 31 March 2023

ORDINARY VOTING SHARES

No.	Name	Shareholding	Percentage %
1.	Ceylinco Life Insurance Limited Account No. 3	19,120,225	32.13
2.	Janashakthi Insurance Plc-Shareholders	11,641,329	19.56
3.	Asia Management Consultancy (Private) Limited	3,528,863	5.93
4.	People's Leasing & Finance PLC/Mr W P C M Nanayakkara	2,449,957	4.12
5.	Cargills Bank Limited/Asia Management Consultancy (Private) Limited	2,444,169	4.11
6.	Ceylinco Insurance Plc A/C No 2 (General Fund)	2,379,654	4.00
7.	Citizens Development Business Finance Plc A/C 02 (CDB Employee Gratuity Fund)	2,194,152	3.69
8.	Ceylinco Life Insurance Limited Account No.1	1,423,548	2.39
9.	People's Leasing & Finance PLC/Mr S V Munasinghe	1,316,247	2.21
10.	People's Leasing & Finance PLC/Mr R H & Mrs V F Abeygoonewardena	1,301,785	2.19
11.	Seylan Bank Plc/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	1,200,888	2.02
12.	Ceylinco Life Insurance Limited Account No. 2	954,323	1.60
13.	Mr E Karthik	551,486	0.93
14.	People's Leasing & Finance PLC/Mrs N D Kodagoda	503,972	0.85
15.	People's Leasing & Finance PLC/Mr H K Dassanayake	349,115	0.59
16.	People's Leasing & Finance PLC/Mr I M Kotigala	327,798	0.55
17.	Nation Development Bank PLC/Asia Management Consultancy	325,000	0.55
18.	Mr A A S Kumara	258,464	0.43
19.	Mr J S Ranathunga	254,349	0.43
20.	Mrs A I Panagoda	231,926	0.39
	Subtotal of top 20 shareholders	52,757,250	88.67
		6,755,125	11.33
	Total	59,512,375	100.00

ORDINARY NON-VOTING SHARES

No.	Name	Shareholding	Percentage %
1.	J B Cocoshell (Pvt) Ltd	1,537,052	14.86
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.	Ms R H Abdulhussein	342,901	3.32
7.	Askold (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	263,520	2.55
10.	Mr A Sithampalam	196,509	1.90
11.	Mrs A M Moonesinghe & Mr M A H Esufally	165,375	1.60
12.	Mr S M P L Jayaratne	133,966	1.30
13.	Gold Investment Limited	108,009	1.04
14.	Jafferjees Investments (Pvt) Ltd.	108,009	1.04
15.	Mr M A Valabhji	108,009	1.04
16.	Mr H C Embuldeniya	105,460	1.02
17.	Commercial Bank of Ceylon PLC A/C No. 04	105,390	1.02
18.	Lakdhanavi Limited	103,359	1.00
19.	Mr W P A D Gunathilake	100,000	0.97
20.	Mr P L S Ariyananda	84,030	0.81
	Subtotal of Top 20 Shareholders	6,856,716	66.30
		3,486,952	33.70
	Total	10,343,668	100.00

CDB VOTING SHARE PERFORMANCE

	Turnover Rs. Mn.	Share volume
April 2022	1.28	5,582
May 2022	7.59	37,989
June 2022	0.24	1,328
July 2022	0.27	1,591
August 2022	568.07	2,842,910
September 2022	132.75	664,087
October 2022	2.78	14,661
November 2022	412.42	2,064,655
December 2022	1.09	5,875
January 2023	1.81	9,158
February 2023	1.64	8,602
March 2023	5.16	25,771

CDB NON-VOTING SHARE PERFORMANCE

	Turnover Rs. Mn.	Share volume
April 22	7.76	111,673
May 2022	13.62	213,729
June 2022	13.95	243,974
July 2022	3.60	64,356
August 2022	8.06	131,184
September 2022	8.83	133,916
October 2022	2.61	43,519
November 2022	1.75	31,539
December 2022	0.98	17,822
January 2023	3.30	59,729
February 2023	2.03	33,505
March 2023	15.95	218,747

Directors' and Chief Executive Officer's Shareholding as of 31 March 2023

ORDINARY VOTING SHARES

No.	Name	Shareholding
1.	Mr J R A 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/Mr W P C M Nanayakkara	2,449,957
5.	Mr T M D P Tennakoon	–
6.	People's Leasing & Finance PLC/Mr T M D P Tennakoon	170,151
7.	Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	1,200,888
8.	Mr S V Munasinghe	–
9.	People's Leasing & Finance PLC/Mr S V Munasinghe	1,316,247
10.	Mr R H Abeygoonewardena/Mrs V F Abeygoonewardena	5,652
11.	People's Leasing & Finance PLC/Mr R H & Mrs V F Abeygoonewardena	1,301,785
12.	Mr D A De Silva	–
13.	Dialog Finance PLC/D A De Silva	117,550
14.	Mr K Elangovan	551,486
15.	Mr J P Abhayaratne	–
16.	Mr S P P Amaratunge	–
17.	Mrs P R W Perera	–
18.	Mr S Kumarapperuma	–
19.	Mr E R S G S Hemachandra	–
20.	Prof P N Gamage	–

ORDINARY NON-VOTING SHARES

No.	Name	Shareholding
1.	Mr J R A 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/Mrs V F Abeygoonewardena	82,842
6.	People's Leasing & Finance PLC/Mr R H & Mrs V F Abeygoonewardena	37,850
7.	Mr D A De Silva	–
8.	Mr K Elangovan	–
9.	Mr J P Abhayaratne	–
10.	Mr S P P Amaratunge	–
11.	Mrs P R W Perera	–
12.	Mr S Kumarapperuma	–
13.	Mr E R S G S Hemachandra	–
14.	Prof P N Gamage	–

Market prices for the year ended 31 March 2023

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES MARCH 2018 – MARCH 2023

Debenture type	Highest price Rs.	Lowest price Rs.	Lowest price Rs.	Current yield %	Yield to maturity %
Type A	92.37	92.37	92.37	14.44	14.86
Type B	101	101	101	13.24	13.88

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES JANUARY 2019 – JANUARY 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Lowest price Rs.	Current yield %	Yield to maturity %
Type A			Not traded		
Type B	101	101	101	14.92	15.62

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES DECEMBER 2019 – DECEMBER 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Lowest price Rs.	Current yield %	Yield to maturity %
Type A			Not traded		
Type B			Not traded		

Credit rating

Instrument	Rated amount Rs. Mn.	Rating action
Issuer rating	N/A	BBB(lka); Outlook revised to Rating Watch Negative
Subordinated, unsecured, listed redeemable debentures programme	1,075	BB+(lka); Outlook revised to Rating Watch Negative
Subordinated, Unsecured, Listed Redeemable Debentures Programme	928	BB+(lka); Outlook revised to Rating Watch Negative
Subordinated, unsecured, listed redeemable debentures programme	2,000	BB+(lka); Outlook revised to Rating Watch Negative

CDB VOTING SHARE PERFORMANCE

	High	Low	Closing
April 2022	239.00	195.00	201.00
May 2022	236.00	171.00	199.75
June 2022	200.00	160.50	180.00
July 2022	186.50	161.00	175.00
August 2022	219.00	161.00	217.75
September 2022	208.50	181.75	195.00
October 2022	190.00	168.00	190.00
November 2022	219.75	165.25	200.00
December 2022	208.00	171.00	190.00
January 2023	204.00	180.00	190.00
February 2023	206.00	180.00	199.25
March 2023	230.00	175.50	227.75

CDB NON-VOTING SHARE PERFORMANCE

	High	Low	Closing
April 2022	86.10	60.60	68.00
May 2022	72.00	60.00	62.30
June 2022	66.80	54.10	54.20
July 2022	59.90	52.00	57.00
August 2022	65.60	56.50	65.40
September 2022	72.50	64.00	65.40
October 2022	68.10	57.30	61.50
November 2022	62.00	53.50	55.90
December 2022	58.90	53.00	53.40
January 2023	58.00	51.00	57.20
February 2023	64.40	56.00	60.90
March 2023	80.00	57.90	79.10

QUARTERLY PERFORMANCE OF CDB VOTING AND NON-VOTING SHARES

PERIOD – VOTING

	High Rs.	Low Rs.	Close Rs.	Trade volume	Share volume	Turnover Rs.	Days traded
2022/23 – Q1	239.00	160.50	180.00	69	44,899	9,109,853.25	25
2022/23 – Q2	219.00	161.00	195.00	250	3,508,588	701,092,945.00	43
2022/23 – Q3	219.75	165.25	190.00	143	2,085,191	416,291,930.50	31
2022/23 – Q4	230.00	175.50	227.75	176	43,531	8,603,010.50	33

PERIOD – NON-VOTING

	High Rs.	Low Rs.	Close Rs.	Trade volume	Share volume	Turnover Rs.	Days traded
2022/23 – Q1	86.10	54.10	54.20	909	569,376	35,324,352.70	49
2022/23 – Q2	72.50	52.00	65.40	1,172	329,456	20,489,525.80	64
2022/23 – Q3	68.10	53.00	53.40	524	92,880	5,331,525.70	58
2022/23 – Q4	80.00	51.00	79.10	776	311,981	21,287,240.70	55

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)

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and help investors to make wise decisions on investing. These rules also depict governance rules, which should be adhered to by all listed companies. Level of compliance by CDB with such rules is highlighted in the following table:

Rule no.	Disclosure requirement	Section reference	Page No.
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Annual Report of the Board of Directors	130 to 133
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	175
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	Supplementary Reports, Shareholder Information	263
7.6 (iv)	The public holding percentage	Supplementary Reports, Shareholder Information	263
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Supplementary Reports, Shareholder Information	20, 263
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management Report	238
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A	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	208
7.6 (ix)	Number of shares representing the Entity's stated capital	CFO's Review, Supplementary Reports, Shareholder Information	20, 263
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Supplementary Reports, Shareholder Information	20, 263
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Supplementary Reports, Shareholder Information	263
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	208
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Supplementary Reports, Shareholder Information	20, 263
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	N/A	229

Rule no.	Disclosure requirement	Section reference	Page No.
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Corporate Governance	107, 160
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets whichever is lower, of the Entity as per the latest Audited Financial Statements.	Refer Notes to the Financial Statements in relation to Related Party Transactions. Further, refer pages 2 to 5 for compliance with section 09.	231

Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses the following areas;

A. Non-Executive Directors,

B. Independent Directors,

C. Disclosures relating to Directors,

D. Remuneration Committee,

E. Audit Committee.

Rule reference	Requirement	Compliance status	Details
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	For the FY 2022/23, seven of the thirteen Directors were Non-Executives (NED), which is more than the requirement of the rule.
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Compliant	For the FY 2022/23 five out of seven Non-Executive Directors are Independent.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer Annual Report of the Board of Directors on pages 130 to 133.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	N/A	No such determination was required to be made by the Board, as all the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Compliant	Please refer pages 130 to 133 for Directors profiles.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	During the financial year 2022/23 there were no any new appointments.

Rule reference	Requirement	Compliance status	Details
7.10.5	A listed company shall have a Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 150 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	Refer the Remuneration Committee Report on page 150 for disclosure on the names of the Remuneration Committee members
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer the Remuneration Committee Report on page 150 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
7.10.5 (c) The Annual Report shall set out:			
	(i) The names of the Directors that comprise the Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 150 for disclosure on the names of the Remuneration Committee Members
	(ii) A statement of Remuneration Policy	Compliant	Refer the Remuneration Committee Report on page 150 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer pages 231 to 232 on Key Management Personnel (KMP) compensation.
7.10.6	A listed company shall have an Audit Committee	Compliant	Refer Board Audit Committee Report on pages 144 to 146.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Audit Committee comprised of three Non-Executive Directors, and out of which two directors were independent.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairperson of the Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules.	Compliant	Refer Board Audit Committee Report on pages 144 to 146.

Rule reference	Requirement	Compliance status	Details
7.10.6 (c) The Annual Report shall set out;			
	The names of the Directors who comprise the Audit Committee	Compliant	Refer Board Audit Committee Report on pages 144 to 146.
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer Board Audit Committee Report on pages 144 to 146.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Compliant	Refer Board Audit Committee Report on pages 144 to 146.

Report on compliance with the rules on the content of the Annual Report in section 9.3.2 of the listing rules of the Colombo Stock Exchange (Related Party Transactions)

With the Compulsory adoption of the Code of Best Practices on Related Party Transactions (RPT) – since January 2016 ("the Code") issued by the Securities and Exchange Commission of Sri Lanka, the Related Party Transactions Review Committee (RPTRC) was established with the approval of the Board of Directors of CDB to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities:

Rule no.	Disclosure requirement	Section reference	Page No.
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements.	Related Party Transaction Note in the Financial Statements	2 to 5
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Net revenue/income as per the latest Audited Financial Statements	Related Party Transaction Note in the Financial Statements	2 to 5
9.3.2 (c)	Annual Report shall contain a report compiled by the RPTR Committee including followings: • Names of the Directors who are in the committee • Statement with regard to Related party transactions reviewed during the financial year • Number of times the committee has met during the financial year • Policies and procedures adopted by the RPT Committee	BRPT Review Committee Report.	152 to 153

SUSTAINABILITY ASSURANCE REPORT

GRI 2-5

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT ASSURANCE REPORT TO CITIZEN DEVELOPMENT BUSINESS FINANCE PLC

We have been engaged by the Directors of Citizen Development Business Finance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2023. The Sustainability Indicators are included in the Citizen Development Business Finance PLC Integrated Annual Report for the year ended 31 March 2023 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report page
Financial Highlights	164 to 165

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Highlights of the Year	10 to 11
Information provided on following	
Disrupt	52 to 62
Impact	63 to 92
Sustain	93 to 106

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable assurance sustainability indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, in all material respects, has been prepared and presented by the management of Citizen Development Business Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited assurance sustainability indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the

Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, have not in all material respects, been prepared and presented by the management of Citizen Development Business Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over reasonable assurance sustainability indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the assured sustainability indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;

- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Citizen Development Business Finance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Citizen Development Business Finance PLC Integrated Annual Report for the year ended 31st March 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Citizen Development Business Finance PLC, or for any other purpose than that for which it was prepared.

kpmg

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
28 June 2023

GRI INDEX

Statement of use	Citizens Development Finance PLC has reported the information cited in this GRI content index for the period 1 April 2022 to 31 March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
GRI 2: General Disclosures 2021				
2-1	Organizational details	Corporate information		
2-2	Entities included in the organization's sustainability reporting	Reporting period and boundary	3	
2-3	Reporting period, frequency and contact point	Reporting period and boundary and queries	3, 5	
2-4	Restatements of information	Reporting period and boundary	3	
2-5	External assurance	External Auditors and assurance	4, 280, 166	
2-6	Activities, value chain and other business relationships	Business model Forging a cohesive ecosystem with stakeholders	50, 89	
2-7	Employees	Workforce composition	76	
2-8	Workers who are not employees	Workforce composition	76	
2-9	Governance structure and composition	Corporate governance at CDB	109	
2-10	Nomination and selection of the highest governance body	Corporate governance disclosures Report of the Nomination Committee	115, 149	
2-11	Chair of the highest governance body	Corporate governance disclosures	115	
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate governance disclosures	115, 142	
2-13	Delegation of responsibility for managing impacts	Corporate governance at CDB Business governance at CDB	109, 110	
2-14	Role of the highest governance body in sustainability reporting	Key frameworks and compliance	3	
2-15	Conflicts of interest	Corporate governance disclosures	115, 154	
2-16	Communication of critical concerns	Corporate governance disclosures	115, 146	
2-17	Collective knowledge of the highest governance body	Corporate governance disclosures	115	
2-18	Evaluation of the performance of the highest governance body	Corporate governance disclosures	115	
2-19	Remuneration policies	Corporate governance disclosures Report of the Remuneration Committee	115, 150	
2-20	Process to determine remuneration	Report of the Remuneration Committee	150	
2-21	Annual total compensation ratio	Ratio of basic salary and remuneration by employee category	78	

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
2-22	Statement on sustainable development strategy	Chairman's message Managing Director/Chief Executive Officer's review Supporting sustainable development	4, 12, 16	
2-23	Policy commitments	Chairman's message Managing Director/Chief Executive Officer's review	12, 16	
2-24	Embedding policy commitments	Managing Director/Chief Executive Officer's review	16, 49	
2-25	Processes to remediate negative impacts	Corporate Governance Disclosures	49, 74, 115, 142	
2-26	Mechanisms for seeking advice and raising concerns	Inculcating a culture of integrity and compliance	85	
2-27	Compliance with laws and regulations	Annual Report of the Board of Directors Inculcating a culture of integrity and compliance	2, 85	
2-28	Membership associations	Memberships and associations	92	
2-29	Approach to stakeholder engagement	Engaging with our stakeholders and Identifying their Concerns	38	
2-30	Collective bargaining agreements	Inculcating a culture of integrity and compliance	85	
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	Determining our priority Material Issues	41	
3-2	List of material topics	Determining our priority Material Issues	41	
3-3	Management of material topics	Assessing our risks and opportunities Engaging with our stakeholders and Identifying their concerns Supporting sustainable and inclusive social development	38, 42, 74, 86, 89, 90, 100, 104	
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	Chief Financial Officer's review, Value Added Statement	20, 265	
201-2	Financial implications and other risks and opportunities due to climate change	Accelerating environmental sustainability through our core business	95	
201-3	Defined benefit plan obligations and other retirement plans	Retirement benefit obligation	226	
201-4	Financial assistance received from government	N/A		
GRI 202: Market Presence 2016				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Ratio of basic salary and remuneration by employee category	78	
202-2	Proportion of senior management hired from the local community			
GRI 203: Indirect Economic Impacts 2016				
203-1	Infrastructure investments and services supported	Investments in social Initiatives in 2022/23	86, 89	
203-2	Significant indirect economic impacts	Supporting sustainable and inclusive social development	86	

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
GRI 204: Procurement Practices 2016				
204-1	Proportion of spending on local suppliers	Local funding partners	90	
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	Inculcating a culture of integrity and compliance	85	
205-2	Communication and training about anti-corruption policies and procedures	Inculcating a culture of integrity and compliance	85	
205-3	Confirmed incidents of corruption and actions taken			CDB did not come across any incidents of corruption in FY 2022/23
GRI 206: Anti-competitive Behavior 2016				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			There were no legal proceedings for anti-competitive behaviour, anti-trust, monopoly practices in FY 2022/23
GRI 207: Tax 2019				
207-1	Approach to tax	Taxes on financial services	186	
207-2	Tax governance, control, and risk management			
207-3	Stakeholder engagement and management of concerns related to tax			
207-4	Country-by-country reporting			
GRI 301: Materials 2016				
301-1	Materials used by weight or volume	Waste management	102	
301-2	Recycled input materials used	Waste management	102	
301-3	Reclaimed products and their packaging materials			
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	Achieving efficiency in energy management	101	
302-2	Energy consumption outside of the organization		101	
302-3	Energy intensity			
302-4	Reduction of energy consumption	Achieving efficiency in energy management	101	
302-5	Reductions in energy requirements of products and services	Achieving efficiency in energy management	101	
GRI 303: Water and Effluents 2018				
303-1	Interactions with water as a shared resource	Effective water management	102	
303-2	Management of water discharge-related impacts	Effective water management	102	
303-3	Water withdrawal			
303-4	Water discharge			
303-5	Water consumption	Effective water management	102	

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
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	The LIFE Project – Restoring degraded land The Life to Our Mangroves Project The Ittapana Mangrove Conservation Project	104, 105	
304-2	Significant impacts of activities, products and services on biodiversity	The LIFE Project – Restoring degraded land The Life to Our Mangroves Project The Ittapana Mangrove Conservation Project	104, 105	
304-3	Habitats protected or restored	The LIFE Project – Restoring degraded land The Life to Our Mangroves Project The Ittapana Mangrove Conservation Project	104, 105	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A		
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	Direct emissions	101	
305-2	Energy indirect (Scope 2) GHG emissions	Indirect emissions	101	
305-3	Other indirect (Scope 3) GHG emissions	N/A		
305-4	GHG emissions intensity		100	
305-5	Reduction of GHG emissions	Reducing our carbon footprint	100	
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		
GRI 306: Waste 2020				
306-1	Waste generation and significant waste-related impacts	Waste management	102	
306-2	Management of significant waste-related impacts	Waste management	99, 102	
306-3	Waste generated	Waste disposal for FY 2022/23	103	
306-4	Waste diverted from disposal	Waste disposal for FY 2022/23	103	
306-5	Waste directed to disposal	Waste disposal for FY 2022/23	103	
308-1	New suppliers that were screened using environmental criteria	Selecting our business partners	90	
308-2	Negative environmental impacts in the supply chain and actions taken			There were no negative impacts in the supply chain
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	Attracting the best talent, Workforce composition	76	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Recognising and rewarding excellence	83	
401-3	Parental leave	Return to work and retention Rate after parental leave	78	

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
GRI 402: Labor/Management Relations 2016				
402-1	Minimum notice periods regarding operational changes		84	
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	Creating a safe working environment	83	
403-2	Hazard identification, risk assessment, and incident investigation	Creating a safe working environment	83	
403-3	Occupational health services	Creating a safe working environment	83	
403-4	Worker participation, consultation, and communication on occupational health and safety	Creating a safe working environment	83	
403-5	Worker training on occupational health and safety	Creating a safe working environment	83	
403-6	Promotion of worker health	Creating a safe working environment	83	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Creating a safe working environment	83	
403-8	Workers covered by an occupational health and safety management system			
403-9	Work-related injuries			There were no work related injuries in FY2022/23
403-10	Work-related ill health			There were no work related ill health in FY 2022/23
GRI 404: Training and Education 2016				
404-1	Average hours of training per year per employee	Enhancing the potential of our employees	79	
404-2	Programs for upgrading employee skills and transition assistance programs	Enhancing the potential of our employees	79	
404-3	Percentage of employees receiving regular performance and career development reviews	Performance management and succession planning	78	
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	Diversity and inclusivity for enhanced productivity	77	
405-2	Ratio of basic salary and remuneration of women to men	Ratio of basic salary and remuneration by employee category	78	
GRI 406: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken			There were no incidents discrimination nor any corrective actions taken in FY 2022/23
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
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor			

GRI Standard Disclosure	Disclosure	Location	Page No.	Notes
GRI 409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor			
GRI 410: Security Practices 2016				
410-1	Security personnel trained in human rights policies or procedures	Inculcating a culture of integrity and compliance	85	
GRI 411: Rights of Indigenous Peoples 2016				
411-1	Incidents of violations involving rights of indigenous peoples			
GRI 413: Local Communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	Supporting sustainable and inclusive social development	86	
413-2	Operations with significant actual and potential negative impacts on local communities			There were no operations with significant actual and potential negative impacts on local communities
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	Selecting our business partners	90	
414-2	Negative social impacts in the supply chain and actions taken	Selecting our business partners	90	
GRI 415: Public Policy 2016				
415-1	Political contributions			
GRI 416: Customer Health and Safety 2016				
416-1	Assessment of the health and safety impacts of product and service categories	Marketing campaigns, promotions, and marketing communications	67	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			
GRI 417: Marketing and Labeling 2016				
417-1	Requirements for product and service information and labeling	Marketing campaigns, promotions, and marketing communications	67	
417-2	Incidents of non-compliance concerning product and service information and labeling	Ensuring compliance in a changing regulatory landscape	74	
417-3	Incidents of non-compliance concerning marketing communications	Ensuring compliance in a changing regulatory landscape	74	
GRI 418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Ensuring compliance in a changing regulatory landscape	72, 74	

BRANCH NETWORK

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
34.	Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	037-228 1825

No.	Branch	Address	Phone No.
35.	Kurunegala	No. 79, Colombo Road, Kurunegala	037-222 1625/037-223 4444
36.	Kuruvita	No. 85, Colombo Road, Kuruvita	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. 838/04, 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. 26/05 & 26/06, 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, Kachcheriyagama, 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

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC – P B 232 PQ

Notice is hereby given that the Twenty Seventh Annual General Meeting of Citizens Development Business Finance PLC will be held at the CDB Corporate Office, No. 123, Orabipasha Mawatha, Colombo 10, on Wednesday, 2 August 2023 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 2023 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs. 5.00 per share for the financial year ended 31 March 2023 as recommended by the Directors.
3. To re-elect Independent Non-Executive Director Mrs P R W Perera, 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 Independent Non-Executive Director Mr S Kumarapperuma, 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.
5. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
6. 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.

BY ORDER OF THE BOARD OF DIRECTORS OF
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

sgd.

Company Secretary

28 June 2023

Note:

A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member 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 Mudiyanselage 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
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Prof Prasadini Naganika Gamage	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Seventh 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 Wednesday, 2 August 2023 and at any adjournment thereof.

	For	Against
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 2023 with the Report of the Auditors thereon.		
2. To declare a Final Dividend of Rs. 5.00 per share for the financial year ended 31 March 2023 as recommended by the Directors.		
3. To re-elect Independent Non-Executive Director Mrs P R W Perera, 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 Independent Non-Executive Director Mr S Kumarapperuma, 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.		
5. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.		
6. 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.		

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 Proxyholder :...

Email address of the Proxyholder :...

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.

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 Mudiyanselage 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
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Prof Prasadini Naganika Gamage	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Seventh 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 Wednesday, 2 August 2023 and at any adjournment thereof.

Signed this .... day of .... Two Thousand and Twenty Three.

....

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 Proxyholder : ....

Email address of the Proxyholder : ....

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.
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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.

CIRCULAR TO SHAREHOLDERS

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 2022/2023 in printed form to shareholders. An advertisement in this regard was published and an announcement made to the Colombo Stock Exchange. However, if you wish to receive a printed copy of the Annual Report 2023, 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/annual report/2022-23
   - 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
28 July 2023

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

7 September 1995

Registration number

PB 232 PQ

Accounting year

31 March

Board of Directors

Mr Joseph Rene Alastair Corera
CFA (USA), FCMA (UK)
Chairman/Independent
Non-Executive Director

Mr W P C M Nanayakkara
BSc (Mgt), FCMA (UK), MBA (Sri J), CGMA
Managing Director/Chief Executive Officer/
Executive Director

Mr T M D P Tennakoon
FCMA (UK), CGMA
Deputy CEO/Chief Financial Officer/
Executive Director

Mr R H Abeygoonewardena
FCMA (UK), ACMA (Sri), MCPM, CGMA
Executive Director - Corporate Finance

Mr Jagath Priyantha Abhayaratne
MBA, B.Sc (Admin)
Non-Executive Director

Prof S P P Amaratunge
BA (Econ) (Sp) (SJP), MA Econ (Colombo), MSc Econ. of Rural Dev. (Saga, Japan); PhD (Kogoshima, Japan)
Independent Non-Executive Director

Mr E R S G S Hemachandra
MBA (Australia), Dip M (UK), FCIM (UK)
Non-Executive Director

Mr D A De Silva
BSc (Hons), ACMA, CGMA
Executive Director – Business Operations

Elangovan Karthik
FCIM, FSLIM, BSc (Mgt), M BA (PIM), CGMA
Executive Director – Chief Emergent Business Officer

Mr S Kumarapperuma
BSc (Science), MBA (Colombo),
Postgraduate Dip (Actuarial Science)
Independent Non-Executive Director

Mr S V Munasinghe
MBA (Fed. Uni. Aus)
Executive Director –
Sales and Business Development

Mrs P R W Perera
FCA, ACMA
Independent Non-Executive Director

Prof Prasadini Naganika Gamage
BSc (Admin), PhD (HRM),
MSc (Management), Attorney-at-Law
Independent Non-Executive Director

Registered address of head office

No. 123, Orabipasha Mawatha, Colombo 10,
Sri Lanka.
Phone : +94 11 738 8388
Fax : +94 11 242 9888
Email : cdb@cdb.lk
Web : www.cdb.lk

Company Secretary
Ms Mihiri Shashikala Senaratne
No. 123, Orabipasha Mawatha, Colombo 10,
Sri Lanka
Phone : +94 11 738 8388
Fax : +94 11 242 9888
Email : mihiri.senaratne@cdb.lk

Company registrars

SSP Corporate Services (Pvt) Limited
101, Inner Flower Road,
Colombo 03, Sri Lanka
Phone : +94 11 257 3894,
+94 11 257 6871
Fax : +94 11 257 3609
Email : sspec@sltnet.lk

Company Auditors

KPMG (Chartered Accountants)
32 A, Sir Mohamed Macan
Markar Mawatha,
Colombo 03, Sri Lanka
Phone : +94 11 542 6426

Lawyers of the Company

Nithya Partners
No. 97 A, Galle Road,
Colombo 03, Sri Lanka

Credit rating agency

Fitch Ratings Lanka Ltd.

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

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www.SmartAnnualReport.com

www.carbonfund.org

Your Friend

123, Orabipasha Mawatha, Colombo 10, Western Province, Sri Lanka
Phone: +94 11 738 8388