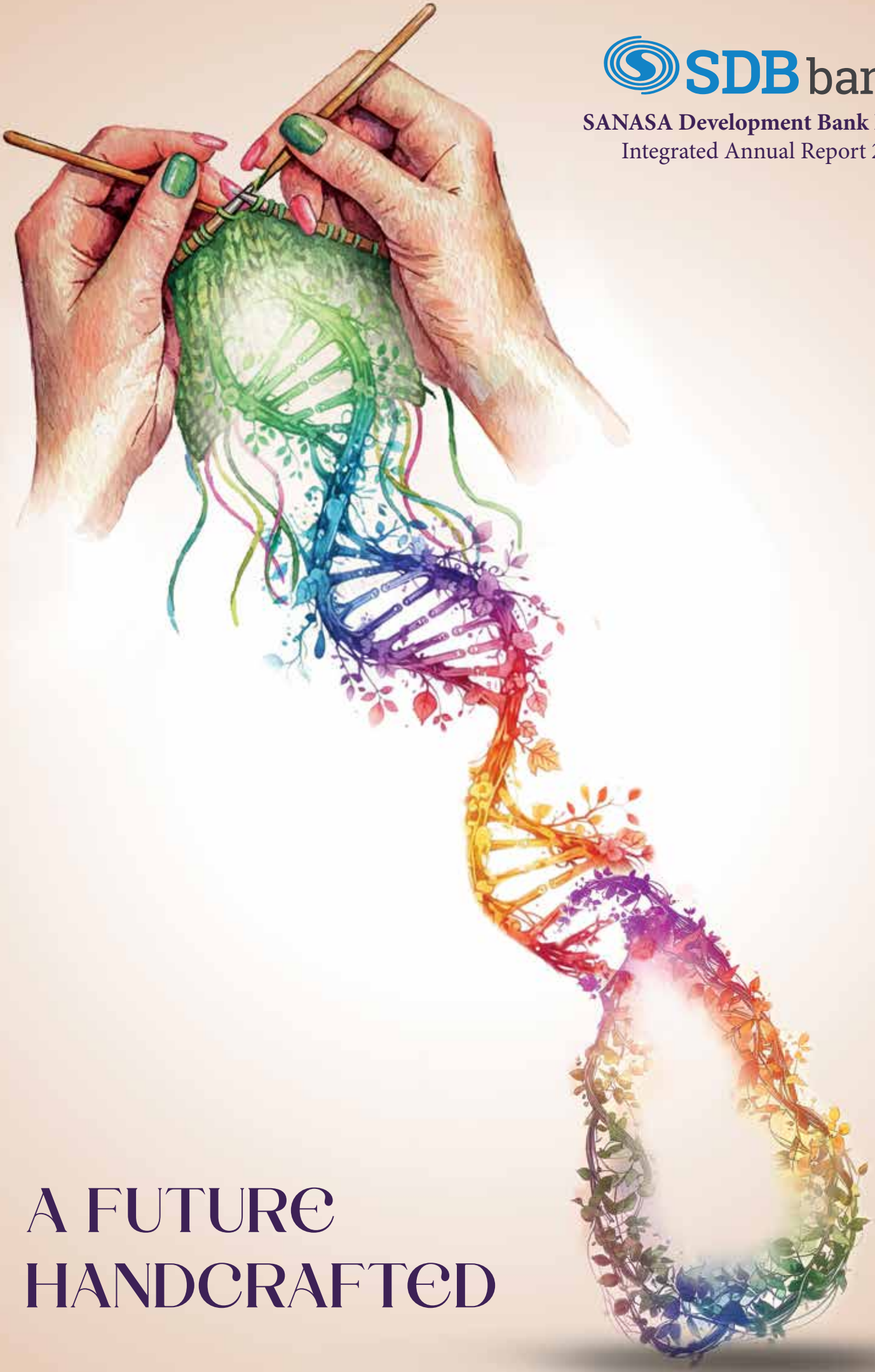
SDB bank

SANASA Development Bank PLC

Integrated Annual Report 2025



A FUTURE HANDCRAFTED



A FUTURE HANDCRAFTED

Some futures are not built by chance. They are shaped with intention, refined with patience and nurtured with unwavering belief. In 2025, Sanasa Development Bank proved once again that its strength lies not in transactions but in the lives it uplifts and the ambitions it carefully helps grow. What began as a renewed journey of stability has matured into a culture where supporting small enterprises, uplifting rural communities and empowering women innovators feels less like strategy and more like instinct. It is a responsibility embedded in its DNA.

This year, SDB preserved its purpose while expanding its reach. The Bank embraced sustainability, agri innovation and new corporate horizons with the same care it has always given to its grassroots. Every decision, every product and every partnership reflects a future crafted deliberately, one opportunity at a time. In that dedication lies the promise of growth, not only for the Bank but for every life it touches.

CONTENTS

OUR VISION & MISSION	4

OVERVIEW

OUR EVOLUTION	6
AWARDS & ACCOLADES IN 2025	9
ABOUT THIS REPORT	10
FINANCIAL HIGHLIGHTS	12
YEAR IN REVIEW	14
WHAT WE OFFER	15

OPERATING ENVIRONMENT AND STRATEGY

OPERATING ENVIRONMENT	20
STAKEHOLDER ENGAGEMENT	24
MATERIALITY	28
HOW WE CREATE VALUE	30
OUR STRATEGY	32
SDB BANK'S COMMITMENT TO SUSTAINABILITY	34

LEADERSHIP

CHAIRPERSON'S MESSAGE	42
CHIEF EXECUTIVE OFFICER'S REVIEW	46
BOARD OF DIRECTORS	50
CORPORATE MANAGEMENT	57
CHIEF MANAGERS	59
SENIOR MANAGEMENT	61

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL CAPITAL	68
MANUFACTURED CAPITAL	72
INTELLECTUAL CAPITAL	76
HUMAN CAPITAL	80
SOCIAL AND RELATIONSHIP CAPITAL	88
NATURAL CAPITAL	102

RISK MANAGEMENT AND CORPORATE GOVERNANCE

RISK MANAGEMENT	108
MESSAGE FROM THE CHAIRPERSON ON CORPORATE GOVERNANCE	117
CORPORATE GOVERNANCE	118
REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE	181
REPORT OF THE BOARD AUDIT COMMITTEE	183
BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE	187
REPORT OF THE BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE	189
REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	191
REPORT OF THE BOARD STRATEGIC PLANNING COMMITTEE	193
REPORT OF THE BOARD CREDIT COMMITTEE	195

FINANCIAL REPORTS

FINANCIAL CALENDAR	198
ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK	199
DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	211
INDEPENDENT ASSURANCE REPORT	213
CHIEF EXECUTIVE OFFICER'S AND HEAD OF FINANCE RESPONSIBILITY STATEMENT	214
STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING	215
INDEPENDENT AUDITORS' REPORT	216
STATEMENT OF COMPREHENSIVE INCOME	220
STATEMENT OF FINANCIAL POSITION	221
STATEMENT OF CHANGES IN EQUITY	222
STATEMENT OF CASH FLOWS	223
NOTES TO THE FINANCIAL STATEMENTS	224

SUPPLEMENTARY INFORMATION

TEN YEARS AT A GLANCE	298
DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III	300
SOURCES AND UTILISATION OF INCOME	308
QUARTERLY PERFORMANCE OF THE BANK	309
INVESTOR RELATIONS	310
ABBREVIATIONS	316
GLOSSARY OF TERMS	318
29TH ANNUAL GENERAL MEETING - NOTICE OF MEETING	324
CORPORATE INFORMATION	IBC

OUR VISION & MISSION



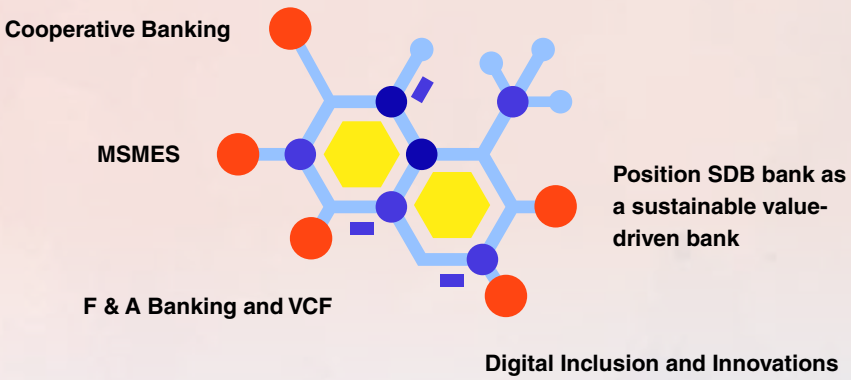
OUR VISION

To enable the economic transformation of progressive individuals, communities, Co-operatives and entrepreneurs.

OUR MISSION

To be a leading partner for inclusive and sustainable national development.

OUR STRATEGIC PILLARS



OUR VALUES

To foster and maintain the highest ethical standards at all levels of the Bank in dealing with customers, stakeholders and competitors.

To be innovative and profit driven in providing financial services

To be courteous and professional in all business dealings.

To avoid discrimination on the grounds of religion, sex, ethnicity, social status and language.

A strong commitment to sustainability in all our actions.

OUR GOALS

Improve the asset base to stay competitive and resilient in the market.

Transition from a retail focus to a broader SME focus.

Establish SDB as the Bank of the choice for the cooperative sector.

Introduce a comprehensive digital platform to future proof the Bank.

Provide a delightful experience to customers through value added service.

Developing people and modeling future-ready leadership.



Overview



OUR EVOLUTION

SDB bank is a significant contributor to national development due to its core values of serving Sri Lanka's community-led, cooperative sector, which includes a significant base of micro, small and medium enterprises (MSMEs), and women-led enterprises. Originating from its historical association with the SANASA Movement, the Bank has built enduring relationships with cooperative institutions and rural communities across the island. These long-standing partnerships, together with a strong respect for environmental stewardship, have shaped a banking philosophy in which sustainability is embedded as a fundamental operating principle rather than a standalone initiative.

In addition to its original mandate to serve the cooperative sector, SDB bank is also Sri Lanka's sole private-sector development bank. Therefore, the Bank has a deep-rooted commitment to inclusive finance and community-led development, and it has continued to actively support responsible enterprise by extending sustainable solutions that encourage environmentally and socially sound business practices.

SDB bank maintains a nationwide presence through a branch network of 94 locations, supported by its own 13 ATMs, as well as ATMs of other banks. Complementing this physical reach is an expanding suite of digital banking tools, including mobile and internet banking platforms, which are strategically deployed to improve accessibility and narrow the gap between urban financial services and the needs of micro and small enterprises.

As a development bank, SDB bank also goes beyond traditional intermediation by facilitating enterprise growth through targeted non-financial support. The Bank delivers structured capacity-building initiatives, including programmes on financial literacy, marketing and business management, aimed at strengthening cooperatives and enabling micro and SME entrepreneurs to progress to the next stage of business maturity and long-term resilience.

SDB bank was established in 1997 as a Licensed Specialised Bank under the Banking Act No. 30 of 1988, as amended, and operates under the regulatory oversight of the Central Bank of Sri Lanka. SDB bank became a listed entity on the Main Board of the Colombo Stock Exchange in 2012. Its customer portfolio comprises individual customers, small and medium-scale businesses, and cooperative networks, and their memberships span all regions of the country.

1997

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

1998

10th branch opened in Kandy

1999

Total assets reached over LKR 100 Mn.

2004

"Uttamavi," the Women Entrepreneurship Product, was launched and received international recognition

2006

10-year development plan initiated

2007

- Celebrated 10 years of excellence
- Branch network expanded to 25
- SDB bank was ranked among the Top 50 microfinance institutions in the world, out of 641 microfinance credit providers

2008

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

2009

- SANASA Group loan scheme introduced
- Share capital increased to LKR 1 Bn., from LKR 123 Mn.

- Branch network expanded to 50
- "Jawaya" youth product launched

2010

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

2012

- Introduced debit cards and ATM facilities
- Listed on the Main Board of Colombo Stock Exchange

2013

- Total assets increased to LKR 29.7 Bn.

2014

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

2015

- LKR 60 Bn. asset base
- LKR 4 Bn. debenture and LKR 5 Bn. capital base

2016

- LKR 66 Bn. asset base
- LKR 5.5 Bn. capital base
- Tele Collection Unit launched in Malabe
- New logo (SDB bank) launched

2017

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

2018

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

2019

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

2020

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

2021

- Highest ever profit of the Bank
- Awards
  - Global Banking & Finance award for the "Best SME Bank" and the Best Bank for Social Media in 2021
  - Ranked 43rd place on the Brand Finance Sri Lanka's 100 Most Valuable Brands Annual List for 2021

- SDB bank Placed Among Top-50 in LMD's Inaugural Edition of 'Most Awarded'
- SDB bank was honoured at the National Business Excellence Award 2021, receiving the Merit Award in the Banking Sector
- SDB bank was honoured that their effort to empower women in the workplace has been rewarded at the first CIMA Women Friendly Workplace.

- SDB bank successfully recorded yet another oversubscription at its Secondary Public Offering
- SDB bank received a USD 40 Mn loan facility from the US International Development Finance Corporation (DFC) to nurture SMEs and female entrepreneurship
- SDB bank Hosted Asia Pacific Chapter of the Global Alliance for Banking on Values
- SDB bank's rating upgraded to BBB with a Stable Outlook by ICRA Lanka

2022

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

2023

- Total equity of the Bank crossed the LKR 14 Bn mark
- The total deposit base increased to LKR 108 Bn (including savings deposits to LKR 16.5 Bn)
- Number of successful UPay transactions exceeded 3 Mn transaction for the year, worth LKR 58 Bn

2024

- SDB climbed 9 notches in LMD's 100 best corporate rankings, to position as the 53rd corporate entity in Sri Lanka
- The saving portfolio grew to LKR 20.5 Bn, by LKR 4.01 Bn, year-on-year, representing a significant milestone as a part of our low-cost funding strategy.
- The pawning portfolio and leasing portfolio increased by LKR 1.21 Bn and LKR 1.41 Bn, respectively during the year.

2025

- SDB bank wins the first ever SLIM Digis 2.5 - Silver Award for its Father's Day Campaign of Digital in Corporate Branding
- National Business Excellence 2025 - Banking Sector Merit Award
- The leasing portfolio reached LKR 10.3 Bn with a net increase of LKR 3.68 Bn
- The pawning portfolio reached LKR 10.92 Bn with a net increase of LKR 3.35 Bn
- Merit Award for Excellence in Customer Convenience - Category C at the LankaPay Technnovation Awards 2025
- A - Institutional Rating for the Q1 - 2025 (reflecting the performance in key areas of Data Management & Compliance, rated by the Credit Information Bureau, Sri Lanka (CRIB)
- Sri Lanka's Top 100 Most Valuable Brands by BrandFinance (Ranking - 76)
- Ranked as 65th amongst the top 100 companies by LMD 100
- CA Sri Lanka TAGS Awards 2025 - Certificate of Compliance

AWARDS & ACCOLADES IN 2025



1



2





3



4



5



6

1. **National Business Excellence 2025 - Banking Sector Merit Award**
2. **SLIM Digis 2.5 - Silver Awards for Best Use of Digital in Corporate Branding**
3. **Merit Award for Excellence in Customer Convenience - Category C at the LankaPay Technnovation Awards 2025**
4. **A - Institutional Rating for the Q1 - 2025 (reflecting the performance in key areas of Data Management & Compliance, rated by the Credit Information Bureau, Sri Lanka (CRIB)**
5. **CA Sri Lanka TAGS Awards 2025 - Certificate of Compliance**
6. **Japan Sri Lanka Technical and Cultural Association (JASTECA) Awards 2025 - Certificate of Recognition**

ABOUT THIS REPORT



SDB bank has voluntarily adopted the International Integrated Reporting Standards to report on its annual progress, in order to ensure greater transparency for the benefit of its stakeholders. Therefore, this annual integrated report, which is published for the financial year 2025, contains a comprehensive and concise description of SANASA Development Bank PLC's ("SDB bank" or "the Bank") progress during the year under review. This report contains not only all the statutory disclosures as required under the Listing Rules of the Colombo Stock Exchange, the Companies Act and Central Bank regulations, but also includes descriptions regarding the Bank's strategic progress and changes to the Bank's financial and non-financial capitals during the 12 months under review. The most recent past report is for the Financial Year 2024, and can be accessed on the Bank's corporate website – www.sdb.lk

SCOPE AND BOUNDARY

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

The reporting time frame is the 12-month period of 1st January 2025 to 31st December 2025, which is both the financial reporting period as well as the sustainability reporting period.

STANDARDS AND PRINCIPLES OF PREPARATION

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

FINANCIAL REPORTING

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007 & its amendments
- Banking Act No. 30 of 1988 and amendments thereto
- Listing Rules of the Colombo Stock Exchange (CSE)
- Relevant directions/circulars issued on reporting formats by the Central Bank of Sri Lanka

CORPORATE GOVERNANCE

- Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto.
- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks
- Listing Rule No. 9 of the Colombo Stock Exchange

SUSTAINABILITY REPORTING

- International Integrated Reporting Framework 2021 of the International Integrated Reporting Council (IIRC)
- United Nations Sustainable Development Goals (SDGs)
- Non-Financial Reporting Guidelines issued by CA Sri Lanka

FORWARD LOOKING STATEMENTS

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

DIGITAL VIEW



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

BOARD RESPONSIBILITY STATEMENT

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

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

1. Independent Auditors' Report on page 216.
2. Statement of Directors' Responsibilities on page 215.



Signature/s

4th May 2026

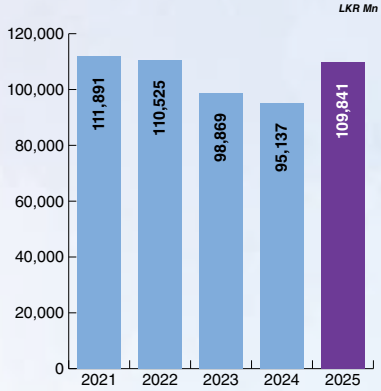
FOR FEEDBACK ON THIS REPORT

Head of Finance
SANASA Development Bank PLC
No. 12, Edmonton Road, Kirulapone,
Colombo 06
Phone : +94 11 407 9545
Email : sanjeeva@SDB.lk
Website : www.sdb.lk

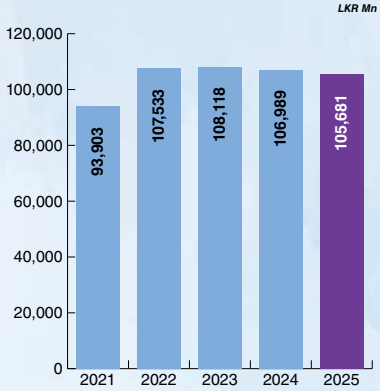
FINANCIAL HIGHLIGHTS

For the year ended 31st December	2025 LKR	2024 LKR	Change
Financial Performance			
Gross Income	18,403,923,767	21,062,580,699	-12.62%
Interest Income	17,098,539,394	20,005,051,598	-14.53%
Interest Expenses	8,865,857,751	12,184,587,605	-27.24%
Profit Before Tax	800,172,578	684,262,920	16.94%
Profit After Tax	404,918,546	409,534,246	-1.13%
Total Comprehensive Income	217,906,021	341,615,936	-36.21%
Financial Position at the Year End			
Net Advances to Customers	109,840,875,877	95,137,106,867	15.46%
Deposits From Customers	105,680,974,038	106,989,899,941	-1.22%
Total Assets	146,958,096,826	145,155,949,959	1.24%
Total Equity	14,804,406,386	14,586,500,364	1.49%
Growth In Advances	15.46%	-3.77%	-
Growth In Deposits	-1.22%	-1.04%	-
Investor Information			
Earnings per share	2.47	2.49	
Net Assets Per Share	90.18	88.85	
Market Value Per Share	58.10	45.90	
Price Earning Ratio (Times)	23.56	18.40	
Ratios			
Net Interest Margin - %	5.37	5.18	
Return on Assets - before taxes (ROA) - %	1.11	0.96	
Return On Equity (ROE) - %	2.76	2.84	
Impaired Loans (Stage 3) to Total Loan, Ratio	5.36	6.93	
Statutory Ratios			
Common Equity Tier 1 Ratio %- (Minimum Requirement - 2025-7.00%, 2024-7.00%)	14.20	15.00	
Tier 01 Capital Ratio % - (Minimum Requirement - 2025-8.50%, 2024-8.50%)	14.20	15.00	
Total Capital Ratio % - (Minimum Requirement - 2025-12.50%, 2024- 12.50%)	15.24	16.37	
Liquidity Coverage Ratio % - (Minimum Requirement - 2025-100%, 2024-100%)	151.86	279.65	
Net Stable Funding Ratio %- (Minimum Requirement - 100%)	144.82	173.02	

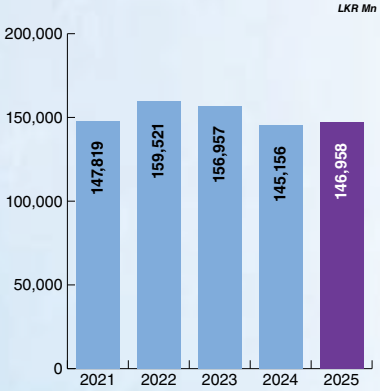
NET ADVANCES TO CUSTOMERS



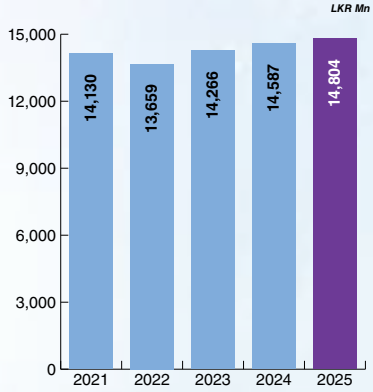
DEPOSITS FROM CUSTOMERS



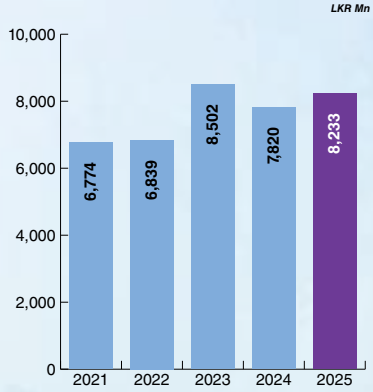
TOTAL ASSETS



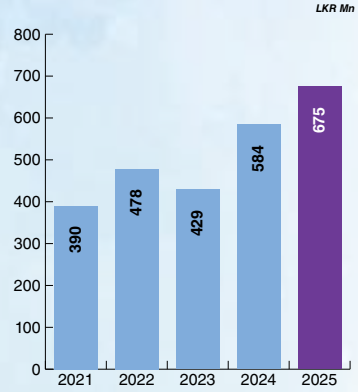
TOTAL EQUITY



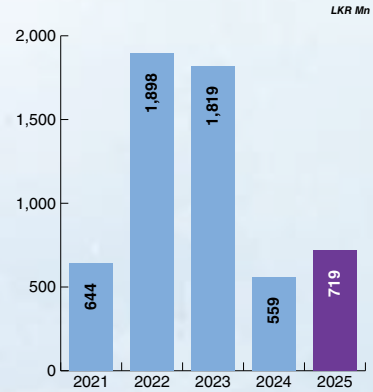
NET INTEREST INCOME



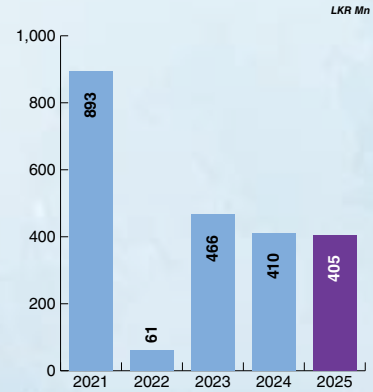
NET FEE INCOME



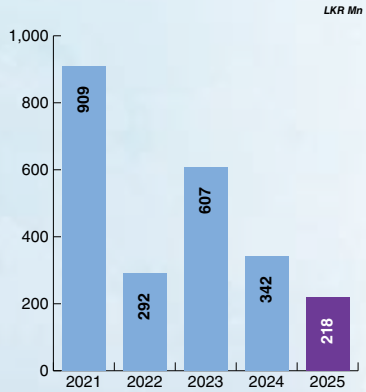
IMPAIRMENT CHARGE



PROFIT AFTER TAX



TOTAL COMPREHENSIVE INCOME



YEAR IN REVIEW

OPERATING ENVIRONMENT

- Sri Lanka recorded an estimated GDP growth of 5% in 2025, demonstrating recovery momentum despite disruptions such as the Ditwah cyclone
- The deflationary trend reversed, with inflation gradually normalising during the year
- Interest rates adjusted downward, easing financial conditions across the economy
- External sector dynamics remained active:
  - Exports increased by 5.6% YoY
  - Imports rose by 12.2%, driven by renewed economic activity mainly due to motor vehicle imports.
- These conditions reinforced the need for resilience, agility and prudent financial management

WHAT WE DELIVERED

- Extended relief measures to customers impacted by prior high-interest rate shocks
- Successfully reversed a 5-year portfolio contraction, achieving growth across all segments
- Continued to improve portfolio quality, reducing non-performing loan ratios from 11.11% as at end-2024, to 8.85% in 2025
- Accelerated digital transformation initiatives across operations and customer platforms. Digital transactions as a percentage of total transactions 37%
- Launched a specialised Agri-Financing Strategy in collaboration with Rabo Bank
- Enhanced operational efficiency by consolidating key functions into a unified structure

SUSTAINABLE PROGRESS

- Finalised a new business strategy in collaboration with Rabo Partnerships
- The Rural Upliftment programme made strong progress in 2025
- Increased SME financing and support
- Expanded value chain financing and agricultural value chains
- Strengthened relationships with cooperative associations

WHAT WE ACHIEVED

- Net Advances: **Grew by 15% to LKR 109.8 Bn**
- Net Interest Income: **Increased by 5.27%**
- Net Fee and Commission Income: **Grew by 15.47%**
- Operating Income: **Increased by 7.53%**
- Total Assets: **Expanded by 1.24%**
- Profit Before Tax: **Recorded a 16.9% increase**
- **Maintained strong capital adequacy and improved asset quality through disciplined risk management**

STRATEGIC PRIORITIES IN THE YEAR 2025

- Resolved legacy portfolio issues linked to the economic crisis
- Reversed portfolio contraction through accelerated business growth
- Maintained strict credit discipline to enhance portfolio quality
- Enabled inclusive recovery by supporting SMEs and linking them to value chains
- Promoted women's empowerment through comprehensive financial and non-financial support

FORWARD STRATEGY

- Develop systems to monitor all social and economic impacts through the Bank's business activities
- Fast track digitization to improve the cost-to-revenue ratio, while accelerating growth
- Increase financial support to sustainable initiatives
- Expand the Bank's footprint in the SME and agriculture sectors

WHAT WE OFFER

SAVINGS PRODUCTS

SDB Lakdaru

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

SDB Uththamavi

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

SDB Dayada

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

SDB Jawaya

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

SDB Corporate Top Saver

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

SDB Business Saver

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

SDB Top Saver Plus

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

SDB Investment

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

FIXED DEPOSITS PRODUCTS

SDB Fixed Deposits

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

SDB Fixed Deposits Upahara

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

LOAN PRODUCTS

SDB SODURU SEWANA Housing Loan

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

SDB Personal Loan

- Top up facility – after repaying a part of the original Personal Loan
- Choice of fixed or floating interest rates
- Processed within a maximum of three working days

SDB Ranmini

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

SDB Uththamachara

For Army/Navy/Air Force/Police & Police STF Ex Military Personnel and their Dependents

Family Members

- Loans up to LKR 5 Mn without guarantors. Repayment period up to 10 years and up to 75 years of age
- Loan protection covers all Uththamachara credit facilities
- Lower insurance charges
- Assistance in SWIFT transfer of salaries from relevant Pay and Record offices
- Convenience and quality service to customers

SDB Gold Loan

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

SDB Upahara

For Retired Government Servants and Ceylon Electricity Board Pensioners

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

SDB Pawning

Maximum advance amount for a gold sovereign (8g) 18K/24K of gold

- Competitive low interest rates
- Ensured accuracy of gold weight and value with the latest equipment
- Benchmarked services that guarantee speed, privacy and the highest level of Confidentiality

SDB SME Plus

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

SDB Uththamavi

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

SDB Business Plus

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

SDB All Purpose Property Loan

Features & Benefits

- Property purchase
- Property construction
- Consumption needs
- Educational purposes
- Purchase of solar power systems and electric bicycles
- Investments for green energy projects
- This includes statutory payments, including income tax and personal tax obligations under the self-assessment
- Debt settlement (Subject to Credit Policy guidelines)
- All other accepted purposes by the Bank, except business purposes under SME.
- Tenor - Maximum 5 years

SDB Merchant Quick Loan

- Cash flow based short-term working capital loan at a fixed rate
- No guarantors required
- A simple and convenient application process ensures quick loan approvals
- Facility requests through the Upay app
- Eligible for SDB POS Merchants

SDB Leasing

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

SDB Value Chain Financing

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

CO-OPERATIVE PRODUCTS

SDB Co-operative Top Saver

The highest interest rate for savings interest is calculated on a daily basis based on the day-end balances and credited monthly

- Loan facilities against savings balances with the ability to avail up to 80% of the deposit for a one-year loan renewal period

SDB COOP/NGO Savings

Savings product tailored for Multi-Purpose Co-operatives and NGOs

SDB Co-operative Coop Saver

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

WHAT WE OFFER

SDB Co-operative

Sahanya

- Special interest rates
- Special interest rates Bonus Interest of 40% of the cumulative interest will be paid only if the required average balance of LKR 200,000 is maintained during a period of one year.
- Bonus Interest of 50% of the cumulative interest will be paid only if the required average balance is maintained at LKR 1 Mn or above during a period of one year
- 60% cash back loan facilities

SDB Co-operative

Samupa Saviya

- Additional 0.25% interest for fixed deposits
- Coverage for the entire co-operative segment (including society employees)

SDB Co-operative

Project Loans

To finance start-ups of new projects & develop existing projects carried by registered cooperative societies

- Repayment period up to ten years in monthly instalments, with a 6-month grace period
- Loan amount depends on the capacity of the society & project cost

SDB Co-operative

Relending Loans

Re-lend to society members for their income-generating & consumption purposes

- Repayment can be made monthly or as a bullet repayment based on the requirement
- Loan amount depends on the capacity of the society

SDB Co-operative

Cooperative Cash Collateral Loan (CCCL)

- Offers flexible financing with a Loan-to-Value (LTV) ratio of up to 100% against maturity-interest deposits and 80% against monthly-interest deposits.
- Ensures a secure and streamlined application process by utilizing existing fixed deposits as primary cash collateral

SDB Co-operative

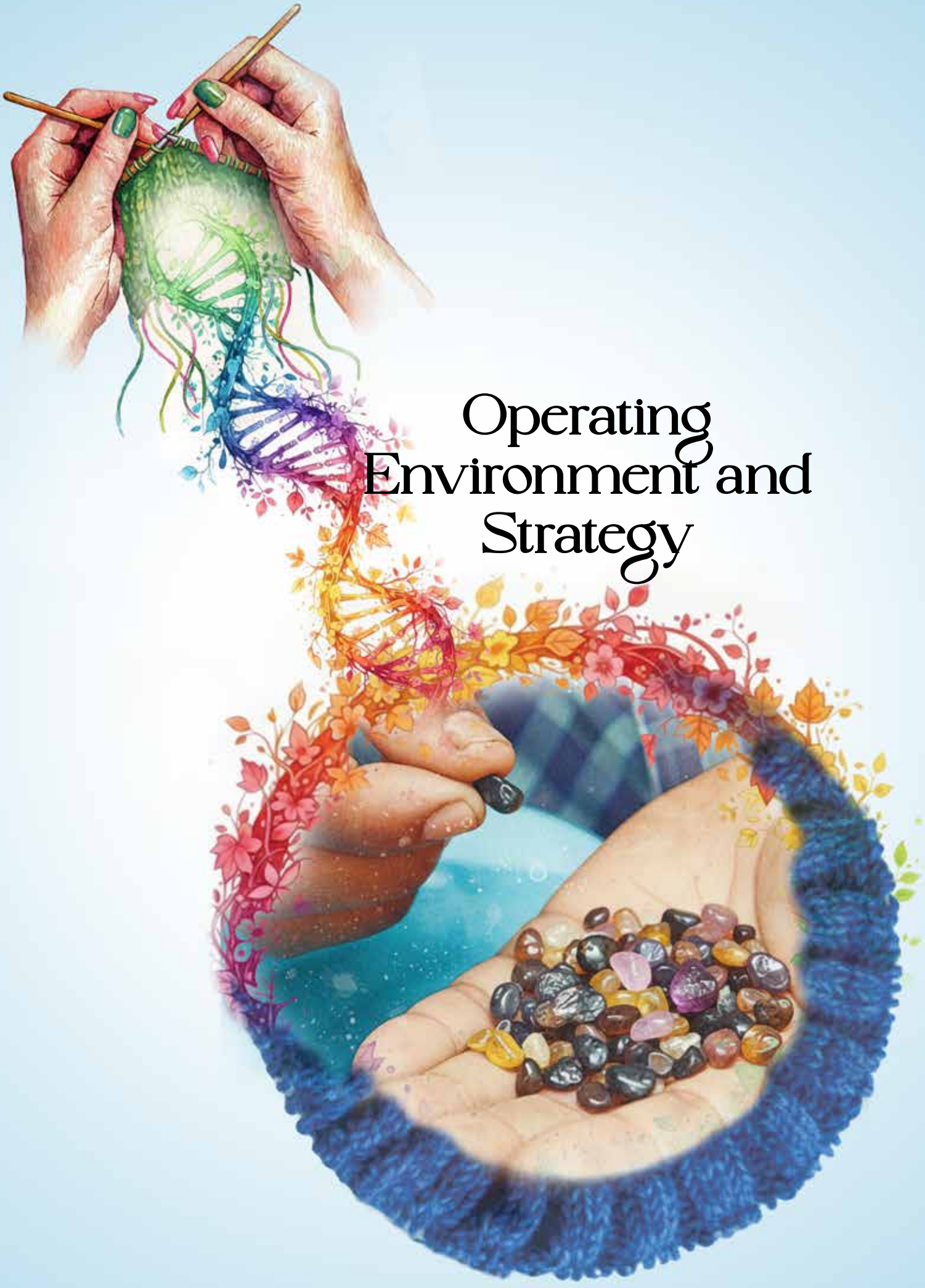
Bancassurance

- Ensures the delivery of comprehensive financial insurance services to customers by providing tailored solutions that meet diverse protection and investment needs. Drives the strategic marketing, promotion, and sales of a broad portfolio of life insurance products across the branch network, while maintaining strict alignment with corporate standards, regulatory requirements, and service excellence benchmarks. Strengthens customer relationships through proactive engagement and consultative selling, contributing to sustainable business growth, enhanced customer value, and overall organisational performance.

SDB Co-operative

Refinance Loans

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



Operating Environment and Strategy

OPERATING ENVIRONMENT

Despite heightened global uncertainties, the Sri Lankan economy sustained its recovery momentum in 2025, supported by broad-based growth across multiple sectors. Economic activity strengthened further following the resumption of vehicle imports, contributing to increased private sector demand and improved overall performance. However, this positive trajectory was partially disrupted by Cyclone Ditwah, which affected Sri Lanka from 27 to 29 November 2025, causing widespread damage with significant economic and humanitarian consequences. While swift response measures enabled the near-complete restoration of essential services, the cyclone had a measurable impact on economic activity, highlighting the increasing vulnerability of the economy to climate-related shocks. The scale of the devastation underscored the intensifying effects of climate change and reinforced the need for enhanced climate adaptation measures and stronger global decarbonisation efforts.

In addition, the U.S.-Israeli war on Iran, which commenced on February 28, 2026, has caused a severe global economic shock, creating the largest energy supply disruption in history due to the closure of the Strait of Hormuz. Oil prices skyrocketed past US$100 a barrel, triggering inflation, stock market declines, and severe damage to energy infrastructure

GLOBAL ECONOMY

- **Global Economic Growth** - Despite intensifying geopolitical tensions and elevated policy uncertainty, the global economy remained resilient in 2025. Against a backdrop of stabilising trade tensions and supportive financial conditions, the January 2026 World Economic Outlook (WEO) update of the International Monetary Fund (IMF) estimated global economic growth at 3.3% in 2026. Growth was supported by strong private sector adaptability and increased technology led investments, particularly in Artificial Intelligence (AI).
- **Trade Policy Developments and Global Trade -** Global trade sentiment was affected during the first half of 2025 by revisions to the US tariff structure and subsequent policy shifts, heightening uncertainty. However, frontloading of trade, investment, and inventory accumulation in anticipation of potential tariff increases, together with subsequent bilateral trade agreements and downward revisions to previously announced tariff measures, helped sustain global economic performance. Reflecting these developments, world trade volumes expanded by 4.1% in 2025, driven mainly by technology related exports, which offset weaker momentum in other product categories.
- **Energy and Commodity Prices -** Oil prices remained low during 2025 due to tepid global demand growth and strong supply conditions, easing cost pressures across economies. Prices of energy commodities are expected to decline further by around 7% in 2026, providing continued disinflationary support. Heightened geopolitical risks and policy uncertainty also contributed to increased demand for safe haven assets, with gold prices reaching record highs during the year, supported by investor demand and central bank purchases as part of reserve management strategies.

However, the closure of the Strait of Hormuz in March 2026 had halted approximately 20% of global oil and liquefied natural gas (LNG) shipments and caused Brent crude prices to surge past $115 per barrel in late March, while European gas benchmarks nearly doubled.

- **Regional Growth and Financial Conditions -** India remained the fastest growing major economy, recording an estimated 6.6% growth in 2025, supported by strong domestic demand and investment activity. Moderating inflationary pressures and softening labour market conditions in the United States contributed to easier global financial conditions, while the weaker US dollar helped support global trade flows and reduced exchange rate driven inflationary pressures in emerging and developing economies.
- **Global Outlook and Risks** - Global growth is expected to remain at 3.3% in 2026, before moderating to 3.1% in 2027, reflecting a gradual normalisation of economic activity. Nevertheless, economic policy uncertainty is assumed to remain elevated through 2026, with downside risks stemming from geopolitical developments, evolving global trade policies, and climate related disruptions continuing to shape the external operating environment.

Following the armed conflict with Iran, economists warn of a possible stagflation risk globally, which is high inflation coupled with stagnant growth. According to the Organisation for Economic Co-operation and Development (OECD), the war has already erased a 0.3% upgrade to global growth, leaving the current 2026 forecast at 2.9%.

SRI LANKAN ECONOMY

In its Country Report of December 2025, the International Monetary Fund (IMF) noted that, prior to Cyclone Ditwah, Sri Lanka's economy was on a firm recovery path and was projected to return to its pre crisis level four years earlier than previously envisaged. This assessment was corroborated by the Department of Census and Statistics (DCS), which

reported economic growth of 5.0% during the first nine months ended September 2025, compared to 4.9% in the corresponding period of 2024, reflecting an acceleration in economic momentum.

This recovery trajectory was subsequently disrupted by Cyclone Ditwah, which made landfall on the eastern coast on 28 November 2025, causing widespread flooding, landslides, and substantial damage to infrastructure and livelihoods. The cyclone had a significant social and economic impact, affecting over 1.7 million people and disrupting key productive sectors, particularly agriculture.

According to World Bank estimates, the total economic damage amounted to approximately USD 4.1 billion, equivalent to around 4% of GDP in 2024, with more than 106,000 hectares of paddy land adversely affected. Reflecting these developments, the Central Bank of Sri Lanka, in its Monetary Policy Report of February 2026, revised its estimate of real GDP growth for 2025 to around 4.5%. Notwithstanding the adverse impacts, economic activity demonstrated resilience in the final quarter of 2025, although agricultural outcomes were expected to remain mixed due to prevailing weather-related challenges.

In response, the Government of Sri Lanka, supported by the international community, the private sector, and local stakeholders, implemented timely relief measures and has committed to reconstruction and recovery efforts. These initiatives are expected to support economic stabilisation going forward, while underscoring the growing importance of climate resilience in sustaining long-term economic growth.

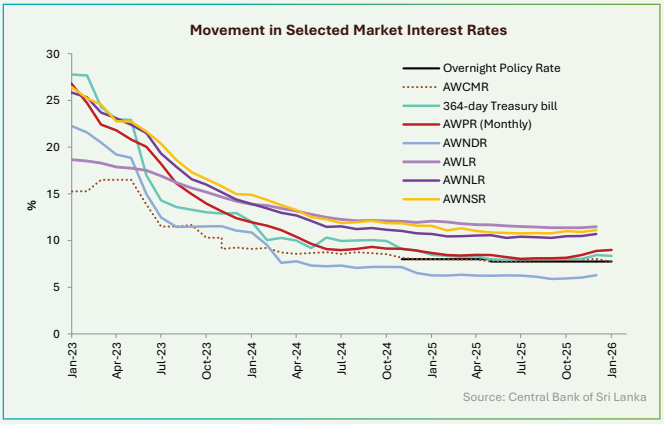
GROSS DOMESTIC PRODUCT (GDP)

Sri Lanka's economy continued its recovery in 2025, recording a growth of 5.0% during the first nine months of the year. Growth was broad based, with Agriculture, Industry, and Services expanding by 3.6%, 8.1%, and 3.5%, respectively, reflecting improved domestic demand and easing supply side constraints. The resumption of vehicle imports provided additional impetus to economic activity, supporting trade related services, transportation, and financial intermediation, while taxes less subsidies on products increased by 13.9%, driven mainly by higher import related tax revenues.

Notwithstanding the strengthening growth momentum, economic activity toward year's end was partially affected by Cyclone Ditwah, which caused disruptions to infrastructure and transport networks across several regions. Overall performance, however, underscored the economy's resilience amid evolving climate related and external challenges.

INTEREST RATES

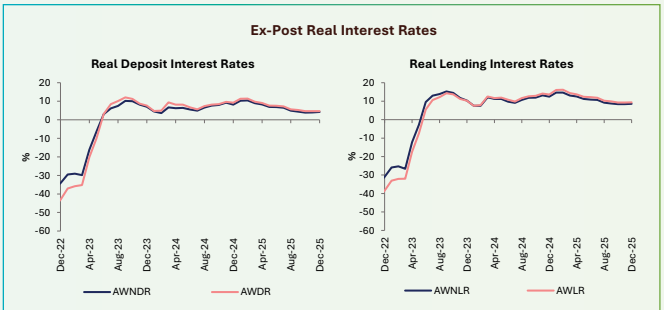
According to the Central Bank, overall market interest rate structures adjusted downwards during 2025. Following the policy rate reduction of 25 bps in May 2025, the Average Weighted Call Money Rate (AWCMR) remained above the Overnight Policy Rate, of around 30 bps by the end of 2025. The Average Weighted Prime Lending Rate (AWPR) witnessed upward pressure reflecting the behaviour of short-term market rates, including the government securities yields, and rising deposit interest rates during the latter part of 2025.



Source: Central Bank of Sri Lanka

Real interest rates witnessed a drop towards the end of 2025 and are likely to ease further with the expected convergence of inflation towards the target of 5%.

Credit to the private sector by Licensed Commercial Banks increased by around 25.2% year-on-year, or LKR 2.1 Tn, largely due to the expansion in economic activity, as well as increased demand for financing for vehicle imports. Liquidity conditions in the domestic money market continued to remain at a surplus with some volatility during 2025.



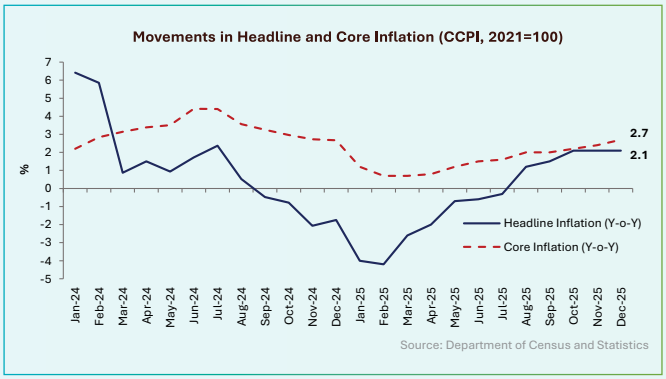
Note: The monthly real interest rate is derived by adjusting the nominal interest rate for the y-o-y headline inflation rate (CCPI-based).

Source: Central Bank of Sri Lanka

OPERATING ENVIRONMENT

INFLATION

Headline inflation, which reached positive levels in August 2025 after 11 months of deflation, followed an increasing trend thereafter, while remaining below the target level. This turnaround was mainly supported by the easing of deflationary pressures in the energy and transportation category, following the upward revision of electricity tariffs implemented in mid-June 2025, along with statistical base effects.

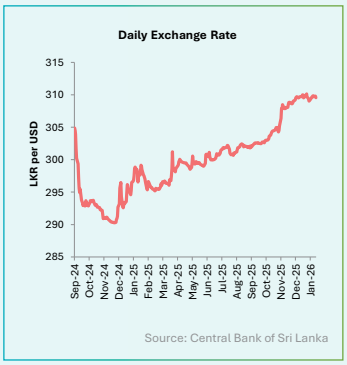


Source: Central Bank of Sri Lanka

In 2026, the impacts of Cyclone Ditwah could exert pressure on food inflation. Nevertheless, immediate re-cultivation and restoration efforts in Cyclone-affected areas are expected to contribute to softening this impact.

EXCHANGE RATE

The Sri Lankan rupee depreciated against the USD by 5.6% in 2025 and against other major currencies, such as the Euro, the Pound sterling, the Chinese yuan, the Japanese yen, the Indian rupee, and the Australian dollar.



LABOUR MARKETS

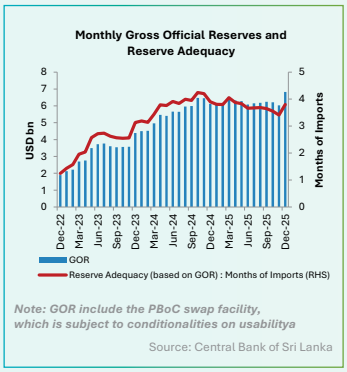
As reported by the Central Bank, both the Informal Private Sector Wage Rate Index and the Public Sector Wage Rate Index increased during H2-2025.

However, the country's unemployment rate increased to 4.3% in the third quarter of 2025, the highest since the third quarter of 2024, according to the Department of Census and Statistics' Labour Force Survey quarterly report 2025. The labour force participation rate rose to 49.9% in the third quarter, from 49.7% in the first quarter of 2025, and while female participation increased, male participation declined, suggesting that new entrants to the labour market outpaced job creation.

EXTERNAL SECTOR

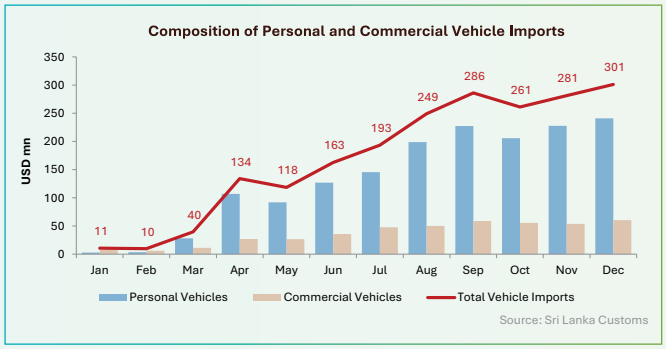
Despite the widening of the merchandise trade deficit, the current account is estimated to have recorded a surplus in 2025, which is the highest ever annual surplus, reflecting higher workers' remittances and improved tourism earnings.

The Gross Official Reserves (GOR) increased to USD 6.8 Bn by the end of 2025, from USD 6.1 Bn at the end of 2024, amid continued foreign debt service payments of the Government and the Central Bank. The reserve accumulation was largely due to net forex purchases of around USD 2.0 Bn by the Central Bank from the domestic forex market. Inflows from multilateral institutions, mainly the inflows from the Asian Development Bank, and the disbursement of two tranches of Extended Fund Facility (EFF) and Rapid Financing Instrument (RFI) by the International Monetary Fund (IMF) also helped enhance GOR.



Export earnings amounted to USD 13.6 Bn in 2025, registering the highest level on record and surpassing the previous peak of USD 13.1 Bn in 2022. Meanwhile, expenditure on imports amounted to USD 21.5 Bn in 2025, driven mainly by higher vehicle imports, after the previous peak recorded in 2018 at USD 22.2 Bn. Vehicle imports surged in 2025, amounting to USD 2.0 bn.

The highest tourist arrivals were recorded in 2025, and earnings from tourism were estimated to be USD 3.2 Bn, recording a y-o-y growth of 1.6% compared to 2024. Workers' remittances amounted to around USD 8.1 bn in 2025, recording a growth of 22.8% (y-o-y), compared to USD 6.6 bn recorded in 2024.



Banking Sector Performance

The resilience of the financial sector continued to improve during 2025. Total assets of the banking sector expanded due to the considerable increase in loans and receivables for a y-o-y growth of 12.6%, reaching LKR 24.9 Tn.

Profit After Tax (PAT) of the sector increased during the year, reporting LKR 369.1 Bn in 2025, compared to LKR 324.2 Bn in 2024, recording a y-o-y growth of 13.8%. However, profitability indicators, such as Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM), slightly declined at the end of 2025 compared to the end of 2024.

Liquidity of the banking sector, as measured by Liquidity Coverage Ratios (LCRs), declined at the end of 2025 compared to the end of the previous year, along with the significant credit expansion. However, the sector LCRs were well above the minimum requirement of 100%. Accordingly, Rupee LCR declined to 283.9% at the end of 2025, compared to 349.9% at the end of 2024, whilst all currency LCR declined to 249.7% at the end of 2025, compared to 313.8% at the end of 2024.

KEY HIGHLIGHTS ABOUT THE SRI LANKAN BANKING SECTOR IN 2025:

- **Overall default risk of the banking sector:** The Stage 3 loans ratio declined to 9.4% at the end of 2025, compared to 12.3% in 2024.
- **Improved capital adequacy:** Total Capital Adequacy Ratio (CAR) of the banking sector improved to 18.7% at the end of September 2025, compared to 18.5% the year before.
- **Gradual credit growth:** Growth of gross loans and receivables accelerated to 21.5% (y-o-y) and reached LKR 13.9 Tn at the end of 2025.

KEY DEVELOPMENTS IN THE REGULATORY LANDSCAPE – 2025

- Introduction of maximum Loan to Value (LTV) ratio caps on credit facilities granted for the purchase of motor vehicles, aimed at strengthening credit risk management.
- Issuance of an addendum to Circular No. 4 of 2024 on Relief Measures to Assist Affected Small and Medium Enterprises, providing clarifications to ensure consistent application across all licensed banks.
- Implementation of guidelines for reporting information technology and cybersecurity incidents, in recognition of the banking sector's increasing reliance on digital infrastructure.
- Introduction of relief measures under Circular No. 4 of 2025 to support individuals and businesses affected by Cyclone Ditwah.
- Issuance of guidelines on the development of recovery plans for licensed banks, strengthening preparedness and resilience against potential financial and operational stress.

OUTLOOK

The Central Bank expects inflation to increase gradually over the coming months, towards the target of 5% and forecasts economic growth for 2026 to be in the range of 4% to 5%. Eased monetary conditions and increased government expenditure following Cyclone Ditwah are expected to support growth in 2026. However, economic growth is conditional upon effective implementation of targeted structural reforms, weather-related shocks and developments among Sri Lanka's trading partners.

Following the commencement of the war with Iran, by late March 2026, Sri Lanka faced a "system shock" characterised by a roughly 33% to 35% surge in fuel prices and critical disruptions to primary foreign exchange earners of remittances, tea exports, and tourism. Nevertheless, the Central Bank forecasts growth to remain close to 5% in 2026, with the country expected to remain resilient against these external shocks.

STAKEHOLDER ENGAGEMENT

As a financial services provider to all socio-economic categories, SDB bank recognises that effective stakeholder management is a critical enabler of long-term value creation, risk management, and business growth. During the 2025 financial year, SDB bank continued to invest in maintaining and building long-term, mutually beneficial relationships with key stakeholder groups. Stakeholder engagements were designed to enhance transparency, strengthen accountability, and enable effective two-way communication, thereby ensuring that stakeholder perspectives, expectations, and concerns were understood and addressed in a timely manner. In addition, the Bank ensured that feedback obtained through these engagement processes was incorporated, where appropriate, into operational decision-making, policy formulation, and strategies, with the objective of strengthening overall business sustainability. The Bank has also invested in technical training and soft skills development among employees to facilitate relationship building and regular dialogues between the Bank and its key stakeholder groups.

A summary of the Bank's engagement with its principal stakeholder groups is presented below, outlining the methods of engagement, key stakeholder concerns, and the Bank's strategic responses. Further information on stakeholder-related initiatives is provided in the Social and Relationship Capital, Human Capital, and Natural Capital chapters of this Annual Report, which collectively demonstrate how stakeholder engagement contributes to sustainable value creation over the short, medium, and long term.

STRENGTHENING RELATIONSHIPS WITH COOPERATIVES

SDB bank's longstanding relationship with Sri Lanka's cooperative sector is a unique heritage of this Bank. Established originally to function as the principal banker to SANASA cooperatives, the Bank has not only preserved this foundational mandate but has progressively strengthened its strategic role within the national cooperative ecosystem. In 2025, SANASA cooperatives collectively held approximately 12.55% of SDB bank's issued share capital and continued to function as long-standing customers, suppliers, and strategic business partners of the Bank.

Out of the approximately 16,000 registered cooperative societies in Sri Lanka, the SANASA cooperative network, which originates from the grassroots SANASA Movement, is the largest, comprising over 8,000 cooperatives with an island-wide presence. SANASA cooperatives are wholly community-owned and are regulated at the national level by the Department of Co-operatives. As at 2025, SDB bank maintained active banking relationships with approximately 4,000 SANASA cooperatives, in addition to engagements with other cooperative societies.

- **Approximately 35% of the Bank's deposit base is sourced from SANASA cooperatives, positioning the SANASA network as a critical and stable funding source.**
- **SDB bank serves as the primary channel for concessionary funding extended to SANASA societies and their members, sourced from both government programmes and international development partners.**
- **Preference is accorded to SANASA members in the Bank's local procurement activities, thereby supporting cooperative-led economic participation.**
- **The Bank actively contributes to capacity building within the cooperative sector through specialised training programmes for cooperative staff, member-focused training initiatives, and the provision of digital solutions.**
- **Community development initiatives implemented by SDB bank are predominantly targeted at underserved communities affiliated with cooperatives.**

STAKEHOLDER ENGAGEMENTS IN 2025

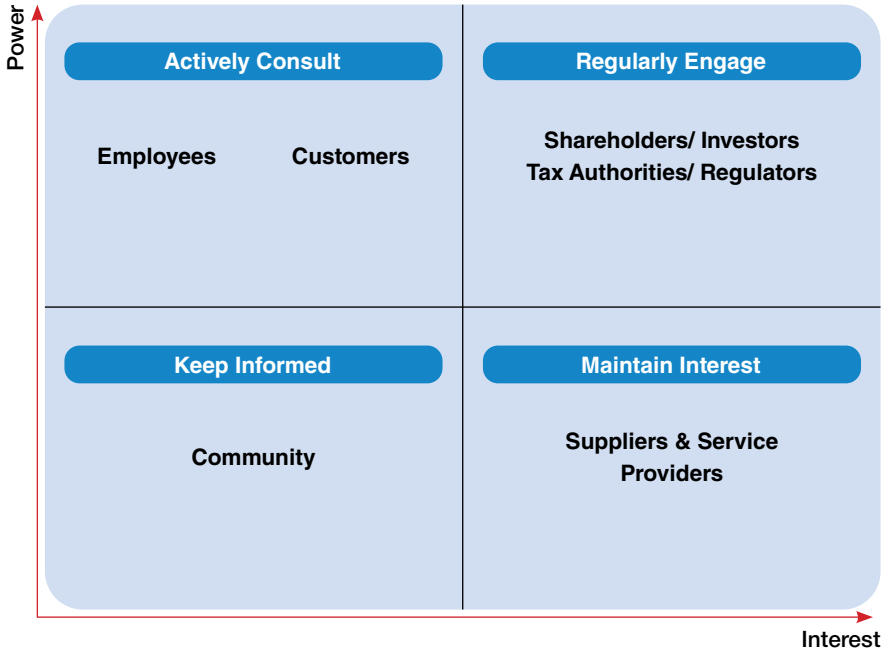
Stakeholder	How We Engaged	Key Concerns	Strategic Response
REGULATORS • Central Bank of Sri Lanka (CBSL) • Colombo Stock Exchange (CSE) • Securities and Exchange Commission • Company registrar	• Accommodated CBSL audits • Submitted progress reports and quarterly financial statements • Submitted mandatory disclosures to CSE • Filling of relevant return on timely manna	• Compliance with new Banking Act and CBSL Directives • Compliance with CSE requirements	• Complied with all applicable regulatory requirements for the year • Improved compliance monitoring through digital interventions

Stakeholder	How We Engaged	Key Concerns	Strategic Response
SHAREHOLDERS	• Annual general meeting • Annual report • Quarterly earnings update • Press releases • Announcements to the CSE	• Shareholder returns • Financial performance • Transparent reporting and disclosures • Good governance	• Shareholders have been kept informed of financial status and other material developments
COOPERATIVES • SANASA cooperative societies • Other cooperative societies • Members of cooperatives	• Regular interactions with cooperative societies and members take place through dedicated service counters at branches • In addition, many community development projects are channelled to cooperative communities through the Rural Upliftment Programme	• Lack of investment opportunities • Slow technology adoption by societies • Difficulty in recoveries	• In addition to funding, SDB bank offered many awareness programmes and advisory services to cooperative societies to strengthen their operations, including technical education on lending and collection and financial management • SDB bank offers many digital solutions for societies and members • Please refer to the Social and Relationships Capital chapter for further details on how the Bank engaged with each of these different customer segments during the year
CUSTOMERS • MSMEs • Larger businesses • Individual/retail customers	• Marketing campaigns • Formal complaint mechanism • Corporate website • Social media channels • UPay app	• Convenient, ethical and polite service • Safety of deposits • High returns for deposits • Credit at low cost	• SDB bank employees are continually trained in operational and customer care aspects. • Digital banking facilities, as well as customer data protection, were enhanced during the year. Please refer to the Intellectual Capital chapter • Branches are being upgraded • ATM services were maintained • Please refer to the Social and Relationships Capital chapter for further details on how the Bank engaged with each of these different customer segments during the year.

STAKEHOLDER ENGAGEMENT

Stakeholder	How We Engaged	Key Concerns	Strategic Response
EMPLOYEES	• HR administration continued to be improved during the year.	• Good remuneration and benefits • Career growth • A safe workplace	• Please refer to the Human Capital chapter for details.
COMMUNITIES • (These are consumer segments who may not be direct customers of the Bank, including women's groups that are supported by the Bank)	• Engagements are generally through SANASA cooperatives and Multi-Purpose Cooperatives • The Rural Upliftment Programme also channels community development initiatives • Bank branches conduct many philanthropic activities within their communities	• Community infrastructure development • Livelihoods generation	• Please refer to the Social Capital chapter for community activities and CSR events.
INTERNATIONAL AGENCIES	• Periodic fact-finding visits • Annual reviews • Direct engagement with consultants • Industry forums	• Operational transparency • Sustainable and ethical operations	• SDB bank finalised its new 2026-29 growth strategy in collaboration with Rabo Partnerships. Which is largest Co-Op Bank in the world • During the current financial year, FMO exited its shareholdings, but close collaborations have continued. • The Bank also continued to engage with multiple international agencies. Please refer to the Social Capital chapter for information on these engagements.
BUSINESS PARTNERS • SDB has a network of 400+ suppliers	• Regular communications • Meetings	• Timely payments • Repeat orders	• SDB bank maintained its relationships and the policy of local purchasing
TRADE UNIONS	• Meetings with union representatives	• Working conditions, wages, work- related facilities and benefits	• Industrial harmony was maintained during the year, following the collective agreement signed for the period 2024 to 2026.

This mapping framework strengthens our ability to allocate resources efficiently, respond to stakeholder expectations, and support effective decision-making. It ensures that our engagement practices remain purposeful, consistent, and aligned with our long-term value creation strategy.



MATERIALITY

In order to provide maximum value for its stakeholders through this annual report, the Bank identifies the most material and timely topics for disclosure. This is done through a process of internal discussion and due consideration of stakeholder expectations with regard to stakeholder concerns and regulatory disclosure requirements. The changes in the macro environment and risk landscape that prevailed during the 12 months under review were also taken into account in this process. The Bank's established process of determining materiality and the ensuing list of material topics are disclosed below.

DETERMINING MATERIALITY

The process of identifying material topics for disclosure in the annual report is depicted below.



IDENTIFY

- Internal discussions with relevant teams
- Compile extensive list of material topics

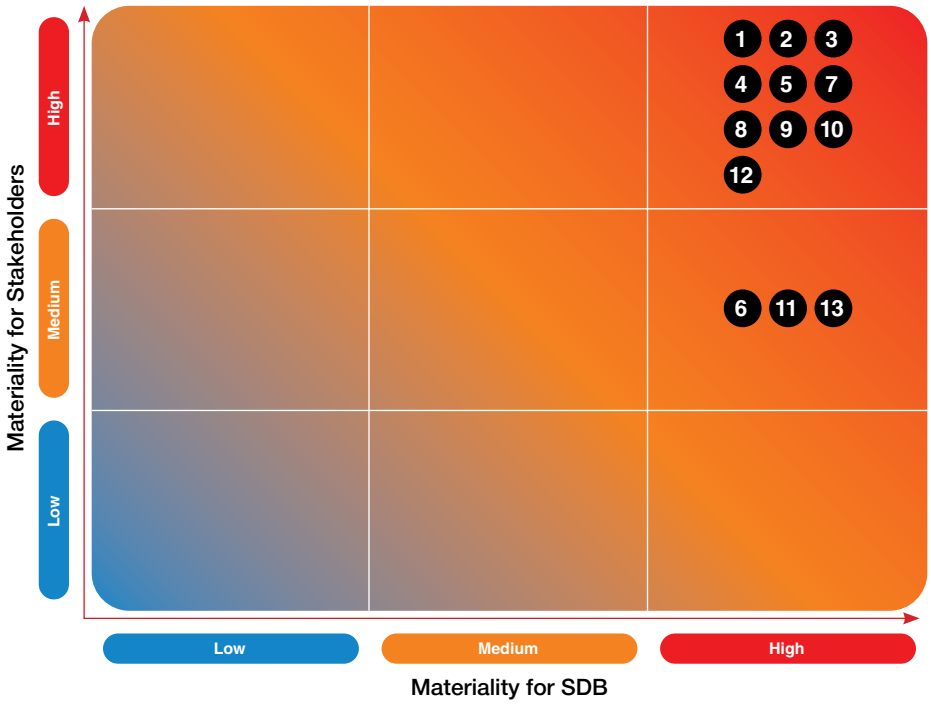
EVALUATE

Map each topic according to its importance and relevance to the Bank and its stakeholders

PRIORITISE

- Rank the topics according to their importance
- Prioritise topics for disclosure

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



1. Financial stability and profitability
2. Customer Service
3. Customer privacy
4. Responsible lending
5. Inclusive lending
6. Operational efficiency
7. Employee skill development
8. Environmental consciousness
9. Facilitating digital inclusion
10. Corporate Social Responsibility
11. Right talent acquisition and retention
12. Compliance
13. Forming Partnerships

LIST OF MATERIAL TOPICS AND THEIR IMPACT

Material Topic	Impact		SDGs
	To Stakeholder	To the Bank	
Stability and Profitability: Sustain profits while retaining long term financial sustainability	🔴	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Customer Service: Expand the customer base with a high standard of service	🔴	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Customer Privacy: Customer data protection to manage regulatory and reputational risk	🔴	🔴	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Responsible Lending: Improve portfolio quality and expand sustainable/green lending	🔴	🔴	13 CLIMATE ACTION
Inclusive Lending: Funding for rural masses, SMEs, and women	🔴	🔴	5 GENDER EQUALITY
Enhance Operational Efficiency: prudent cost management and effective resource utilisation	🟠	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Employee Skill Development: Enhance capacity and competitiveness	🔴	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Environmental Consciousness: Environmentally responsible lending and operations, and managing climate change risks	🔴	🔴	13 CLIMATE ACTION
Facilitate Digital Inclusion: Provide access to digital banking facilities for the rural masses	🔴	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Corporate Social Responsibility: Uplift communities	🔴	🔴	2 ZERO HUNGER
Right Talent Acquisition and Retention: Build technical expertise	🟠	🔴	8 DECENT WORK AND ECONOMIC GROWTH
Regulatory Environment: Ensure total compliance	🔴	🔴	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Forming Partnerships: Forming alliances for better opportunities for value creation	🟠	🔴	17 PARTNERSHIPS FOR THE GOALS

Low 🔵 *Medium* 🟠 *High* 🔴

HOW WE CREATE VALUE

Our value creation model illustrates how the bank strategically utilises its resources and stakeholder relationships to achieve long term aspirations while creating, preserving, and sustaining value over time.

CAPITAL INPUTS



FINANCIAL CAPITAL

Our financial capital base comprises equity and debt, as well as our retained profits, deposits and funding from external sources for concessionary lending.



INTELLECTUAL CAPITAL

Our intellectual asset base includes the SDB brand, specialised organisational knowledge, goodwill and in-house innovations.



HUMAN CAPITAL

Our workforce is spread across our island wide branch network to create value for stakeholders across all demographics and geographic areas.



MANUFACTURED CAPITAL

Our manufactured capital base comprises both traditional physical infrastructure as well as a growing network of digital infrastructure, which are utilised together to serve our stakeholders.



SOCIAL AND RELATIONSHIP CAPITAL

Our social capital is the goodwill and trust built up over decades of relationships with different stakeholder groups.



NATURAL CAPITAL

Our natural capital comprises the natural resources required for our operations.

VALUE-ADDING BUSINESS ACTIVITIES

Our Vision

To enable the economic transformation of progressive individuals, communities, Co-operatives and entrepreneurs.

Our Mission

To be a leading partner for inclusive and sustainable national development.

OUR STRATEGIC PILLARS

- Co-operative Banking
- MSMES
- F & A Banking and VCF
- Digital Inclusion and Innovations
- Position SDB bank as a sustainable value-driven bank

Key Enablers

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

CAPITAL INPUTS	VALUE CREATED
AS AT 31ST DECEMBER 2024	**AS AT 31ST DECEMBER 2025**
FINANCIAL CAPITAL	
• Equity: **LKR 14.5 Bn** • Deposits: **LKR 106.9 Bn** • Retained profit: **LKR 2.3 Bn** • Debt: **LKR 19.07 Bn** • Credit rating: **BB+ (lka) by Fitch Rating Lanka**	• Equity: **LKR 14.8 Bn** • Debt: **LKR 20.6 Bn** • Retained profits: **LKR 2.6 Bn** • Revenue ranking: **65** (from amongst the best 100 companies in terms of revenue in Sri Lanka) • Credit rating: **BB+ (lka) by Fitch Rating Lanka**
INTELLECTUAL CAPITAL	
• Brand ranking 2024: **53 by LMD 100**	• Brand ranking 2025: **76** (from among Sri Lanka's Top 100 Most Valuable Brands, by Brand Finance)
HUMAN CAPITAL	
• Total employees: **1,298** • Investment in training: **LKR 18.58+ Mn** • Training man-hours: **13,100+ Hours** • Remuneration and benefits: **LKR 3.9+ Bn**	• Total employees: **1,263** • Investment in training: **LKR 23.91+ Mn** • Training man-hours: **32,000+ Hours** • Remuneration and benefits: **LKR 4.1+ Bn**
MANUFACTURED CAPITAL	
• Branches: **94** • ATMs: **13** • IT infrastructure: **LKR 3.2 Bn+**	Our manufactured capital base in IT infrastructure has increased to Rs.4.05 Bn+ while others remained unchanged in 2025. However, value creation increased through the expansion of digital services and the ongoing transition of manual operations into digital platforms.
SOCIAL AND RELATIONSHIP CAPITAL	
• Cooperatives and their members • International agencies • Government agencies • Customers • Suppliers	In 2025, we continued to create value through a range of targeted engagements with different stakeholder groups to build social capital and remain competitive. Please refer to the stakeholder Engagement and Social Capital chapters
NATURAL CAPITAL	
• Environmental and Social Management • System in Lending • Managing the carbon footprint of internal operations • Strategic sustainability initiatives to restore	The Bank further strengthened its Environment and Social Management System (ESMS) to effectively identify, assess and manage these risks. Invest in efficient resource management practices to reduce the carbon footprint. Supported various ecosystems to function more effectively with the assistance of internal staff.

OUR STRATEGY

The financial year 2025 represents a key juncture in SDB's history, with the successful conclusion of the first stage of the Bank's comprehensive transformation programme aimed at recalibrating the Bank's sustainable growth framework.

The Bank's three-year strategic plan for the period 2023–2025 was formulated in response to the materially altered operating landscape that emerged in the combined aftermath of the COVID-19 pandemic and the domestic economic crisis of 2022. Within this dynamic and constrained environment, SDB prioritised the accelerated deployment of digital solutions to rapidly realise efficiency improvements, strengthen governance and internal controls, and enhance enterprise-wide risk management capabilities, while simultaneously containing operating expenditure amid persistently high inflationary pressures. This holistic strategy focused on recovery, repositioning, and prudent expansion, has enabled the Bank to conclude 2025 on a more stable upward growth trajectory.

The 2025 financial year also marked the development of a new sustainable growth blueprint for the four years period 2026–2029, formulated with technical advice from Rabo Partnerships B.V., a subsidiary of Rabobank Netherlands. Rabo Partnerships is globally recognised for its expertise in building inclusive financial ecosystems and delivering innovative solutions that advance financial inclusion, rural development, and sustainable food systems.

Having established a solid foundation for growth, SDB bank has concluded 2025 strategically positioned to increase its contribution to national economic recovery. Going forward, the Bank will focus on the specialised areas of cooperative banking, MSME financing, food and Agri-banking, and value chain financing, which will generate sustained value for all stakeholders.

OUR STRATEGY 2026-2029

Purpose	Vision	Mission
Significant Contribution towards the holistically sustainable Development and Prosperity of Sri Lanka	To enable the economic transformation of progressive individuals, communities, Co-operatives and entrepreneurs.	To be a leading partner for inclusive and sustainable national development

We Value	Ethical Standards	Innovative & Profit Driven Financial Services	Professionalism	Equal Treatment	Sustainability
Winning Mindset	Customer Centric	Purpose Driven	Future Ready	Ownership Culture	Continuous Improvement
Where we Will Win	Cooperative Banking	MSMES	F & A Banking and VCF	Digital Inclusion and Innovations	Position SDB bank as a sustainable value-driven bank
How we Will Win	Efficient & agile Operating Models	Product Fit & Proactive Risk Culture	Low-cost funding	Investing in developing people and modelling future-ready leadership	Strengthening stakeholder trust & Brand Positioning

SDB BANK AGRI-STRATEGY

Under the new corporate strategy, SDB bank has developed a dedicated Agri-strategy, which is designed to position the Bank as an integral stakeholder in Sri Lanka's food and agriculture sector. The Agri-strategy will enable the Bank to support sustainable agricultural growth by providing tailored financial solutions to farmers, agribusinesses, and agricultural initiatives. It aims to drive

innovation, enhance productivity, and ensure long-term profitability within the agricultural sector, while fostering environmental and social responsibility.

The Bank has also developed a comprehensive Agri Financing Strategy in collaboration with Rabo Partnerships of the Netherlands. Several key initiatives have been implemented in this regard:

- Completed and published the Agri Manual to streamline the agricultural lending process and build a high-quality Agri-lending portfolio.
- Established an Agri Task Force comprising 45 members for all regions of the bank, enabling coordinated and region-specific agricultural interventions.
- Formed an Agri Advisory Panel to provide expert guidance throughout the agricultural lending and portfolio-development process.
- Launched a dedicated Agri Page on the Bank's internal intranet to provide staff with access to technical knowledge and official government sites.
- Introduced an Agri-Specific Inspection Report Format, designed to:
  - Streamline and enhance the efficiency of the agricultural lending process.
  - Capture comprehensive technical information related to each proposal.
  - Equip staff with the necessary understanding of the crop or project under consideration.
  - Reinforce our identity as a bank with a strong focus on Agriculture and demonstrate alignment with Agri-sector best practices.

Going forward, the Bank will make a conscious effort to:

- Maintain a visible and consistent presence in the agriculture sector
- Actively engage in agricultural lending activities across all regions
- Improving process and operational efficiency to better serve customers
- Providing non-financial support to the agricultural community, enabling long-term sector development.

STRATEGIC PRIORITIES OF 2025

In 2025, the Bank prioritised the strengthening of its financial position through balance sheet recovery and careful management of funding, underpinned by enhanced cost optimisation and the adoption of lean operating models. Efficiency improvements and business expansion were facilitated through the integration of technology across core operations, support functions and customer-centric services. Internal capacity to support planned growth was reinforced through structured, continuous employee training and capability development initiatives, resulting in improvements in operational efficiency and productivity. Meanwhile, the Bank maintained focus on expanding its portfolio share of specialised activities such as Agri-banking, value chain financing, and cooperative-based financial services, in addition to traditional banking services.

- Client Centric Approach
- Lean Operations
- Drive Digital (Internal/External)
- Agri Banking & Value Chain Financing & Cooperatives
- Capacity & Skills Development
- Close Management of Funding for liquidity and Price Competitiveness
- Sustainability Focus

STRATEGIC GOALS

Having successfully concluded its first recovery strategy cycle from 2023-2025, SDB bank has consolidated its market position and expanded its business portfolio. In the new financial year, the Bank is geared to accelerate and scale up growth momentum under its new 2026-2029 strategy blueprint.

	YEAR 1 (2023/2024)	YEAR 2: (2024/2025)	YEAR 3: (2025/2026)
Core	Emphasis on Repair	Emphasis on Transformation	Consolidate and Scale
Growth	Emphasis on Partnerships and Proof of Viability	Expanding Internal Capability and Scaling	Emphasis on Penetration
Explore	Integration into the Ecosystem, Research and Idea Validation	Solution Development, Market Validation for Proof of Viability	Readiness for Scaling

SDB BANK'S COMMITMENT TO SUSTAINABILITY



In 2025, SDB bank reinforced its commitment to evolving as a sustainable financial services provider by adopting a renewed business strategy that comprehensively embeds sustainability principles across its entire value chain.

SUSTAINABILITY FRAMEWORK

SDB bank's Sustainability Governance Framework encompasses Environmental and Social Risk Management and complies with the Universal Standards for Social and Environmental Performance Management. Within this Framework, in 2025, the Bank continued to review progress on sustainability. This process is guided and led by the Board Subcommittee on Sustainability and the Executive Committee on Sustainability. A summary of the progress achieved under SDB bank's sustainability management approach is presented below.

1. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESMS)

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

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

2. SOCIAL PERFORMANCE MANAGEMENT (SPM)

The Bank is committed to aligning its internal operations with its core purpose and stakeholder expectations by ensuring responsible business practices and strong client protection. In this journey, the Bank is progressively adopting the Universal Standards for Social and Environmental Performance Management, with its social and environmental objectives closely aligned to its priority Sustainable Development Goals (SDGs). Consistently upholding ethical

banking principles, SDB bank integrates these values into its products and services. Departments such as SME, Cooperative, and VCF exemplify this commitment by not only providing financial support but also offering non-financial assistance through initiatives like financial literacy training, capacity building, and business development support.

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

In 2023, the Bank conducted an SPI, a Self-Assessment to identify its adherence to global responsible finance best practices. The major findings were taken into account in the 2025 Sustainability Focus and Action Plan, and the top management was made aware of the findings.

3. SUSTAINABLE AND INCLUSIVE FINANCE (SIF)

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

SDB bank is a partner of the CBSL Sustainable Banking Initiative (SBI), and through this partnership, Bank staff received training on climate financing in 2025. SDB bank employees have already been trained on climate adaptation and climate adaptation-related credit assessment, and the Bank is now looking into value chain financing with a focus on the agri-food sector, which is vulnerable to climate change. In 2024, the Bank conducted an initial study to facilitate sustainable financing for agriculture. A number of programmes were launched to enhance funding and support for women in business as well. The Bank will continue to explore sustainable finance opportunities in the areas of:

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

4. OPERATIONAL FOOTPRINT (OPF)

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

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

The Bank is also introducing various digital solutions aimed at optimising resource usage, while enhancing customer convenience.

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

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

5. OPERATIONAL RESILIENCE AND EXCELLENCE (OPR)

The Bank remained committed to strengthening its operational resilience and business continuity in 2025. Regular reviews and enhancements were undertaken to ensure robust business continuity planning, with oversight from the Operational Risk function. These efforts were further reinforced by a strong focus on employee and customer well-being, including health, safety, accessibility, and human rights considerations.

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

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

6. SUSTAINABLE BRAND, CULTURE AND CSR (SBCR)

Since 2024, SDB bank has expanded its vision beyond traditional CSR efforts to drive meaningful and long-term community impact. The Bank's Rural Upliftment Programme reinforces its commitment to fostering economic resilience and sustainability in rural communities.

While continuing its well-established CSR initiatives, led by HR, employees, and branches, the Bank strategically shifted towards a sustainable development model. The Rural Upliftment Programme goes beyond short-term financial aid by implementing sustainable solutions that empower rural families to build self-sufficient livelihoods. The programme is designed to ensure that even after the Bank's direct involvement concludes, these initiatives will remain financially viable and continue generating income for the beneficiaries. Total beneficiaries under the Rural Upliftment Programme reached 3,991 in 2025, including cooperative societies and individuals. Please refer to the Social Capital chapter for details.

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

7. INTEGRATED STRATEGY AND REPORTING (ISR)

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

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

Guided by the latest Sustainability Road map of the Central Bank, the Bank has proactively mapped and integrated the new focus areas into its 2025 sustainability strategy, ensuring alignment with national regulatory developments and international best practices.

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

SDB bank has duly submitted all required reports to the Central Bank, together with all other required disclosures and filings, within the stipulated timelines throughout 2025.

8. STRENGTHENING OUR SUSTAINABILITY COMMITMENT THROUGH GLOBAL STANDARDS (SSCI)

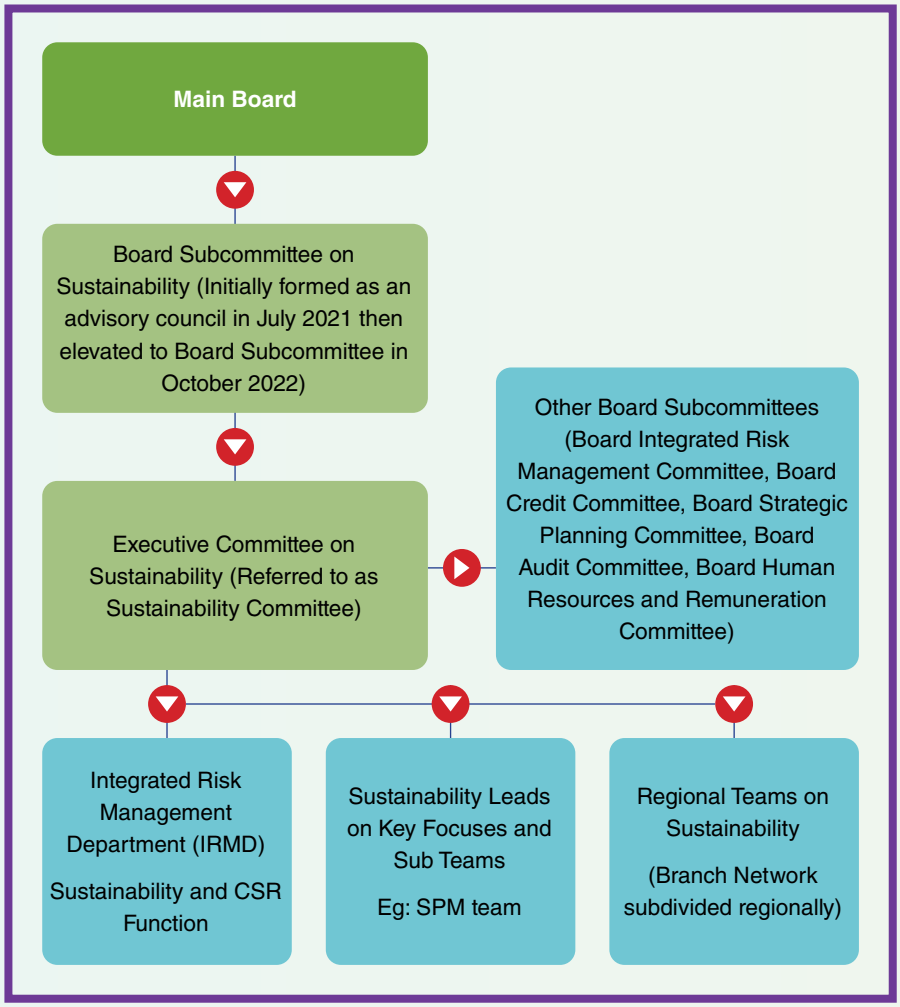
In 2025, SDB Bank was accepted into the Sustainability Standards & Certification Initiative (SSCI), a globally recognized sustainability framework developed by the European Organization for Sustainable Development (EOSD). As the world's first measurable and certifiable holistic sustainability standard for value-driven financial institutions, SSCI provides a rigorous structure for the systematic integration of environmental, social, and governance (ESG) principles. SDB Bank's inclusion reflects its strong commitment to resilient, responsible, and profitable banking practices, aligned with international best-in-class sustainability standards designed in Germany.

SUSTAINABILITY GOVERNANCE SYSTEM

BOARD SUBCOMMITTEE ON SUSTAINABILITY

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

Mr Romani De Silva was the Chairperson of the Board subcommittee on sustainability in 2025. The Committee convened 4 times (quarterly) during the year and reviewed the status of the Bank's sustainability performance, including strategy and progress on the Bank's ESG undertakings with its DFI investors.



EXECUTIVE COMMITTEE ON SUSTAINABILITY

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

REGIONAL LEVEL TEAMS

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

COMPLIANCE WITH FINANCIAL CONSUMER PROTECTION REGULATIONS

SDB bank established its Financial Consumer Protection (FCP) Unit in January 2024 in compliance with the Financial Consumer Protection Regulations No. 01 of 2023, gazetted under Gazette Extraordinary No. 2344/17, dated 09th August 2023, issued by the Monetary Board of the Central Bank of Sri Lanka. The regulatory framework came into full effect in August 2024.

- **Building Awareness and Capacity:** Over 30 targeted training and awareness sessions were held for employees in 2025, focusing on Financial Consumer Protection–related topics, including product-related awareness. In March 2025, SDB bank organised a specialised training session on Financial Consumer Protection (FCP) for more than 287 senior staff members, led by the Financial Consumer Relations Department (FCRD). This session strengthened internal competencies on market conduct and consumer redress protocols.
- **Complaints Resolution and Customer Voice:** Between April 2024 and December 2025, SDB bank recorded approximately 2,013 customer complaints, resolving over 80% within the stipulated timeframe.
- **Strengthening External Engagements for Enhanced Consumer Redress:** The Bank is fostering close collaboration with key external regulatory and advisory bodies, including the Financial Consumer Relations Department (FCRD) of the Central Bank of Sri Lanka, the Financial Ombudsman of Sri Lanka, and the Credit Counselling Centre.
- **Coordination with the Financial Ombudsman:** The Bank has worked in full cooperation with the Financial Ombudsman of Sri Lanka.

CONTRIBUTION TO SDGS IN 2025

While SDB bank's core focus area is limited to 5 UNSDGs, the Bank's widespread social and environmental impacts have influenced other SDGs during the year. Also refer to the Financial, Social, Human and Natural Capital chapters for more details regarding the Bank's activities pertaining to SDGs.

SDB bank's primary SDGs	Our Contribution
	• The Bank has a special focus on food and agriculture, enhancing financial and non-financial support for this sector • Going beyond the Bank's customer segment, the Bank supported food and agriculture through various means to strengthen food security ◦ Number of new agriculture loans as % of total disbursement: 54%

	• The Bank is an equal opportunity employer
	  ◦ 48% female representation in the workforce
	  ◦ 31% female representation in the corporate management.
	• A Gender Gap Assessment was conducted to enhance women's financing
	• The gender mix is maintained in the lending portfolio
	• The Bank initiated a number of programmes specifically designed to empower women entrepreneurs. These include the Rural Upliftment programme and the Women Mean coalition
	• Laid the groundwork to incorporate a gender lens into all business strategies of the Bank and conduct a comprehensive study within the country to understand the needs and status of women.
	• Share of women attendees at cooperative trainings: 65%

	• The Bank follows an "Exclusion List" that prohibits financing harmful, unethical or illegal activities • The Bank continued to support grassroots- level entrepreneurs/ businesses through its activities for the creation of decent employment and inclusive growth • The Bank supports community-level entrepreneurs, which in turn contributes to economic growth • Creation of employment opportunities across the island, supported by an extensive branch network, performance-driven work culture benefits, work-life balance, health and safety, engagement opportunities and grievance handling mechanisms for employees. • Better insurance cover, collective agreements
	• The Bank carried out agricultural initiatives that are not directly linked to blue projects, alongside awareness programmes for both the community and staff, including Project BLUE and the Nature Walk initiative. • The Bank supported both climate mitigation and adaptation through its finances • Energy-efficient measures were implemented to reduce fossil fuel consumption • Loans are provided for solar installations
	• The Bank entered into many partnerships during the year, with external institutions • The Bank also conducts collaborations with universities

ADDITIONAL SDGS SUPPORTED DURING 2025

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

SDB bank's primary SDGs	Our Contribution
	• Empowering low-income earning customer segments by providing access to financial security. • Supporting the income generation of communities through the Rural Upliftment initiatives and other financial activities.
	• Ensure the health and safety of employees • Insurance Scheme with a reputed Insurance Company for each staff member • Uplift communities through financial inclusion, thereby supporting their health and well-being.
	• Continuous professional development of employees • Provided over 32,000+ hours of training for internal employees • Granted special leave for overseas training • Supported schools in areas where the Bank's projects are being conducted

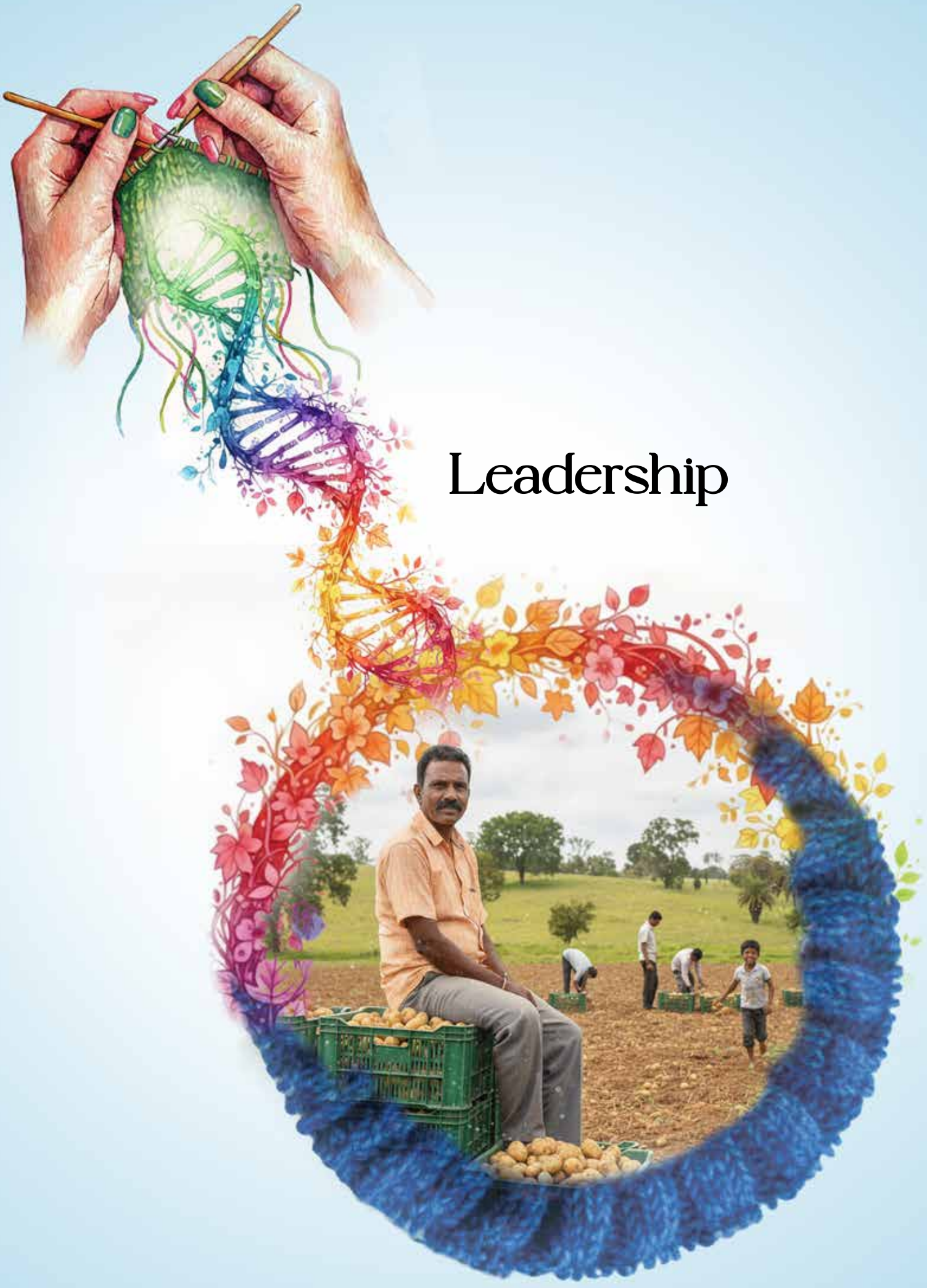
	• Energy conservation measures within the Bank
	• Provided financing for solar power projects and also for energy conservation efforts.
	  ◦ Amount of renewable energy financing disbursements: LKR 50 Mn+
	  ◦ Amount of refinance funds obtained: LKR 1.7 Bn+

	• Provision of financial services and affordable credit to smallholder enterprises. • Number of agricultural loans disbursed: 68,900+
	• Facilitated financial inclusion and digital inclusion for communities across the country • Empowered female entrepreneurs through financial assistance • Number of new loans to women: 27,200+
	• Empowered rural and urban entrepreneurs, as well as women entrepreneurs • Supported regional development • Number of benefited from training programmers: 7,500+
	• Compliance related to product development and meeting customer information requirements. • Effective management of environmental impacts and promoting resource conservation and waste reduction, including the commencement of work stream setting green procurement criteria • Reduced the consumption of electricity, water and paper, by identifying the highest consumption branches • Introduction of digital applications (such as customer onboarding) • Calculated the carbon footprint to identify emissions of the Bank

SDB BANK'S COMMITMENT TO SUSTAINABILITY

SDB bank's primary SDGs	Our Contribution
	● The Bank contributed to the reduction of marine pollution and marine ecosystems conservation by conducting underwater cleaning operations and coastal beach clean-up programmes.
	● The Bank promoted sustainable agriculture ● Contributed towards environmental and biodiversity conservation through staff participation in green projects and blue projects.

Leadership



CHAIRPERSON'S MESSAGE



Dear Stakeholders,

The global economy continued to be strongly adaptive in 2025, amidst shifting geopolitical trends and US policy shocks. International trade remained relatively robust, supported by stabilising trade tensions towards the third quarter, and strong private sector investments in advanced technologies, particularly Artificial Intelligence. Against this backdrop of global recovery and sustained domestic political stability, Sri Lanka too recorded encouraging progress during the year. Economic growth was supported by declining interest rates and a period of deflation that prevailed until around August. The most significant distraction to sustained growth was Cyclone Ditwah, at the end of November 2025, which temporarily disrupted economic activity across the entire country. However, the swift recovery once again demonstrated the remarkable resilience of the Sri Lankan people. Overall, this stable environment proved conducive for the banking sector, as stronger demand for credit and financial services boosted banking industry expansion.

Your Bank was well prepared to harness the emerging opportunities of 2025. I am therefore pleased to convey the good news that SDB bank concluded 2025 with improved financial performance, while further strengthening the foundation for sustainable future growth.

“Responding to emerging economic opportunities, SDB bank recorded improved financial results across all key business segments in the financial year 2025. The Bank achieved a Profit Before Tax of LKR 800.17 Mn, reflecting an increase of 16.93% compared to 2024. This performance was supported by expansion across our core portfolios, while also improving asset quality, with Impaired Loans (Stage 03) to total loans declining from 6.93% to 5.36% as of December 31, 2025.”

OUR PERFORMANCE IN A NUTSHELL

Responding to emerging economic opportunities, SDB bank recorded improved financial results across all key business segments in the financial year 2025. The Bank achieved a Profit Before Tax of LKR 800.17 Mn, reflecting an increase of 16.93% compared to 2024. This performance was supported by expansion across our core portfolios, while also improving asset quality, with Impaired Loans (Stage 03) to total loans declining from 6.93% to 5.36% as of December 31, 2025.

While focusing on growth and profitability, the Bank remained committed to supporting segments that continued to experience the protracted effects of the economic crisis. During the year, we provided relief measures, including tenor reductions and interest concessions, to assist small businesses and individuals in their recovery journey.

We also maintained our business philosophy of inclusivity and diversity, ensuring that our business model is closely aligned with the country's development priorities, through our strong focus on SMEs and women entrepreneurs. In 2025, the SME portfolio grew by 45.41% in keeping with the bank's priority of supporting the financial needs of the sector. We're proud to report that at year-end 2025, women accounted for 43% of our total clientele.

LKR 800.17 MN

Profit Before Tax (+16.93% YoY)

Driven by portfolio expansion and strategic market positioning.

Co-operatives form another significant client segment of our bank, given our history of being established by the Sanasa Co-operative movement. The strong relationships with co-operatives have led to the bank's close ties with communities across the country. By channelling finance and advisory services to these communities, we are helping stimulate economic activity at the grassroots. Through our focus on agriculture and value-chain financing, we are also linking these enterprises with broader markets, thereby fostering sustainable economic ecosystems.

In 2025, we continued to strengthen the partnership with co-operatives by providing technical support and financial literacy education, digital access to societies across the country and designating a priority counter at our branches, in recognition of their loyalty to the bank. Through its membership, the co-operative network also indirectly connects the bank to a large group of women entrepreneurs. We continue to develop new ways of engaging with the island-wide network of cooperatives by leveraging digital solutions. We are of the view that the next generation of youth leaders and membership of co-operatives will be quick to adopt digital solutions, indicating a new era of possibilities. In addition, we are extending our SME facilities to cooperative-linked enterprises that are ready to upscale. This includes the full range of financial, advisory, and digital banking services to modernise and integrate these businesses into bigger markets. Through this approach, the Bank is gradually extending its influence upwards, from micro-enterprises to medium-sized SMEs, and cementing long-term relationships based on mutual trust.

STRATEGIC PROGRESS

Under our Agri-Financing and Value Chain strategy, we have commenced engaging SMEs operating in strategic growth areas of Sri Lanka's food and agriculture sector. To ensure our interventions are both practical and sustainable, we are also working closely with leading agricultural specialists. These efforts will also contribute towards enhancing national food security and foreign exchange earnings.

The Rural Upliftment Programme, which was launched in 2024, is now gaining traction, and we have engagements across the country. During the year, the programme grew to 3,991 beneficiaries onboarding over 80 entrepreneurs, with a large share of women and cooperatives. We are working on projects such as the Heritage Hands, which is manufacturing Kitul products in Deraniyagala, sustainable tourism in Attanagalla, Walawwita, and Avissawella, and livelihood development programmes for fishing communities in the area between Kuchchaveli and Uppuweli, to name a few ongoing initiatives.

Although our formal collaboration with USAID concluded during the year, the Bank remains committed to strengthening its climate adaptation capabilities in response to the growing challenges posed by climate change.

Digitisation remains another strategic priority. We continued to enhance operational efficiencies and streamline internal processes while improving customer accessibility through digital channels. Our digital onboarding capability allows customers to open accounts remotely through multilingual platforms, promoting financial inclusion. The SDB Upay application, functioning both as a banking app and a digital wallet, offers advanced features that place SDB Bank at the forefront of digital banking innovation within the sector.

ENSURING GOOD GOVERNANCE

I am pleased with the progress made during the year in strengthening the Bank's governance, risk management, and compliance frameworks. The Bank successfully met all compliance requirements under the new Banking Act for the 2025 financial year and continues to enhance its regulatory and governance standards.

We also completed the planned improvements in portfolio underwriting standards and credit risk frameworks that were identified during the 2024 review of our risk models. Comprehensive training programmes were conducted to strengthen staff capabilities in these areas, ensuring that the Bank is well-positioned to manage the evolving risk landscape. While our development-oriented approach focuses on empowering SMEs and cooperative-based enterprises, we continue to adopt prudent, risk-based pricing mechanisms to safeguard the Bank's financial sustainability.

The Board, meanwhile, met regularly to ensure strong governance and effective oversight. I also take this opportunity to remember Mr Naveendra Sooriyarachchi, who passed away during the year. Mr Sooriyarachchi was a member of the SDB Bank Board from 2021 as a Non-Executive, Non-Independent Director, and I extend my sincere appreciation for the invaluable support and guidance he provided throughout his tenure.

CHARTING A NEW, SUSTAINABLE COURSE

During the year, we worked closely with Rabo Partnerships to develop a comprehensive three-year growth strategy that will guide SDB Bank's next phase of development from 2026 to 2029. Representing a transformative shift, the bank will also work towards ensuring that the strategy is aligned with the Sustainability Standards and Certification Initiative (SSCI), which is an internationally recognised framework that supports financial institutions to transition towards sustainable business models.

A central part of the Bank's transformation will be the systematic measurement of the impacts of all our activities, which would make SDB bank unique among financial services providers in the country. This transformation will be a gradual process unfolding over the coming years, and will encompass all operations and personnel, fundamentally reshaping how the Bank functions. We have already taken the first steps toward this vision. In

the current financial year, we refined the Bank's purpose to align with this strategic objective and established a set of high-impact goals linked to both the United Nations Sustainable Development Goals and Sri Lanka's national development agenda. Additionally, we have begun integrating impact measurement into our projects and portfolios. We believe that this data-driven approach will enable the Bank to not only measure its socio-economic and environmental contributions, but also to focus on areas where it can have the greatest impact.

PLANS FOR THE FUTURE

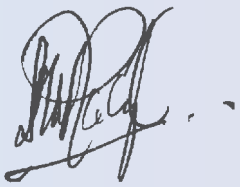
SDB bank concluded 2025 on the cusp of a transformative journey, having completed much of the groundwork required to support its next phase of transition. As we operationalise our new strategy in 2026, we will remain attentive to global developments and their potential impact on the Sri Lankan economy.

We will also evaluate opportunities arising from the Central Bank's proposed consolidation plans for the banking sector. While the Bank remains open to potential partnerships that could strengthen our asset base and earnings, our priority remains to preserve our unique identity as a development-focused bank with a longstanding commitment to the SME and cooperative sectors.

Going forward, our short-term priorities will remain firmly aligned with our strategic roadmap, and we will continue to leverage innovative solutions to enhance our value proposition, while remaining alert to emerging opportunities.

APPRECIATION

In closing, I would like to extend my sincere gratitude to our shareholders for their continued trust, confidence, and support. I also wish to thank our valued customers who have accompanied us through this journey of transformation. My appreciation also goes to my colleagues on the Board, our Corporate Management team, and the entire SDB bank staff for their dedication and hard work during the year. I also acknowledge the valuable contributions of our international partners, whose expertise and experience continue to support our journey. Finally, I extend my thanks to our regulators, lenders, and all other stakeholders for their continued guidance and support. I am confident our continued collaborations will yield greater value for all stakeholders in the future.



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

4th May 2026
Colombo, Sri Lanka

CHIEF EXECUTIVE OFFICER'S REVIEW



I am pleased to report a year of transformation for SDB bank in the financial year 2025, marking a decisive turning point in the Bank's history. During the 12 months under review, we strengthened our financial position, governance frameworks, digital capabilities, and human capital, while also building our environmental and social foundation to support sustainable growth over the long term.

We also deepened our economic impact through the Rural Upliftment Programme. In 2025, SDB bank was privileged to contribute to Sri Lanka's national economic development through this programme by promoting women's entrepreneurship, advancing community-based tourism, developing essential infrastructure, and enhancing financial literacy. By encouraging women's entrepreneurship in cottage industries in the North Central, North Western, Central, and Sabaragamuwa provinces, the Bank helped break the cycle of poverty and empowered groups that were previously marginalised to become active contributors to national growth. Estate sector women, who traditionally had limited opportunities beyond daily wage labour, were supported through the introduction of machinery centres and training programmes designed to fit their daily routines, enabling them to transition into budding entrepreneurs. In collaboration with the Western Province Tourism Board, SDB bank also promoted community-based tourism, honouring Sri Lanka's unique culture and traditions, while contributing to a turning point in the tourism industry.

"The Bank's financial position has also continued to improve. Following three consecutive years of contraction in the loan portfolio up to 2024, we successfully reversed the downward spiral in 2025. Loans to customers increased by 16.72%, from LKR 99.73 billion as at end-December 2024, to LKR 116.40 billion by end-December 2025."

Furthermore, the Bank encouraged value-added production using underutilised local resources such as jackfruit, pumpkin, and indigenous fruits, thereby strengthening national production and creating new economic opportunities for rural communities. These efforts reflect SDB bank's commitment to fulfilling its national responsibility as Sri Lanka's only private development bank, empowering communities, fostering entrepreneurship, and promoting sustainable industries in order to advance inclusive economic development.

A YEAR OF TRANSFORMATION

The Bank's financial position improved significantly. Following three consecutive years of contraction in the loan portfolio up to 2024, we successfully reversed the downward spiral in 2025. Loans to customers increased by 16.72 %, from LKR 99.73 billion as at end-December 2024, to LKR 116.40 billion by end-December 2025. This growth was achieved through credit expansion across all products and market segments of leasing, pawning, retail banking and business banking, with total disbursements of over LKR 100 billion during the year. We remained the bank of choice to Sri Lanka's cooperative sector, while also expanding our footprint in the SME segment. Over 25% of the Bank's total lending during 2025, was channelled into SMEs, reflecting SDB bank's growing contribution to national economic recovery and inclusive growth during the year. Despite the expansion of the loan book, asset quality improved, with a reduction in the overall Impaired Loans (Stage 3) to total loan, Ratio (%) from 6.93 % in 2024 to 5.36%. This reflects disciplined credit underwriting,

LKR 116.40 BN

Loan Portfolio (+16.72% YoY)

A strategic shift reversing a three-year downward trend, indicating strong market recovery.

effective portfolio monitoring, and a strong emphasis on maintaining quality in all new lending.

As a development bank, our mandate extends beyond short-term profitability to supporting long-term economic and social development. However, the combined effects of the COVID-19 pandemic and the subsequent economic crisis resulted in many customers experiencing cash flow problems as well as repayment tenor extensions due to steep interest rate fluctuations during the crisis. We responded by extending repayment periods, providing targeted relief to borrowers, and continuing to prioritise customer rehabilitation. We have also focused on resolving legacy portfolio challenges arising from tenor extensions. Approximately 12,000 customers benefited from loan restructurings in 2025, with many able to access additional financing under improved terms. These measures helped resolve nearly one-third of the previously troubled portfolio, representing substantial progress in strengthening the financial position of the affected customers as well as our balance sheet. We also expended approximately LKR 1 billion in providing relief to affected customers, which eroded our profitability for the year. Nevertheless, despite these interventions, we have increased our profitability (PBT) year-on-year, from LKR 684 Mn in 2024 to LKR 800 Mn, which is a growth of 16.94%.

We also targeted higher fee income through avenues such as Bancassurance while minimising leakages through automation of processes as well as close monitoring. Our fee income accordingly improved from LKR 631 Mn in 2024 to LKR 716 Mn in 2025. We intend to focus on this further in the coming year enriching our revenue mix.

MANAGING EXTERNAL SHOCKS

The adverse impact of Cyclone Ditwah on Sri Lanka's agriculture sector posed a significant national challenge. However, as the event occurred during the tail end of the year, in November 2025, its impact on the Bank's overall annual performance was minimal. While branches in Kaduwela, Ekala and Giriulla sustained significant damage, operations were restored within a few days, with no loss of customer data, or material inconvenience to customers.

A few community development projects under our Rural Upliftment Programme, particularly in agriculture, in areas such as Ududumbara, were also affected. These losses are not a material threat to the Bank's financial stability and the projects will be reviewed and revived. We are also considering the integration of enhanced climate resilience strategies, such as smart agriculture solutions. To address potential food shortages due to the widespread destruction of crops, we have also initiated short-term crop cultivations in unaffected provinces, with harvests expected to reach markets by early 2026. A new processing centre for fish and seaweed will also be opened in Trincomalee town in 2026, which will improve the nutritional status of low-income communities. Increasing the harvest from the ocean can also soften the impact of agricultural losses. In fact, we are involved in some highly impactful development projects under our Rural Upliftment Programme, mainly through our cooperative connections, and I urge our stakeholders to refer to the Social Capital chapter for details on these projects.

SUSTAINABLE TRANSFORMATION

A key aspect of our ongoing transformation is our new corporate strategy that will guide the Bank over the three years from 2026 to 2029. This strategy was formulated in collaboration with Rabo Partnerships, a wholly owned subsidiary of Rabobank, drawing on its deep expertise in cooperative banking, agriculture finance, food security and financial inclusion. We have also developed a dedicated agri-financing model that is aimed at positioning SDB bank as a key development partner for the country's agriculture sector over the long term. Therefore, we are now equipped with a clear roadmap for sustained transformation and growth, targeting greater positive social and environmental impacts.

Another significant development in 2025 was bringing previously dispersed departments under one roof in Colombo as a second head office. This will significantly smooth back-end processing as we scale up our SME, pawning, leasing and cooperative banking portfolios in the new financial year.

The digital transition remains central to our growth agenda. Significant investments have already been made in the previous year to modernise the technology infrastructure, and this will be the transformation base for the Bank as we move forward. We are also introducing digital solutions to cooperative societies and SMEs, and are gradually connecting them to value chains and markets. Our value chain financing initiatives have continued to expand during the year, creating new avenues for SME growth, particularly in the agriculture, dairy and fishing sectors, by linking smaller enterprises to the supply chains of larger corporates and providing more secure market access.

In parallel with these developments, we have invested in upskilling, talent acquisition and leadership development across the Bank to align our skill sets with strategic priorities and evolving market demands.

OUTLOOK

We have concluded 2025 with SDB bank well-positioned to deliver consistent growth over the medium term. Given the central role of agriculture in Sri Lanka's economy, exports, livelihoods and food security, SDB bank will continue to expand its role in the country's SME and agriculture sectors, while also expanding our share in other economic areas.

We are also cognisant of the inherent climate-related risks and external uncertainties we face, particularly when expanding our presence in agriculture. However, I am confident that SDB bank's strategy of selective sector participation, careful risk assessments, strengthening the balance sheet and enhanced organisational capability will enable us to navigate future challenges with resilience. Accordingly, we anticipate maintaining positive growth momentum in 2026.

I conclude my message by extending my sincere appreciation to our major shareholders for their continued confidence and support, and in particular to Rabo Partnerships for its contributions to our strategic transformation. During the year, FMO exited as a major shareholder. Nevertheless, we continue to maintain a close, constructive working relationship, with FMO remaining a strategic stakeholder and contributor in our planning process. We also expanded our network of partnerships, particularly within agriculture and rural development initiatives, and I gratefully acknowledge the support we have received from all of them. I am grateful for the prudent guidance of the Board of Directors, and for the dedication and commitment of our management team and staff, who have worked tirelessly to deliver the performance outcomes of this year. Above all, I thank our customers, whose trust and partnership remain our greatest strength. As we enter a new era of growth and opportunity, we look forward to continuing this journey together.



Mr. Kapila Ariyaratne
Chief Executive Officer

4th May 2026
Colombo, Sri Lanka

BOARD OF DIRECTORS




04
05
03
07
02

01. MS. DINITHI RATNAYAKE

Chairperson - Non-Executive, Independent Director

Appointed to the Board in 2020

Ms. Ratnayake is a career banker with over 30 years management experience in Banking and Advisory with an in-depth knowledge on Financial Institutions and International Financial Markets. She spent over 19 years of her career with Citibank N.A., where she was Director/ Head of Financial Institutions Group (FIG), managing Financial Institutions (FI) and Public Sector relationships for Citibank, Sri Lanka covering Banks and Non-Bank Financial Institutions, Insurance Companies, Foreign funds and the Government of Sri Lanka. As the in-country Relationship Management lead for FI, her responsibilities included facilitating raising debt and capital, international payments and settlements, providing access to overseas financial markets and structuring and financing trade transactions. She also possesses Corporate and Retail Banking experience through her previous roles.

Ms. Ratnayake was appointed as Chairperson in April 2022. She also serves as Co-Founder/ Director of IDEAology Strategy Consulting (Pvt) Ltd, which provides strategic advisory to Government entities and Financial Institutions in select markets. She previously served on the Governing Council of South Asia Partnership Sri Lanka, a not-for-profit institution, which engages in community level social development. Ms. Ratnayake continues to work with and support women entrepreneurs and artisans engaging in local crafts to protect traditional craft and sustainable livelihoods. She has been an advocate of inclusion of women in the workforce and regularly shares her views with public and related stakeholders.

Prior experience includes Retail and Institutional Banking at ANZ Grindlays Bank PLC and Corporate Banking at Seylan Bank PLC. Ms. Ratnayake holds a BSc Degree in Computer Science from the University of Houston, Clear Lake, Texas, USA and a Master of Arts Degree in Economics from the University of Colombo.

02. MR. KAPILA ARIYARATNE

Executive, Non-Independent Director / CEO

Appointed to the Board in 2024

Mr. Kapila Ariyaratne is a senior banker with over 40 years of experience in the banking industry, having worked for various local and international financial institutions. He is a First Class Honors graduate from the University of Colombo and holds a Post–Graduate Diploma in Business and Financial Administration.

Current Appointments

Non-Executive Director

- Credit Information Bureau

Mr. Ariyaratne served in several local and foreign commercial banks both in Sri Lanka and overseas and served as the Director/Chief Executive Officer at a local commercial bank for 12 years until his retirement in April 2023. His expertise, spanning Corporate and Institutional Banking, Commercial Banking, Risk Management, Trade Finance Operations and Development Credit, has been honed through his roles at banking institutions such as People's Bank, ABN Amro Bank, Arab National Bank (Saudi Arabia), Nations Trust Bank PLC, Seylan Bank PLC and Mashreq Bank. In several of these roles he was involved in successfully steering the institutions through critical periods of transformation and growth.

Mr. Ariyaratne has also held leadership roles including Chairman of Seylan Developments PLC, and Chairman of the Sri Lanka Bankers' Association. Additionally, he has served on the Boards of the Sri Lanka Banks' Association, Lanka Financial Services Bureau Ltd., Lanka Clear Pvt. Ltd., and the Credit Information Bureau of Sri Lanka. He has further contributed to the financial services industry as a member of the Governing Board of the Institute of Bankers of Sri Lanka, the Financial System Stability Consultative Committee (FSSCC) of Central Bank of Sri Lanka and the Stakeholder Engagement Committee of Central Bank of Sri Lanka.

His contributions to the Employers' Federation of Ceylon as a Council Member representing the banking and financial sector further highlight his commitment to the industry's growth and stability. He has also served on the Boards of Fintrex Finance Limited, Ceylinco Holdings PLC and RIL Property PLC.

03. MR. CHAAMINDA KUMARASIRI

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

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

Current Appointments

Group Managing Director, Non-Independent Executive Director

- The Lanka Hospitals Corporation PLC

Director

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

Founder

- The Human Capital Partner

Independent, Non-Executive Director

- Asia Asset Finance PLC
- Sathosa Motors PLC

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

Mr. Kumarasiri holds a distinguished array of professional and academic qualifications, complemented by numerous awards and accolades. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Association of Chartered Certified Accountants (UK), the Association of Accounting Technicians of Sri Lanka, and the Institute of Certified Management Accountants of Sri Lanka. Academically, he holds a B.Sc. in Accountancy (Special) with First-Class Honors from the University of Sri Jayewardenepura and an MBA in Finance from the University of Colombo. His outstanding contributions to the profession earned him the ACCA National Advocate of the Year Award – 2022, recognizing his dedication to advancing the accountancy profession and its values.

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

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

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

04. MR. PRASANNA PREMARATNA

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

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

Current Appointments

Chairman

- South Asia Partnership, Sri Lanka (SAPSRI)

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

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

05. MR. B.R.A. BANDARA

Non-Executive, Non-Independent Director

Appointed to the Board in 2019

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

Current Appointments

Non-Independent, Executive Chairman

- Polgahawela SANASA Shareholders Trust Co.Ltd

Non-Independent, Non-Executive Director

- SANASA Printers & Publishers Co.Ltd

Non-Executive Director

- Payment Services (Pvt) Ltd

General Manager

- Polgahawela SANASA Societies Union Ltd

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

Mr. B.R.A. Bandara retired from the Board w.e.f. 26.03.2026 after completing 09 years in office.

06. MR. THUSANTHA WIJEMANNA

Non-Executive, Independent Director

Appointed to the Board in 2021

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

Current Appointments

Non-Executive, Non-Independent Director

- The Swadeshi Industrial Works PLC

Non-Executive, Independent Director

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

Member of the Board of Governors

- Ocean University of Sri Lanka

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

He was the Chairman of National Institute of Business Management (NIBM) and his last assignment was as Director General of the SAARC Arbitration Council (SARCO) in Islamabad, Pakistan. Prior to that, he was Legal Advisor to Ministry of External Affairs in Colombo, General Counsel & Secretary to the Board of DFCC Bank and Company Secretary / Chief Legal Officer of Sampath Bank PLC.

He was also a Commissioner of the Sri Lanka Law Commission, a Council Member of the Open University of Sri Lanka, a Board Governance Member of the Lakshman Kadirgamar Institute of Strategic Studies, and a Director of Payment Services (Private) Limited, a fully owned subsidiary of SDB bank.

07. MR. SARATH NANDASIRI

Non-Executive, Non-Independent Director

Appointed to the Board in 2021

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

Current Appointments

General Manager

- Kegalle SANASA District Union Ltd

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

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

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

08. MR. CONRAD DIAS

Non - Executive, Non-Independent Director

Appointed to the Board in 2021

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

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

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

Current Appointments

Non-Independent, Non-Executive Director

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

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

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

09. MR. ROMANI DE SILVA

Non- Executive, Non- Independent Director

Appointed to the Board in 2022

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

Current Appointments

Deputy Chairman & Managing Director

- Alliance Finance Co. PLC

Non-Executive Director

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

Council Member

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

Treasurer

- Sri Lanka Institute of Credit Management

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

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

He represents Alliance Finance Company PLC, a major shareholder of SDB bank

10. MR. CHANDANA DISSANAYAKE

Non-Executive, Independent Director

Appointed to the Board in 2022

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

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

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

Mr. Dissanayake was appointed to the Board of SDB bank in 2022 as a Non-Independent, Non-Executive Director representing the Bank's major shareholders, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and SBI Ven Holdings Pte. Ltd. Following the divestment of the shares held by the above shareholders, he was subsequently appointed as an Independent, Non-Executive Director in November 2025.

CORPORATE MANAGEMENT



Mr. Kapila Ariyaratne
Executive Director /CEO
BSc (Natural Science) University of Colombo, Post Graduate Dip in Business & Financial Administration



Mr. Chitral De Silva
Chief Business Officer
Ex. Dip in Business Administration, Dip Credit Management



Mr. Anura Yapa
Chief Credit Officer
AIB



Mr. Dinesh Thomas
Chief Information & Digital Officer
MSc in IT, MBA



Mr. Dhananjaya Dayananda
Chief Internal Auditor
FCCA, FCMA, ACA, MBA (Banking Mgt) Sikkim Manipal Uni India



Mr. Dinuke Wijesinghe
Chief Risk Officer
MBA, Dip in Banking, AIB



Ms. Lakmini Muththunga
Head of Operations
MBA (IGNOU of India), BSc (Hons) (UOK)



Mr. Aruna Jayasekera
Chief Human Resources Officer
LLB, Attorney at Law, FCIPM



Ms. Krishani Enoka
Head of Treasury
MBA (UK), BSc (Phy. Science) Hons. University of Colombo, AIB, Dip. in Treasury Investment and Risk Mgt., Certificate in Treasury and Foreign Currency Operations

CORPORATE MANAGEMENT



Ms. Mihiri Attanayake
Head of Credit
BSc Agri. (Hons), MSc Agri (Hons), CBF, Diploma in Micro Financing (IBSL)



Ms. Pavithra Liyanage
Head of Legal
LLM (Staffordshire), LLB, Attorney-at-Law, Notary Public, Commissioner for Oaths, Company Secretary



Mr. Bhanu Wijayaratne
Chief Compliance Officer
Senior Fellow(IBSL), FCPM, MA- Fin Econ (Col), MBA (Manipal), AIB (Sri Lanka), MIIA (USA-SL Chapter)



Mr. Binesh Aravinda
Head of Branch Banking
MBA, BSc Business Administration Sp. (USJP), CBA (ICASL), Moody's Business Banking Mastery Certification.



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



Mr. Lasantha Edirisuriya
Head of Cooperative Development
Dip. in Fin. & Bank Mgt. (IBSL), Intermediate Banking Diploma (IBSL), Exe. Dev. (Mini MBA - CSBM), Investment Advisor certified by CSE, Certificate in Entrepreneurship (Harvard), National Dip. in Training & Human Talent Dev. (SLITAD)



Mr. Sanjeeva Jayasinghe
Head of Finance
FCA, ACCA, BSc. Mgt. Public Admin (USJP)

CHIEF MANAGERS



Mr. Sarath Kumara
Head of Administration
BSc. Mgt



Mr Jayantha Chandrasiri
Chief Manager - Branch Banking Unit
B.Sc. (Mgt. & Administration - Special) (USJP)



Mr. Surandika Wimalarathne
Regional Head – North Central Region
B.A. (Hons) Business Statistics, Post Graduate Dip. - Business Statistics, Postgraduate Dip. in Management - (RUSL)



Ms. Saranga Igalagamage
Compliance Officer
MBA (UK), BSc. (Agri Special) Hons, Dip in HRM, MIMSL, Dip.in Compliance



Mr. Sarath Kumara Kariyawasam
Deputy Head of Credit
BA (Special), CBF(IBSL), DMF (IBSL), ADCM (IBSL)



Mr. Ayesh Wickramarathne
Chief Manager – Internal Audit
ACCA, FIB (IBSL), MSc App Fin (USJP), BSc Applied Accounting (Oxford Brookes)



Mr. Indika Udayangana
Head of Collection & Recoveries
MBA (UK), BBMgt (Kelaniya), AIB, Dip.in Banking & Finance, Dip.in Micro Finance, Dip.in Public Management, Dip.in Small & Medium Enterprises, Dip.in Counselling



Mr. Sujeewa Perera
Chief Manager - SME
AIB, B Com (USJP), DBF (IBSL), Moody's Business Banking Mastery Certification



Dr. Heather Fernando
Chief Manager - Human Resources
Ph.D.-Management & Business (Management & Science University, Malaysia), MBA-OUSL, PQHRM - CIPM, T&D Evaluator-Kirkpatrick Int'l, Chartered MCIPM, AMAPB

CHIEF MANAGERS



Mr. Senthilvel Thulasidhas
Chief Manager - IT
PgD. Technology Management, University of Staffordshire



Mr. Tharanga De Silva
Chief Manager - Business Banking
MBA-Cardiff Metropolitan University UK, Diploma in Credit Management – IBSL



Mr. Janaka Edirisinghe
Chief Manager - Business Revival & Special Assets Management
AIB (SL), AICM(SL), DPS (Agri-biz Mgt.), Certificate in Microfinance



Mr. Ranjith Randeniya
Regional Head - Metro I Region
BBA,Dip.in Management Science, CBF, Moody's Business Banking Mastery Certification.

SENIOR MANAGEMENT



Mr. A.M. Nimal Chandra
Senior Regional Manager-North Western Region
BA (Peradeniya)



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



Mr. Udena Welikumbura
Head of Liabilities
MBA (Peradeniya), PGDM, MSLIM, BMS, Associate APB



Mr. Chaminda Rathnayaka
Senior Regional Manager - Sabaragamuwa Region
B.Sc. Accountancy & Finance (SP.) Hons, Registered Trainer & Consultant (Ministry of Public Management Reforms), Moody's Business Banking Mastery Certification



Ms. Nushika Edirisinghe
Senior Manager – Credit Administration
BSc (Colombo), Intermediate Banking Diploma (IBSL), Certificate in Hire Purchase and Lease Financing (IBSL), ACS



Mr. Dhammika Gamage
Senior Manager - Business Growth and Strategic Transformation
Intermediate Banking Diploma (IBSL), Ad. N. Dip in HRM (NSBM), DSMEF (IBSL)



Mr. Aruna Sujeewa Perera
Senior Manager - Co-operative Relationship Development
BA.,IABF, National Certificate in Technology (Civil Engineering)



Mr. Ajith Samantha
Divisional Head – Leasing Assessment & Approval
B Com (Special), AIB, DBF (IBSL), MDP (AAT)



Mr. Pradeep Gnanasiri
Senior Branch Manager - Ampara
BA Geography (Special) (USJP)

SENIOR MANAGEMENT



Mr. Semera Mahathanthila
Senior Manager – Compliance
MSc Applied Finance (USJP), PG. Dip. in Business & Financial Administration (ICASL), BSc Applied Sciences (Rajarata), Dip.in Compliance



Mr. Piyal Senadheera
Senior Manager - Integrated Risk Department
MFE (Colombo), PG. Dip. (Colombo), AIB, MAAT, CIT (SL), Dip in Finance & Bank Management (IBSL), Dip.in SME Finance (IBSL)



Ms. Denuka Priyangani
Divisional Head – Retail Credit Assessment & Approval
MSc, Executive Dip.in Service Management, CBF.



Ms. K. K. Rangani
Senior Branch Manager - Elpitiya Branch
HNDA, Intermediate Banking Diploma(IBSL)



Mr. Sanjeewa Dissanayake
Senior Regional Manager - Uva Region
Dip in Credit Mgt. (SLICM), CBF, Ad.Dip. In Credit Management, Moody's Business Banking Mastery Certification, Ad.Dip Credit Mgmt., AMAPB



Ms. Sasikala Subhashini
Senior Regional Manager - Metro II Region
MScSMgt. University of Colombo, Dip. in Microfinance, Executive Dip.in Service Management, CBF



Mr. Mahinda Thennakoon
Senior Manager - Centralised Operations
IABF- IBSL



Mr. Nishantha Wijesinghe
Senior Branch Manager - Negombo Branch
Dip.in SME(IBSL)



Mr. Priyankara Fernando
Divisional Head - SME Credit Assessment & Approval
Dip.in Credit Management, Dip.in SME Finance ,Dip. in Microfinance, CBF, Moody's Business Banking Mastery Certification.



Mr. Rajeewa Adikaram
Senior Manager-Information Systems Audit
Executive MSc in Information Security, Certified Information Systems Auditor (ISACA), CBF



Mr. Nishan Pallegama
Senior Branch Manager - 1st Colombo City Branch
Dip.in SME Finance, CBF, Certificate in Hire Purchase & Leasing, Moody's Business Banking Mastery Certifications



Mr. Sasika Wickramarathne
Senior Manager – Digital Operations
MBS - Kelaniya, Ad.Cert. in Banking & Finance, DBF, CBF



Mr. Chinthaka Jayakody
Senior Branch Manager - Kurunegala Branch
BA(SP) Business Statistics, CBF



Mr. Sarath Gunathilaka Banda
Senior Regional Manager - Central Region
BSc.(Business Management Special),CBF, DBF, Dip.in SME & Finance, AIB



Mr. Sadara Pandipperuma
Senior Manager - Credit Administration Unit - Karapitiya
MBA - Cardiff Met (UK), BBA (Accounting & Finance),CBA (ICASL)



Ms. Pemila Ranojani
Senior Manager – Legal
LLB (UOC), Attorney at Law, Notary Public, Commissioner for Oaths, Company Secretary



Ms. Nilupama Madurawala
Senior Manager - Strategic Planning and Sustainable Banking
BSc, MFE, CBF, DBF, Certificate in HRM, Moody's Business Banking Mastery Certification, Dip. in Retail Banking



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

SENIOR MANAGEMENT



Mr. Suntharalingam Keshanth
Senior Regional Manager - Eastern Region
AIB, PGDM (SEUSL)



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



Mr. Chaminda Roshan
Senior Regional Manager - Southern Region
BSc. Accountancy (sp) Hons, CBF



Mr. Sampath Priyankara
Senior Manager - IT
BIT (Colombo), MBA (UK)



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



Mr. Deepadarsha C. Samarathunga
Senior Manager - Internal Audit
MBA-Cardiff Metropolitan University UK, B.B. Mgt (Kelaniya), AIB - SL, Dip-in Internal Audit



Mr. Rajesh Karunarathne
Senior Manager - Consumer Assets
MBA in Buckinghamshire New University (UK), Dip.in Strategic Management and Leadership (UK), CBF



Ms. Niketha Ranaweera
Senior Manager - Pawning
BA, MA (SOC.SC) (Kelaniya), IABF



Mr. Ajith Herath
Senior Branch Manager - Matale Branch
MBA- University of Gloucestershire (UK), BSc. HRM (Special), Dip. in Strategic Management and Leadership (UK)



Mr. K.G. Ashoka Kumara Katukurunda
Senior Branch Manager - Kegalle Branch
MBA- University of Gloucestershire (UK), B.B.Mgt (Kelaniya), Dip. in Strategic Management and Leadership (UK)



Mr. Indika Lakmal
Senior Branch Manager - Matara Branch
PGD.in B Ad in Marketing (Ruhuna), AIB(IBSL), Dip. in Digital Marketing (SLIMS), Dip.in M.Finance (Sanasa Campus)



Mr. Lalith Kumara
Head of Post Disbursement & Credit Review
DABF(IBSL), CBF(IBSL), Dip in SME(IBSL), AIB(IBSL)



Mr. Ruwan Dharmasena
Senior Manager - Retail Remedial Task Force
BBA (Mkt) sp, MBA



Mr. Gayan Abeysiriwardana
Senior Manager - Collections, Administration & Analytics
MBA (USJP), BSc. Agri (UOP), PGDM-SLIM



Mr. Anil Wanigasiri
Senior Branch Manager - Battaramulla Branch
MBA (MoT), PGD in Bank Management, Advanced Economics & Computer Science (Sp), Member of GARP



Ms. Suganya Kandeeban
Senior Manager - Treasury
MSC (UK) International Banking & Finance, MBA, Dip in Treasury & Risk Management, Certificate in Treasury & Foreign Exchange Operations, CBF (IBSL)



Mr. Udana Weerasinghe
Head of Credit Risk
IAB (UK), PGDip (Busi Admin) Heriot-Watt University, MBA - University of Sunderland.



Mr. N.A.R.S. Kumara
Senior Manager Branch Operations
B.B.Mgt (Accountancy) Special - University of Kelaniya, CBA (ICASL)

SENIOR MANAGEMENT



Mr. Lahiru Ekanayake
Senior Manager - Leasing
MBA (Business Administration) | MSc (Digital Marketing) | CIM (UK) | PGDip Strategic Management & Leadership | Diploma in Microfinance | Diploma in FINANCE LEASING (IBSL)



Mr. Gayan Fernando
Senior Manager – Marketing & Corporate Communication
MBA.Mkt (UK), PGDM (UOK), Executive Member (DMASL)



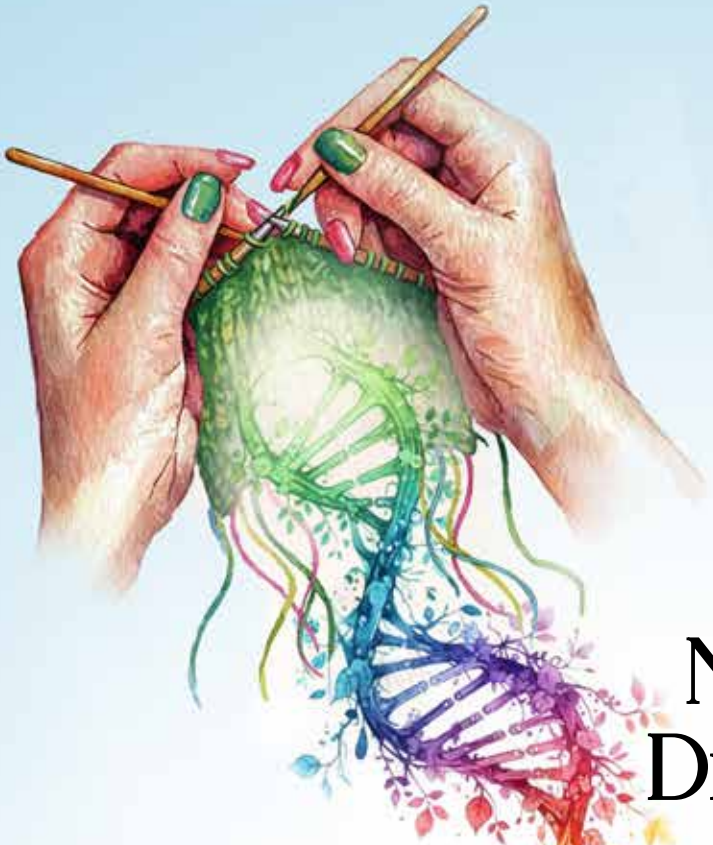
Mr. Prasanna Samarakoon
Senior Manager - Core Banking Operations
B.Sc. IT(Hons), CBF, APB, Dip.in National Certificate of Accounting Technicians



Mr. Chamida Jayasena
Senior Manager - Finance
ACA ,ACCA , BSc Finance (Special) USJP



Ms. Pubudini Gunawardena
Senior Manager - Market Risk
DBF - IBSL,Certificate in Treasury & Foreign Exchange Operations, Licentiate I - ICASL



Management Discussion and Analysis



FINANCIAL CAPITAL



In 2025, SDB bank continued to strengthen its financial position and stability, initiating a new growth trajectory following five years of lending-portfolio contraction. Recording growth across all business segments, extending relief to over 15,000 borrowers affected by interest rate spikes following the 2022 economic crisis, and launching a new agriculture credit line aimed at developing key, national food chains, SDB concluded 2025 on the cusp of a new era of potential.

OUR ACTIONS	OUTCOMES
Provided relief to borrowers affected by the 2022 economic crisis period	15,000-16,000 customers benefited from relief measures Decline in interest income by 15% from LKR 20.00 Bn in 2024 to LKR 17.09, Bn due to the reduction in interest rates as a relief measure
Developed an Agri Financing Strategy	Technical skills transfer from Rabo bank for sustainable agriculture lending Targeted Financial Relief and Credit Support to Agricultural Borrowers Provided technical assistance to farmers
Business expansion	15% growth in total lending portfolio to LKR 109.84 Bn 1% growth in assets to LKR 146.95 Bn 14% growth in fee-based income to LKR 716.34 Mn 5% growth in net interest income in spite of the reduction in interest income The Bank has increased from LKR 684 Mn (2024) to 800 Mn (2025) in PBT.

STATUS OF FINANCIAL CAPITAL IN 2025

The Bank's accelerated business growth contributed directly towards strengthening the financial capital base with the Bank's retained earnings growing by 13% to LKR 2.6 Bn and total equity also growing by 1.49% to LKR 14.8 Bn.

Meanwhile, the Bank continued to optimize its funding structure to support business growth during the year. While customer deposits recorded a marginal decline of approximately 1% amid heightened competition for deposits across the financial sector in 2025, institutional borrowings increased by 8.08% to LKR 20.6 Bn, reflecting the Bank's proactive approach to securing diversified funding sources. Notwithstanding these movements, public deposits remained the Bank's primary source of funding, underpinning balance sheet stability and supporting ongoing expansion initiatives.

Despite the growth in debt capital, the Bank maintained its statutory capital adequacy ratios well above regulatory minimums, demonstrating its ability to grow the balance sheet, while underpinning that growth with a strong and resilient capital base. The Bank's capital and liquidity ratios reflect the Bank's financial stability and overall strength.

CAPITAL RATIOS

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

Statutory Ratios	2025	2024	2023
Common Equity Tier 1 Capital Ratio % - (Minimum Requirement - 2025 - 7%, 2024 - 7.00%)	14.20	15.00	14.85
Tier 1 Capital Ratio (%) - (Minimum Requirement - 2025- 8.50%, 2024 - 8.50%)	14.20	15.00	14.85
Total Capital Ratio % - (Minimum Requirement - 2025 - 12.50%, 2024 - 12.50%)	15.24	16.37	16.45

LIQUIDITY

The Bank's liquidity coverage ratios were maintained above the statutory minimum requirements throughout the year, while regularly monitoring market conditions and the Bank's liquidity levels in order to respond to any contingencies during the year.

Item	2025	2024	2023
Available stable funding	LKR 107.60 Bn	LKR 113.85 Bn	LKR 124.76 Bn
Net Stable Funding Ratio % - (Minimum Requirement - 100%)	144.82	173.02	192.84
Liquidity Coverage Ratio % - (Minimum Requirement - 2025 -100%, 2024 - 100%)	151.86	279.65	287.06

STRATEGIC PRIORITIES

The Bank focused on several key strategic priorities during the year.

- **Improving the cost-to-income ratio:** The Bank continued to focus on increasing its operational efficiency in order to improve its cost-to-income ratio, with a clear focus on reducing costs, while rapidly growing its revenue. In 2025, the cost-to-income ratio stood at 75.54% compared to 77.36% in 2024. These efficiency gains were reflected in total operating income increasing by 8%, outpacing the 5% growth in operating expenses. The Bank remains committed to generating higher returns on its products while maintaining a disciplined cost structure. Although the improvement in 2025 was marginal, it is expected that ongoing business development initiatives, combined with sustained cost efficiencies, will translate into stronger and more visible outcomes in 2026.
- **Business expansion:** In 2025, SDB bank reversed a five-year declining trend in balance sheet and portfolio growth. The Bank's total portfolio grew by a robust 15% to LKR 109.8 Bn, from LKR 95.1 Bn as at end-2024, with new disbursements reaching LKR 103.47 Bn. This growth supported the balance sheet expansion from LKR 145.15 Bn to LKR 146.95 Bn. Business growth was driven by a strong recovery in economic activity that the Bank was ready and equipped to tap into, due to continuous investments into new products, cultivating strong relationships within core markets, and expansion in digital facilities.
- **Improving portfolio quality:** While driving growth, the Bank maintained an unwavering focus on improving portfolio quality by enforcing stringent lending policies. As a result, the gross non-performing loan (NPL) ratio declined from 11.11% as at end-2024, to 8.85% in 2025, with a majority of lending supported by collateral. The Stage 3 loan coverage ratio further reflected this improvement, increasing from 47.78% in 2024 to 52.61% in 2025.

ANALYSIS OF THE STATEMENT OF PROFIT AND LOSS

NET INTEREST INCOME

Although the interest income declined in 2025 due to interest rate reductions to customers affected by the economic crisis, the Net Interest Income of the Bank increased to LKR 8.23 Bn, from LKR 7.82 Bn in 2024. This was due to the sharp reduction in interest expenses from LKR 12.18 Bn in 2024, to LKR 8.86 Bn as a result of the deposit repricing in a declining interest rate environment, improved funding mix, and lower cost of borrowings.

FEE-BASED INCOME

The Net Fee and Commission income increased by 15% to LKR 674.72 Mn due to fee-based business expansion, such as growth in vehicle leasing and property mortgages.

TOTAL OPERATING INCOME

The net operating income increased to LKR 8.77 Bn, from LKR 8,27 Bn, with the total operating income increasing by 7.53% year-on-year, to LKR 9.49 Bn.

IMPAIRMENT CHARGES

The Stage III impaired loans to total loan ratio Ratio declined from 6.93% to 5.36%, reflecting better asset quality. The overall impairment charges increased from LKR 558.9 Mn in 2024 to 719.18 Mn for increased coverage.

OPERATING EXPENSES

Operating expenses increased by 5.01% to LKR 7.16 Bn. The growth in expenses was mainly due to the impact of inflation on goods and services, as well as annual wage increases. However, other operating costs were maintained at the same level as the previous year, reflecting effective cost management.

TAXATION

In 2025, the Bank contributed a total of LKR 1,209.32 million in taxes to the national exchequer, reflecting an increase from LKR 1,041.39 million in the previous year.

This contribution included Value Added Tax (VAT) on financial services at 18%, which amounted to LKR 714.79 million, up from LKR 668.19 million in 2024. The Bank also paid LKR 99.27 million in Social Security Contribution Levy (SSCL) at 2.5%, and LKR 395.25 million in income tax at 30%, compared to LKR 274.72 million in the prior year. These contributions underscore the Bank's continued commitment to supporting national economic development.

PROFITABILITY

In spite of the relief measures offered to borrowers affected by the economic crisis, the profit before tax grew by a commendable 16.94% year-on-year, reaching LKR 800.17 Mn, reflecting both operational efficiency gains as well as the overall growth in business.

However, the Profit After Tax declined marginally by 1% to LKR 404.91 Mn from the LKR 409.53 Mn in the previous year. The current year's performance demonstrates the Bank's potential for the future under the Bank's new, 3-year growth strategy.

TOTAL COMPREHENSIVE INCOME

The Bank concluded the financial year 2025 by recording a total comprehensive income of LKR 217.90 Mn compared to LKR 341.61 Mn in 2024, mainly due to additional deferred tax liability to the value of LKR 129.41 Mn.

SDB BANK'S AGRI FINANCING STRATEGY

In 2025, SDB bank launched the first phase of its Rabo bank-supported Agri Financing Strategy. During this phase, the Bank received technical and advisory support from Rabo bank experts to develop a sustainable agriculture lending model, while also collaborating with national agriculture agencies to strengthen sector alignment. The strategy is further integrated with the Bank's value chain financing approach, enabling the sustainable development of agriculture value chains.

The Bank's objective through the Agri Strategy is to support sustainable agricultural growth by providing tailored financial solutions to farmers, agribusinesses, and agricultural initiatives. It aims to drive innovation, enhance productivity, and ensure long-term profitability within the agricultural sector, while fostering environmental and social responsibility.

During the year the Bank also:

- Completed and published the Agri Manual, which aims to streamline the agricultural lending process and build a high-quality Agri portfolio for the bank.
- Established an Agri Task Force comprising 45 members representing all regions of the bank, enabling coordinated and region-specific Agri interventions.
- Formed an Agri Advisory Panel to provide expert guidance throughout the agricultural lending and portfolio-development process.
- Launched a dedicated Agri Page on the internal intranet, giving staff access to technical knowledge, consultants' reports, deep-dive documents, and official government sites.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

ASSETS

The total assets of the Bank increased from LKR 145.15 Mn to LKR 146.95 Mn, reflecting the growth in the lending portfolio with net loans and advances increasing from LKR 95.13 Mn to LKR 109.84 Mn.

LIABILITIES

The Bank's total liabilities increased to LKR 132.15 Bn from LKR 130.56 with borrowings, retirement benefit obligations, tax liabilities and other liabilities increasing during the year.

DEPOSITS

The Bank's total public deposit base declined from LKR 106.98 Bn one year ago to LKR 105.68 Bn with customers shifting Fixed Deposits away to higher return options in the declining interest rate environment. Total value of Fixed Deposits declined to LKR 83.6 Bn by the end of 2025, from LKR 86.0 Bn in 2024, while funds in savings accounts also increased from LKR 20.9 Bn to LKR 22.0 Bn.

BORROWINGS

Total borrowings on the Bank increased to LKR 20.61 Bn from LKR 19.07 Bn, due to increased utilisation of long-term refinance facilities and institutional term borrowings to support credit growth and liquidity requirements.

TAKEOUTS FOR THE NEXT FINANCIAL YEAR



SDB bank is preparing for a Rights Issue and a debenture issue in 2026, to expand its capital base in order to comply with the requirements of the Central Bank's 2026–2027 Consolidation Plan. The outcome will significantly enhance the Bank's capital base in order to support business growth within the medium term, under the Bank's new growth strategy.

Meanwhile, the Bank will also remain vigilant of global developments as an extension, or resurgence of the Iran-US-Israel conflict can be expected to have negative fallouts on the Sri Lankan economy, and by default, the Bank's own performance. The increasing frequency in extreme weather events also poses a threat that may disrupt planned growth in the Bank's Agri financing and value chain activities.

On a positive note, concessionary funding from Rabo bank earmarked for agricultural lending in 2026 is expected to support growth in this segment. Additionally, the portfolio growth momentum achieved in 2025 is likely to continue, assuming no major external disruptions impact this trajectory.

MANUFACTURED CAPITAL



In 2025, several SDB bank branch premises in Giriulla, Ekala, and Kaduwela sustained significant flood-related damage as a result of Cyclone Ditwah. In addition, branches in Chilaw and Ruwanwella also experienced moderate levels of damage. Consequently, the Bank incurred unplanned expenditure during the year to undertake cleaning, repair, and rehabilitation activities to restore these facilities to full operational status.

However, the impact of this natural disaster was effectively mitigated by shifting documents, furniture, computer systems, and other electronic equipment to secure locations. As a result of these timely actions, damage to core assets was largely contained, enabling the affected branches to resume operations within a few days. Importantly, there was no loss of customer data or property, demonstrating the effectiveness of the Bank's proactive response. As these branches are strategically located within the banking zone of these cities to facilitate ease of access and banking convenience to customers and the public, relocation of branches to another area poses practical difficulties. Therefore, the Bank is currently evaluating available options to enhance disaster preparedness for the future.



OUR ACTIONS	OUTCOMES
Rehabilitation of flood-damaged branches following the Ditwah cyclone in November 2025	Ensured rapid return to the status quo in order to serve customers as usual.
Total capital expenditure LKR 185Mn (LKR 594 Mn in 2024)	The capital investments in 2025 were primarily in the areas of IT Infrastructural in order to technology enhancement.
Expenditure on computers and other hardware LKR 57 Mn (LKR 404 Mn in 2024)	Investments in digital infrastructure have upgraded the Banks' technical capabilities.
Upgrading branches	Enhancing branches has differentiated and upgraded the Bank's image

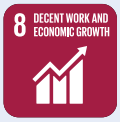
The Bank's manufactured capital comprises a combination of physical infrastructure and an expanding digital technology base, both of which are integral to the Bank's operational effectiveness and long-term growth objectives. The physical asset base primarily consists of a fully equipped network of operational premises strategically located across the island, enabling the delivery of inclusive financial services nationwide while reinforcing brand visibility and customer accessibility. This network of branch premises, however, comprises rented/leased premises.

This branch network is supported by the Bank's proprietary ATM infrastructure, a dedicated fleet of vehicles, and essential digital hardware that ensures seamless island-wide connectivity and efficient service delivery. Together, these assets underpin day-to-day operations and facilitate consistent customer engagement across diverse geographic locations.

In line with the Bank's accelerated digitisation agenda, in 2024, SDB bank commenced upgrading and expanding its digital hardware infrastructure. As at end of 2025, the Bank had procured advanced, state-of-the-art hardware platforms to serve as a scalable foundation for the rapid expansion of digital financial services. These investments have strengthened system capacity, improved operational resilience, and enhanced readiness to support future business volume growth and the introduction of new, innovative products and services.

Additionally, to further strengthen operational resilience and safeguard critical information assets, in 2024, the Bank enhanced the security and maintenance standards of its Data Centre by relocating its servers to a more secure environment. This proactive approach has significantly reinforced business continuity capabilities, mitigated operational and cyber risks, and ensured the ongoing protection of customer data in line with regulatory and best-practice standards.

SDG FOCUS



- **By strengthening physical and digital infrastructure, the Bank has continued to create new employment in all parts of the country.**

PHYSICAL ASSETS

All procurements of physical assets are conducted in accordance with SDB bank's Board-approved procurement guidelines to ensure good governance standards at all times. Large-scale procurements also require specific Board approvals. SDB bank's physical asset base declined from LKR 1,115 Mn at the end of 2024 to LKR 970 Mn at the end of 2025, reflecting a strategic decision to optimise costs and enhance operational efficiency.

The Bank also continued its programme of upgrading its branch network and regional offices, while continuing its regular maintenance and care of all physical assets.

VEHICLES

During the current financial year, the Bank made a strategic decision to progressively transition from an ownership-based model to a rental-based model for its official vehicle fleet. This initiative is aimed at enhancing cost efficiency, optimising vehicle utilisation, and reducing long-term maintenance and capital expenditure, while ensuring the uninterrupted availability of vehicles to support official travel requirements.

In line with this strategy, in 2026, the Bank plans to sell two existing vehicles and initiate a formal tender process to engage vehicle rental service providers. This transition is expected to improve fleet management flexibility, align operating costs more closely with usage patterns, and support more efficient allocation of capital in line with the Bank's broader operational and financial optimisation objectives. This will also reduce the Bank's carbon footprint going forward.

Asset class	Value in 2025 (LKR Mn)	Value in 2024 (LKR Mn)
Land and buildings	606.92	580.02
Vehicles	0.83	1.21
Furniture and office equipment	93.4	107.27
IT hardware, including computers	269.3	426.58
Total	970.5	1,115.08

BRANCHES

A significant operational development during the year was the establishment of a second Head Office premises to consolidate several departments that were previously dispersed across multiple rented locations in Colombo. While the Bank's Head Office has traditionally operated from No. 12, Edmonton Road, Colombo 06, a number of back-office and support functions have been housed in separate premises, resulting in operational fragmentation. The new four-storey rented facility, comprising approximately 20,000 square feet and located in close proximity to the existing Head Office, has enabled the Bank to bring these scattered departments under one roof. This consolidation is expected to materially enhance inter-departmental coordination, speed of communication, and overall operational efficiency, thereby supporting more effective service delivery and decision-making.

In parallel, the Bank continued to enhance and reposition its image as a modern, digitally enabled financial services provider. As a key component of this strategic repositioning, the Bank has undertaken a comprehensive programme to upgrade and modernise its branch premises. During the 2025 financial year, the branch in Galle was refurbished with expanded floor space and larger parking space, updated signage and a new external façade for improved visibility. Internal enhancements were also completed to elevate customer convenience, comfort, and overall ambience.

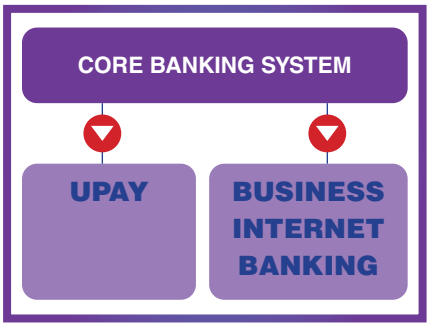
In addition, the Bank's regional office in Moratuwa, one of nine regional offices island-wide, was upgraded to provide improved facilities and a more conducive working environment for employees.

MAIN INVESTMENTS IN BRANCHES IN 2025

Investment	2025 LKR Mn
Rehabilitation of flood-damaged branches	1
Rebranding branches	61

IT INFRASTRUCTURE

The Bank's entire core IT infrastructure was modernised in 2025 following the large investment in hardware and equipment in 2024 to further enhance business continuity capabilities. This upgraded IT Infrastructure is the foundation of the Bank's growing suite of digital products and services and serves customers, branches and regional offices. The new digital technology base has enabled faster, more reliable services, coupled with improved disaster recovery and business continuity capabilities, as well as improved security. The Bank's IT infrastructure includes the Data Centre, network infrastructure and computers. SDB bank's mobile application UPay, the SME banking system, and the Business Internet Banking system have continued to expand in 2025, supported by this high-speed, secure, physical infrastructure.



DIGITAL INFRASTRUCTURE IMPROVEMENTS IN 2025

The Bank's investment of around LKR 500 Mn in 2024, to upgrade its entire digital infrastructure, including the core banking system, as well as peripheral servers, has now established a strong and secure foundation to support business growth over the short to medium term.

Cloud-based intercom system: In 2025, technology infrastructure was further enhanced through a cutting-edge intercom system, designed and deployed for the Bank's Head Office, utilising the cloud for greater security. The intercom system will be expanded to the branch network by 2026.

Setting up modern digital facilities for the second SDB bank head office: During the current financial year, a number of previously dispersed departments were brought under one roof at a single location in Colombo, acting as the second SDB bank head office. The IT Department provided the latest technology solutions for this office building, making it a modern, wirelessly connected workspace, with extensive WiFI operability for all electronic equipment, including printers and scanners, as well as phones, tablets and computers, while also providing secure interbranch and head office connectivity.

Upgrading computers: All older computers were replaced with new laptops or desktops for the entire Bank.

TAKEOUTS FOR THE NEXT FINANCIAL YEAR

- In 2026, we plan to refurbish and upgrade the branches in Warakapola, Nuwara Eliya, Jaffna, and Valaichchenai
- Upgrade regional offices in Sabaragamuwa and Kurunegala
- Shift to a vehicle renting model instead of a vehicle ownership model
- Complete the deployment of the intercom system connecting all 94 branches
- Continue upgrading digital infrastructure to improve capacity and to expand products and services, while improving system security.

INTELLECTUAL CAPITAL



SDB bank's intellectual capital is derived from a combination of brand equity, institutional capability, and accumulated domain knowledge that distinguishes the Bank as the country's sole private development bank. The many years of active involvement with cooperative networks, micro, small and medium enterprises, and rural communities have created a unique depository of knowledge that has been internalised through the expertise and professional judgment of its people. In parallel, the Bank has steadily expanded its portfolio of proprietary digital systems, strengthening its stock of intangible assets and enhancing its ability to deliver specialised financial solutions. When integrated with disciplined financial management, these strengths collectively differentiate the Bank within the country's financial services sector.



OUR ACTIONS	OUTCOMES
Commenced critical workflow digitisation	Reduced paper consumption and enhanced efficiency
Expanding digital onboarding for leasing	Increased customer convenience
Providing a payment interface between the public and key national agencies	Supporting national agencies

At the core of this intellectual foundation is an organisational ethos grounded in long-standing national values, social responsibility, and principled behaviour. This value system shapes the Bank's identity and informs how it builds relationships, conducts business, and fulfils its development mandate in partnership with customers, communities, and other key stakeholders.

CONTRIBUTION TO SDGS IN 2025

8 DECENT WORK AND ECONOMIC GROWTH	The Bank continued to develop its software and services to support decent work opportunities across the country.

Amid a more favourable economic environment in 2025, SDB bank actively deployed and strengthened its knowledge-based assets to drive lending expansion, extend its reach across customers and geographies, and elevate service standards, contributing towards the sustainability and resilience of its long-term value creation framework.

OUR INTELLECTUAL CAPITALS

BRAND AND PRODUCT PORTFOLIO

The SDB bank brand serves as the primary expression of the Bank's identity, representing the trust of its stakeholders, conveying its values, service philosophy, and development mandate across all points of interaction. It distinguishes the Bank's branch network, offerings, people, and service quality within a highly competitive financial services environment. The Bank's range of proprietary and trademarked offerings enjoys strong market acceptance, underpinned by long-standing customer confidence in the SDB bank name. Products and services are structured with a clear purpose, addressing the distinct financial needs of cooperative institutions and their members, as well as SMEs, particularly women-led enterprises, and businesses operating in rural and semi-urban areas.

ORGANISATIONAL VALUES, CULTURE, AND ETHICAL STANDARDS

SDB bank's organisational ethos places people and relationships at the centre of its operations. The Bank balances performance-driven objectives with a strong emphasis on relationship banking, nurturing enduring partnerships with customers through professionalism, mutual respect, and ethical conduct. Continuous learning and capability enhancement are embedded within the Bank's people strategy, enabling employees to deliver consistent value.

A formal ethical framework governs the conduct of staff, senior management, and the Board, reinforcing accountability and integrity across the organisation. Alongside this, sustained investments in digital channels have enhanced customer convenience and service efficiency. To remain closely aligned with customer needs, the Bank draws talent from local communities for its network of 94 branches, promotes local language engagement, and fosters an inclusive and welcoming environment for customers across all social segments.

INSTITUTIONAL EXPERIENCE

SDB bank holds a well-established reputation as a specialist provider of development finance, with deep-rooted engagement in Sri Lanka's cooperative sector built through long-standing partnerships. The Bank also brings decades of experience in financing small and medium-scale enterprises, giving

it a strong grasp of agricultural value chains, MSME business cycles, and rural economic conditions. This depth of experience is institutionalised within the Bank's local community knowledge, credit assessment and lending methodologies, operational frameworks, and decision-making processes, forming a distinctive knowledge base that differentiates SDB bank.

During the year, the Bank further strengthened this specialist positioning by intensifying collaboration with cooperatives and rural entrepreneurs. Flagship initiatives such as the Rural Upliftment Programme and targeted financing schemes for agricultural businesses and women-led enterprises were expanded, drawing on this specialised expertise. In addition, the Bank has collaborations with international institutions such as FMO, BIO and Rabo Partnerships that translate into global technical expertise.

DIGITAL SOLUTIONS

As part of its accelerated technology transformation agenda, SDB bank initiated a comprehensive modernisation of its technology environment in 2024, introducing next-generation system architecture and enhanced security frameworks alongside significant upgrades to its underlying physical infrastructure. As a result, digital capabilities have become increasingly embedded across internal operations and external services, encompassing customer service delivery, stakeholder engagement, and governance, risk, and compliance processes. The Bank's IT Department plays a central role in designing and delivering bespoke technology solutions aligned with both near-term priorities and long-term strategic ambitions. During 2025, this digital ecosystem was further strengthened through the expansion and refinement of multiple platforms, including several internally developed applications that enhance regulatory adherence, operational scalability, information security, and customer accessibility.

Extending the benefits of digitalisation beyond its own operations, SDB bank's technology initiatives serve a broader developmental purpose. By enabling digital adoption within cooperative associations that continue to rely on manual processes, and by supporting micro and rural entrepreneurs that have limited exposure to digital tools, the Bank contributes to narrowing the technology gap across underserved segments. Purpose-built digital services address the practical needs of these communities, facilitating greater participation in the formal financial system. Concurrently, the Bank also continually reviews its IT system's performance and resilience, investing in upgrades that enhance reliability and speed while reinforcing cybersecurity measures to safeguard data integrity and ensure uninterrupted service delivery.

The Bank's consumer digital ecosystem includes the SDB UPay mobile application, the SME banking platform, and the Business Internet Banking system. During 2025, the Bank continued to optimise these digital tools to enhance accessibility, customer convenience, and product reach.

SUPPORTING COOPERATIVE SOCIETIES

SDB bank extends concessionary pricing and, in certain instances, free access to digital services for cooperative societies to promote digital adoption, cost efficiencies, and operational convenience for cooperatives and their members. The Business Internet Banking facility is provided free of charge, with the Bank absorbing transaction costs for fund transfers. In addition, a concessionary CEFTS fee of LKR 20 compared to the regulatory charge of LKR 25 is offered for electronic fund transfers via the UPay app.

POS MACHINES FOR SMES

To support inclusive economic growth, SDB bank provides POS facilities at concessionary rates to smaller SMEs that are often underserved by traditional commercial banks. This initiative enables SMEs to access modern payment solutions, improve cash flow management, and expand their customer base.

QR CODE PAYMENT SOLUTIONS

Although usage is still relatively low, the Bank offers QR Code-based payment facilities as an alternative digital payment option, with interoperability through UPI, AliPay, and other intermediaries. This enhances payment convenience for merchants and customers while supporting the transition to a cashless economy.

DIGITAL DEVELOPMENTS IN 2025

During the year under review, SDB bank continued to enhance and upgrade its digital infrastructure. Key developments included:

ENABLING ELECTRONIC PAYMENTS TO GOVERNMENT INSTITUTIONS

Customers were empowered to make electronic payments to Government agencies by leveraging LankaPay infrastructure, including LPOPP and GovPay. GovPay replaced the manual traffic fine payment process, allowing customers to securely settle fines directly through the SDB UPay app. LPOPP is a digital channel to make payments to institutions such as the Inland Revenue Department, Sri Lanka Customs, and the Sri Lanka Ports Authority, and was enabled through the Bank's secure Business Internet Banking platform. These facilities have significantly enhanced customer convenience and transparency when engaging with essential Government agencies.

IN-HOUSE SOFTWARE DEVELOPMENT

Two in-house solutions were launched to support the issuance of electronic statements, enhancing customer convenience and reducing paper usage.

SDB NERVE INTRANET

During 2025, SDB bank continued to strengthen internal digital enablement through SDB NERVE Intranet, the Bank's centralised employee portal. SDB NERVE serves as a single source of access for internal communications, operational guidelines, training resources, and key applications, enhancing efficiency and information transparency across the organisation. The platform supports collaboration, knowledge sharing, and timely dissemination of policies and circulars, contributing to improved productivity and alignment with the Bank's digital transformation agenda.

UPGRADING CRITICAL SYSTEMS

Enhancements were made to key systems, including the digital customer onboarding platform for savings and deposits, the CEFTS system, user management systems, and incident management systems.

DIGITAL SUPPORT FOR LEASING

A digital onboarding platform was introduced for leasing customers, complementing existing digital solutions for savings and fixed deposit accounts.

WORKFLOW MANAGEMENT AND AN ENTERPRISE DOCUMENT MANAGEMENT SYSTEM

Development commenced on a comprehensive workflow management system and enterprise document management system, including a full revamp of the Bank's loan origination process. Once fully implemented, these systems are expected to reduce paper consumption, improve turnaround times, enhance operational visibility, and drive efficiency. The Loan Origination System forms a sub-component of this broader workflow management initiative, which will be further expanded in 2026 to enhance productivity and efficiency.

IMPROVEMENTS TO DIGITAL PRESENCE

	2025	2024
Number of digital transactions	8526456	9032575
Digital transactions as a percentage of total transactions	37%	40%
Digital internal transaction conversion ratio (number of transactions done digitally vs manually)	4.4	5.9

DATA SECURITY

The Bank's increasing digitalisation initiatives incorporate continuous upgrades to its cybersecurity framework and comply with industry best practices to protect customer information and safeguard digital assets. The growing digital databases and digital assets are protected by a multi-layer security architecture including advanced data protection technologies, regular system audits, robust backup arrangements, and disaster recovery mechanisms. A dedicated Security Operations Centre continuously monitors the Bank's digital systems 24x7 to mitigate internal and external threats. During the year under review, the Bank did not experience any data breaches or data losses arising from external interference.

UPAY SECURITY ENHANCEMENT

As an additional security measure, mobile number verification was implemented for UPay users to further strengthen customer protection.

SECURITY SOFTWARE UPGRADE

In the latter part of 2025, the Bank commenced a security software upgrade to prevent data leakages and to ensure better security endpoint controls, leveraging multiple tools and technologies.

TAKEOUTS FOR THE NEXT FINANCIAL YEAR

- **Continue to strengthen the Bank's intellectual capital through targeted recruitment, capability building, and skills development to support growth and diversification.**
- **Deploy the workflow management system and enterprise document management system to enhance operational efficiency and digital service delivery.**

HUMAN CAPITAL



The 2025 financial year marks significant progress in strengthening SDB bank's human capital framework through a range of strategic HR initiatives, while focusing on identifying core competencies required to support the sustained growth of the Bank. Key developments included the alignment and enhancement of HR policies to support organisational priorities, improvements to the Performance Management System with a stronger focus on competency-based assessments. The implementation of structured Talent Development, Career Progression, and Succession Planning initiatives were also implemented during the period. In addition, the Bank introduced enhanced employee benefits, including insurance and welfare upgrades, streamlined talent acquisition processes with the establishment of talent pools, and delivered impactful employee engagement programmes across the Bank. Collectively, these initiatives contributed to stronger HR governance, improved operational efficiency, and an enhanced employee experience.





OUR ACTIONS	OUTCOMES
Strengthening the performance-driven culture across all levels	Creating an environment that values and promotes performance
Enhancing the Talent Management Framework, focusing on succession planning	Strengthening HR sustainability over the medium to long term
Strengthening leadership development initiatives	Supporting overall business growth and ensuring the sustainability of the Business
Improving recruitment practices by adopting competency-based selection methods	Ensuring the availability of correct competencies to support growth
Automating HR processes	Improving efficiency and data governance
Strengthening employee engagement and welfare initiatives	Improving employee satisfaction and well-being
Ensuring effective HR practices, HR strategy, and HR Policies, aligning with business strategy	Supporting the Bank's overall future growth

COMPLIANCE

SDB bank maintained full compliance with all applicable labour laws, regulations and statutory requirements during the year 2025.

- No fines, penalties, warnings, or non-compliance issues were reported.
- Internal audits and HR governance ensured timely statutory submissions and adherence to employee-related regulations.

PERFORMANCE IN 2025 AND TARGETS FOR 2026

TARGETS ACHIEVED IN 2025

- Introduced the Talent Pool for retention & succession planning initiatives.
- Strengthened the PMS with a Reward Model for the payment of bonus.
- Completed HR policy revisions.
- Improved employee welfare and wellbeing benefits.

TARGETS FOR 2026

- Fully integrate competency-based HR processes (recruitment, promotions, and succession planning).
- Strengthen learning and development through structured capability-building programmes. Enhance core competencies identified for the employees.
- Improve employee engagement through participation in learning, CSR initiatives, and Bank-wide activities.

CELEBRATING 28 YEARS OF SERVICE TO THE PUBLIC

SDB bank celebrated its 28th anniversary on August 25 with a ceremony at its Head Office and religious observances, with the participation of the Directors, senior management and employees. The Bank chose to mark the occasion by recognising long service employees with 25 years at the Bank, acknowledging the contribution of employees to the Bank's success.

HR OBJECTIVES

To create a conducive environment to ensure availability of future ready leadership pipeline to achieve strategic objective and enhance the employer brand.

KEY FOCUS AREAS

- **Performance and Reward Framework**
- **Talent and Leadership Development**
- **HR Policy and Governance**
- **Employee Engagement and Communication**
- **Change Management and Cultural Adaptability**

SDG FOCUS IN 2025

The Bank contributed to the following SDGs through its HR initiatives

1 NO POVERTY	● **Promoted equitable access to employment and income opportunities**
3 GOOD HEALTH AND WELL-BEING	● **Strengthened employee wellness through enhanced medical insurance, health benefits, and welfare initiatives.**
5 GENDER EQUALITY	● **Ensured equal gender access to recruitment, training, performance evaluation, promotion, and leadership development opportunities.**
8 DECENT WORK AND ECONOMIC GROWTH	● **Ensured fair wages, equal opportunities, safe working conditions, structured career and skill development.** ● **Introduced improved benefits initiatives for sustainable livelihoods.**
10 REDUCED INEQUALITIES	● **Implemented inclusive HR practices supporting non-discrimination and equal treatment across all employee groups.**

UPGRADING HR POLICIES

During the year, HR policies were reviewed, updated, and new policies were introduced to reflect best practices and address emerging organisational requirements. Key improvements included:

- Introducing a Talent Management Policy.
- Introducing a Claw Back Policy to be effective from 2026.
- Revision of the HR Policy Manual and sub-policies, including:
  - HR Planning
  - Talent Acquisition
  - Promotions Policy
  - Transfer Policy
  - Whistleblowing Policy
  - Remuneration Policy
  - Enhancements to Staff Loan Policy.

ALIGNING HR STRATEGY WITH BUSINESS STRATEGY

The Bank continued to bring HR strategies in line with the Bank's immediate and future growth targets and plans, to ensure a smooth transition onto a higher growth trajectory through the availability of required skills and talent. This included:

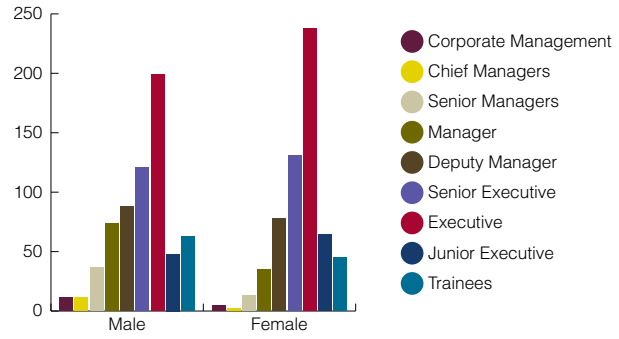
- Aligning the HR strategy to support business initiatives
- Performance Management System (PMS) with competency integration for all employees.
- Strengthening leadership capability development at different levels.
- Streamlining the organisational structure for operational efficiency.
- Developing a talent pipeline through talent pool initiatives.

EMPLOYEE PROFILE 2025

During the 12 months under review, the Bank's human resource base attracted specialised talent. The total number of SDB bank's island-wide workforce in 2025 was 1,263, out of which 48% was women.

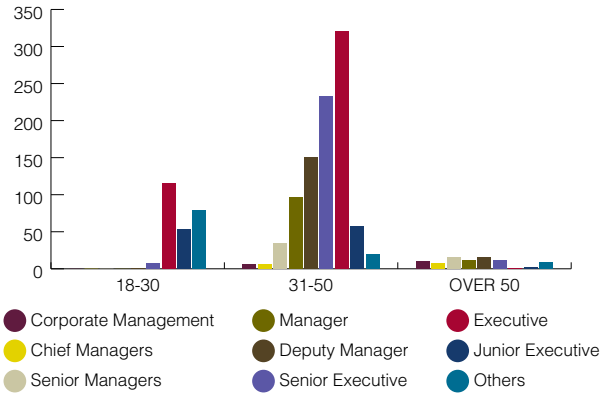
EMPLOYEES BY GENDER

Employee Category	Male	Female
Corporate Management	11	5
Chief Managers	11	2
Senior Managers	37	13
Manager	74	35
Deputy Manager	88	78
Senior Executive	121	131
Executive	199	238
Junior Executive	48	64
Trainees	63	45
Total	652	611



EMPLOYEES BY AGE AND CATEGORY 2025

	By age group				
Employee Category	18-30	31-50	Over 50	Total	%
Corporate Management	0	6	10	16	1.26%
Chief Managers	0	6	7	13	1.02%
Senior Managers	0	34	16	50	3.95%
Manager	0	97	12	109	8.63%
Deputy Manager	1	150	15	166	13.14%
Senior Executive	7	233	12	252	20.00%
Executive	116	320	1	437	34.60%
Junior Executive	53	57	2	112	8.86%
Others	79	20	9	108	8.54%
Total	256	923	84	1263	100%
As a % of the total	20%	73%	7%	100%	



TALENT ACQUISITION AND RETENTION INITIATIVES

Several initiatives were implemented to strengthen talent acquisition and retention in alignment with the Bank's strategic workforce requirements. Key initiatives included streamlining the recruitment process to attract qualified talent, strengthening employer branding to position SDB bank as a preferred employer in the industry, and establishing talent pools to proactively meet emerging business needs. Competitive and equitable compensation practices, enhanced benefits, and structured onboarding programmes were introduced to improve employee retention. The Bank also progressed succession planning efforts, career development pathways, and learning interventions to support internal mobility and capability growth. In addition, employee engagement initiatives and welfare programmes were expanded to foster a positive work environment and strengthen long-term employee commitment to the Bank.

RETENTION AND RECRUITMENTS 2025

The Bank maintained a retention rate of 92.06% for 2025, while recruiting 74 new employees, out of which 51% were women.

REWARDS AND RECOGNITION SCHEMES

The Bank strengthened its rewards and recognition framework to reinforce a performance-driven culture and retain high-performing talent. During the year, recognition mechanisms were enhanced to acknowledge individual and team contributions, particularly linked to business achievements and strategic targets. The Bank expanded recognition platforms, including quarterly awards to celebrate outstanding performance, innovation, and service excellence across departments and regions. These enhancements aim to motivate employees, strengthen engagement, and promote a culture of continuous improvement aligned with the Bank's business goals.

EMPLOYEE BENEFITS

The employee value proposition was improved by strengthening medical and life insurance benefits. Key improvements include:

- An increase in indoor medical limits
- Enhancement of spectacle and OPD coverage
- Increased coverage for major surgeries and higher life insurance benefits.
- Medical Camps were conducted.
    - Sabaragamuwa Region Medical Health Camp

The medical camp was conducted on April 25th at the Kegalle branch to promote health and well-being among employees.





- North Central Region Medical Health Camp

The medical camp was conducted on October 25th at the North Central Regional Officer, to promote health and well-being among employees.



In addition, a voluntary top-up insurance cover was introduced to offer employees an optional limit enhancement based on individual needs. These enhancements reinforce the Bank's commitment to employee well-being and financial security.

WORK-LIFE BALANCE POLICY AND NEW INITIATIVES

The Bank emphasises that all employees maintain a mutually beneficial work-life balance. Therefore, the Bank's management does not encourage extra working hours unless it is crucial to achieve performance targets. Employees are encouraged to clock out after work hours and to engage in social interactions and community welfare initiatives, as well as allocate adequate family time.

TRAINING AND DEVELOPMENT

Upskilling of employees is a priority for the Bank to build a competitive and future-ready, talented workforce that is properly equipped to effectively deploy the Bank's new growth strategy.

OUTBOUND TRAINING

The Bank organised outbound training for selected teams.

EVALUATION OF BANKING ASSOCIATES

Special evaluations were organised for Banking Associates who had completed one year of service at the Bank in order to review and evaluate their learning experiences, progress and future aspirations. Evaluations were provided for them to support their learning and their careers in future. Discussions were also conducted on personal grooming and work-life balance to enhance their work experiences at the Bank.

TRAINING DETAILS FOR 2025

Type of Training	Investment	Number of Programmes	Trg. Hrs	Area of Training
Internal Training	LKR 9,938,000/-	208	29771	A. Mandatory & Compliance Training B. Credit, Recovery & Risk Management C. Business, Sales & Product Training D. Operations, Systems & Digital Training E. Security, Safety & Cyber Awareness F. Leadership, Induction & People Development G. Sustainability & ESG
External Training	LKR 3,778,647/-	88	2666	A. Compliance, AML & Risk B. Technology & Digital Banking C. Finance, Treasury & NPL Management D. Leadership, Personal & Behavioural Development E. Industry Events, Conventions & Awards F. Specialised Training & Legal / HR Programs
Foreign Training	LKR 4,595,333/-	4	168	A. CEO Visit - Rabo Partnerships - Netherlands B. Check Point CPX 2025 - Bangkok C. CEO Visit - Sustainability Partnerships - Germany D. IBM CP4BA Workshop - Malaysia

IMPROVEMENTS TO THE EMPLOYEE GRIEVANCE MECHANISM

The employee grievance mechanism was improved by updating and reinforcing the Grievance Handling Policy, introducing clearer escalation channels, improving response timelines, and enhancing confidentiality and transparency throughout the process. The Bank also increased employee awareness of the policy and procedures, promoting open communication and ensuring fair and timely resolution of employee concerns.

EMPLOYEE ENGAGEMENTS IN 2025

SENIORITY AWARDS CEREMONY

Employees who completed 25 years of service were celebrated with gifts of gold coins in recognition of their years of dedication to the Bank's mission.



POSON BETHI GEE SARANIYA & DANSELA

SDB bank commemorated Poson Poya day with Bhakthi gee (Buddhist hymns) and arranged a dansela.





CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES WITH THE INVOLVEMENT OF EMPLOYEES IN 2025

DONATING COMPUTERS TO AN UNDERSERVED SCHOOL IN KATUKITHULA

SDB bank donated computers to the Shantha Kumara Dasanayaka Primary School in Katukithula, in the Nuwara Eliya District, to enhance computer literacy in this underserved public school. This initiative reflects the Bank's commitment to empowering future generations through technology and education.



28TH ANNIVERSARY BLOOD DONATION

The Bank's staff commemorated the Bank's 28th anniversary by volunteering to donate blood to the National Blood Transfusion Service.



CLEANING WELLAWATTE BEACH

In August, the Welfare Society of SDB bank volunteered to clean up Wellawatte Beach to preserve the coastline and promote community responsibility.





SPORTS ACHIEVEMENTS BY EMPLOYEES

SDB Bank employees continued to demonstrate excellence performance beyond the workplace and achieved notable success in badminton at Mercantile Badminton Association tournaments. Their accomplishments reflect the values of dedication, teamwork, and perseverance.

- **Champions** - 13th MBA Inter-Firm Doubles Team Championship 2025



- **Runners-up** - 41st MBA Inter-Firm Team Badminton, Men's Event (G2 Division)



- **3rd Place** - 41st MBA Inter-Firm Team Badminton, Men's Veterans (C2 Division)



TAKEOUTS FOR THE NEXT FINANCIAL YEAR

The HR strategic plans for 2026 will be closely aligned with the Bank's Business Plan to achieve the set organisational targets, while ensuring employee motivation, engagement, and active participation in all HR initiatives.

SOCIAL AND RELATIONSHIP CAPITAL



As a development bank that incorporates ESG principles across its entire business model, SDB bank's greatest impact is through its widespread social contributions. In 2025, the Bank continued to expand its social impact through many specially developed programmes designed to support entire communities through income and employment generation initiatives, as well as social welfare activities. Through collaborations with the country's cooperative societies and their members, SDB bank successfully delivered many targeted programmes focused on rural communities and sustainable entrepreneurship development, with emphasis on empowering women. In addition, a substantial portion of the Bank's lending portfolio was directed towards Small and Medium Enterprises (SMEs) and agricultural development.



OUR ACTIONS	OUTCOMES
Training for cooperatives	Efficient management of cooperative societies
Managing multiple projects under the Rural Upliftment programme	Supporting over 3,391 beneficiaries to enhance their knowledge on Financial Literacy and uplift their entrepreneurial skills
Marketing and branding initiatives	Revenue and profit growth

The Bank's comprehensive Agri Financing Strategy, developed in collaboration with Rabo Partnerships of the Netherlands, is a specialised financing model to uplift Sri Lanka's agriculture sector, which supports large segments of the country's population. Meanwhile, the Bank's Rural Upliftment Programme identifies and implements specialised initiatives aimed at uplifting entire communities across the country. Collectively, these initiatives have enabled SDB bank to further enhance its contributions towards the United Nations Sustainable Development Goals (UNSDGs) during the current financial year.

Beyond its lending activities, the Bank empowers communities through inclusive and accessible savings products and other financial services through its branch network and digital facilities. Particular emphasis is placed on women's empowerment through dedicated savings products and targeted financial literacy programmes.

REGULATORY COMPLIANCE

During the year under review, SDB bank maintained full compliance with all applicable laws and regulations pertaining to stakeholder engagements and did not face any significant fines or penalties for non-compliance or delays.

FINANCIAL CONSUMER PROTECTION - ENABLING TRUST IN A CHANGING FINANCIAL LANDSCAPE

In an era of rapid digital transformation and evolving customer expectations, Financial Consumer Protection (FCP) has become a defining element of responsible banking worldwide. At SDB bank, consumer protection is embedded into our strategy as a driver of trust, resilience, and sustainable growth. Aligned with the FCP regulations of the Central Bank of Sri Lanka, the Bank continues to strengthen its governance and oversight, and conduct standards to ensure fair treatment, transparent communication, and responsible business practices across the customer lifecycle.

The FCP Unit of SDB bank, in collaboration with the Financial Consumer Relations Department of the Central Bank of Sri Lanka, conducted the first-ever FCP training programme delivered exclusively to a single bank within the banking industry on 12th March 2024. This initiative was successfully continued in 2025, with a follow-up training session held on 26th March 2025. Both online sessions were led by senior officials of the Central Bank of Sri Lanka and focused on FCP regulations, with participation from over 250 SDB bank staff members. In 2025, with the aim of enhancing staff knowledge and strengthening customer service, the FCP Unit of SDB bank conducted an FCP quiz among employees, recognising and rewarding the highest scorers to motivate and inspire all staff.

During 2025, SDB bank enhanced its customer-outcome-focused approach, integrating fairness and suitability into product design, pricing, and restructuring processes. Greater emphasis was placed on protecting vulnerable customers, improving clarity of contractual terms, and strengthening affordability and suitability assessments. The Bank further improved its complaints management framework, ensuring timely resolution and continuous learning from customer feedback. Close collaboration with the Central Bank of Sri Lanka, the Financial Ombudsman, and the Credit Counselling Centre reinforced transparency and accountability in consumer redress. As digital channels continue to expand, SDB bank invested in improving accessibility, data ethics, and transparency across its platforms, supporting inclusive access to financial services. Ongoing staff

awareness and conduct-focused training programmes further strengthened a culture of ethical decision-making.

Looking ahead, SDB bank remains committed to advancing its FCP framework in line with local and global developments, focusing on financial literacy, responsible innovation, and customer empowerment, ensuring long-term trust and sustainable financial well-being for all.

CONTRIBUTION TO SDGS

1 NO POVERTY	**Our rural upliftment programme and Agri financing activities are generating incomes for extremely rural communities and directly contributing towards poverty reduction**
2 ZERO HUNGER	**Through interventions to develop the agriculture sector, we are enhancing national food security and reducing hunger.**
5 GENDER EQUALITY	**All our lending activities and development activities are designed to observe gender equality.**
8 DECENT WORK AND ECONOMIC GROWTH	**SDB bank's Rural Upliftment Programme, employment generation through MSME lending and Agri Financing Strategy support employment in rural areas.**
17 PARTNERSHIPS FOR THE GOALS	**SDB bank continued to build partnerships to achieve its sustainability goals.**

PARTNERSHIPS

Strategic partnerships are a key component of SDB bank's operating model, facilitating not only the smooth delivery of financial services but also supporting the Bank's sustainable business model, enabling access to funds and technical assistance, and the delivery of specialised community development projects. The Bank's partnerships include:

STRATEGIC PARTNERSHIPS:

- Rabo Partnerships
- FMO Nederlandse (Financiering's Maatschappij voor Ontwikkelingslanden N.V., commonly known as the Dutch Entrepreneurial Development Bank)
- BIO (Belgian Investment Company for Developing Countries, officially known as BIO Invest)
- The Asian Development Bank

Business partnerships: Over 400 suppliers of products and services. The Bank's supplier engagements are guided by formal procurement guidelines and supplier policies, and contracts to ensure good governance and professional ethics in all transactions.

MEMBERSHIP IN ASSOCIATIONS

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

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

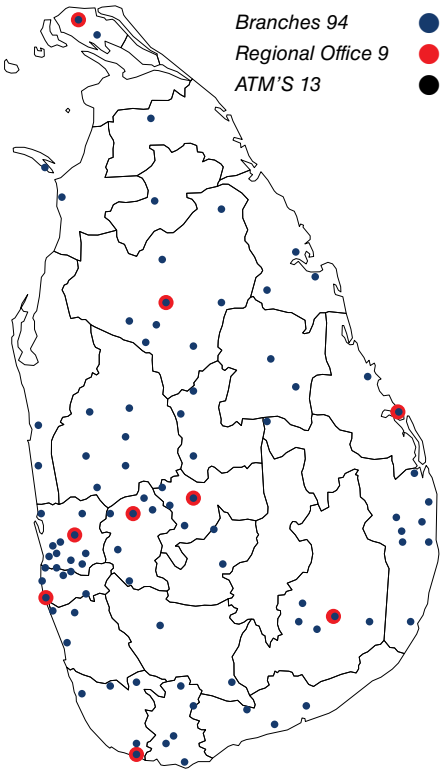
BRAND RANKING

The Bank's brand was recognised among the top 100 brands in the country in 2025, ranked at 76 among Sri Lanka's Top 100 Most Valuable Brands by Brand Finance and ranked 65th amongst the best 100 companies in terms of Revenue in Sri Lanka.



PHYSICAL FOOTPRINT

Despite the rapidly expanding digital reach of the Bank, the island-wide branch network of 94 branches, as well as 13 ATMs, was maintained to ensure convenient access for customers and to facilitate face-to-face customer engagements.



NORTH WESTERN REGION
Kurunegala
Anamaduwa
Chilaw
Giriulla
Kuliyapitiya
Maho
Narammala
Wariyapola
Wennappuwa

NORTHERN REGION
Chunnakam
Jaffna
Kilinochchi
Mannar
Vavuniya
Nanatan

UVA REGION
Buttala
Badulla
Bandarawela
Monaragala
Siyambalanduwa

NORTH CENTRAL REGION
Anuradhapura
Polonnaruwa
Thambuththegama
Medawachchiya
Aralaganvila
Galenbindunuwewa
Nochchiyagama
Padaviya
Kekirawa
Thalawa

SOUTHERN REGION
Akuressa
Ambalangoda
Ambalanthota
Angunakolapalassa
Deniyaya
Elpitiya
Galle
Karapitiya
Katuwana
Mathara
Thalgaswala
Thissamaharama
Yakkalamulla

WESTERN 01 REGION
Colombo City
Aluthgama
Baththaramulla
Dehiwala
Dematagoda
Horana
Kaduwela
Kaluthara
Kirulapone
Maharagama
Malabe
Mathugama
Moratuwa
Panadura
Piliyandala

WESTERN 02 REGION
Gampaha
Negombo
Kiribathgoda
Ekala
Mahabage

CENTRAL REGION
Dambulla
Galewela
Gampola
Hatharaliyadda
Kandy
Mathale
NuwaraEliya
Pilimathalawa
Rikillagaskada

EASTERN REGION
Ampara
Dehiaththakandiya
Samanthurai
Uhana
Batticaloa
Higurana
Kalawanchikudy
Pothuvil
Valachchenai
Akkarepaththu
Kalmunai
Kanthale
Muthur
Trincomalee

SABARAGAMUWA REGION
Kegalle
Embilipitiya
Rathnapura
Warakapola
Ruwanwella
Rambukkana
Deraniyagala
Mawanella

CHANGES TO THE BRANCH NETWORK

GALLE BRANCH REFURBISHMENT

SDB's Galle branch was revamped with a face-lift and interior redesign, and was reopened to the public.



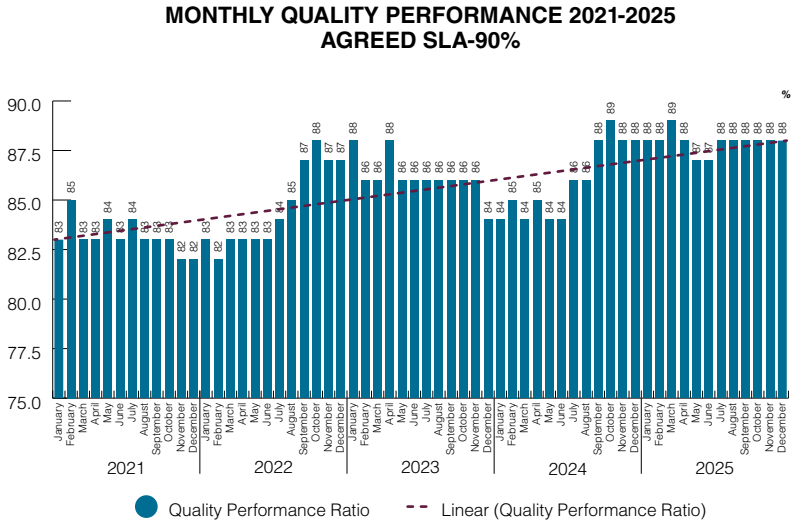
SDB CONTACT CENTRE

SDB bank's Contact Centre, also referred to as the SDB Call Centre, is one of the primary customer touchpoints of the Bank. It plays a pivotal role in fulfilling customer services towards our valued existing customers, potential clients, other stakeholders and all related financial consumers. The contact centre plays a dual role by providing services towards inbound calls and by also contributing to drive the Bank's business activities via outbound calls. The inbound centre facilitates two hotlines: SDB Hotline via 0115 411 411 and UPay Hotline via 0115 511 511. SDB bank's focus on digital inclusivity and its pathway to expanding digital services through seamless services and attention to VOC is indicated by this stance of having a separate hotline for UPay.

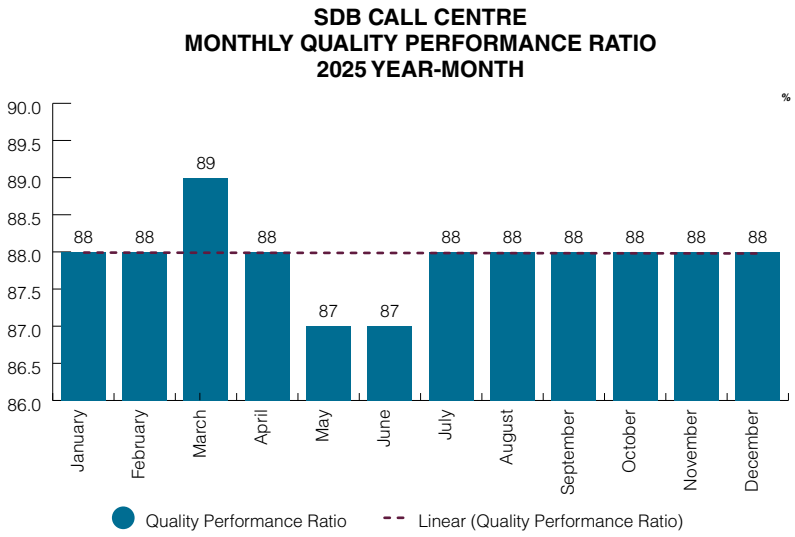
SDB bank maintains an inbound call operation as well as an outbound call operation. The Call Centre concept was formally established in 2019, and during the past six years, it has come a long way, and today it is not a traditional call centre but has converted into a contact centre that provides services

via multiple channels. The call centre provides a 24/7, 365-day service to all the above categories of consumers stated above. SDB bank takes pride in the gradual improvement of its Contact Centre's performance over the years.

The Contact Centre team monitors and evaluates daily, weekly, monthly, quarterly, and annual performance SLAs to continually improve our services to our diverse clientele from SMEs to corporates, from co-operatives to retail, and more.



Monthly Quality Performance 2025 – SDB bank Contact Centre



Source: Bellvantage Pvt Limited

DIGITAL PRESENCE

In 2025, SDB bank conducted multiple digital marketing activities to generate leads, increase business and expand the customer base. Social media accounts of the Bank are being increasingly used as direct customer engagement channels.

THE KEY HIGHLIGHTS OF THE SDB BANK DIGITAL TOUCHPOINTS IN THE YEAR 2025

THE LAUNCH OF SDB BANK'S TIKTOK ACCOUNT

SDB bank's TikTok account was launched in May 2025. The Bank used the platform in a more results-driven manner via advertising. As a result, the Bank managed to get over 2000 followers.



SDB BANK PODCAST

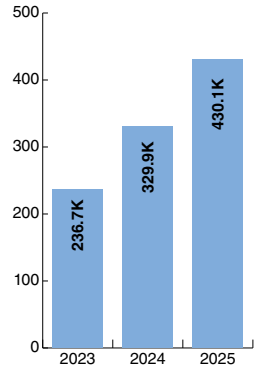
SDB bank commenced podcasting on its official website, under the series titled SDB Mantheeruwa, focusing on empowering communities, supporting entrepreneurs (especially SMEs and women), and supporting the cooperative movement.



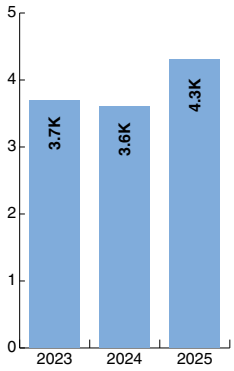
KEY ACHIEVEMENTS OF 2025

The Bank's digital impact has continued to improve in 2025, as demonstrated by the performance indicators presented below.

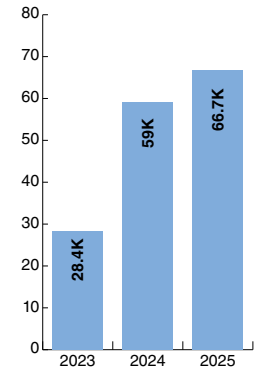
LINKEDIN IMPRESSIONS



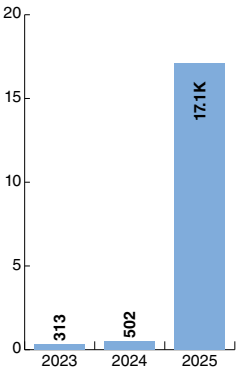
LINKEDIN FOLLOWERS



LINKEDIN ENGAGEMENT

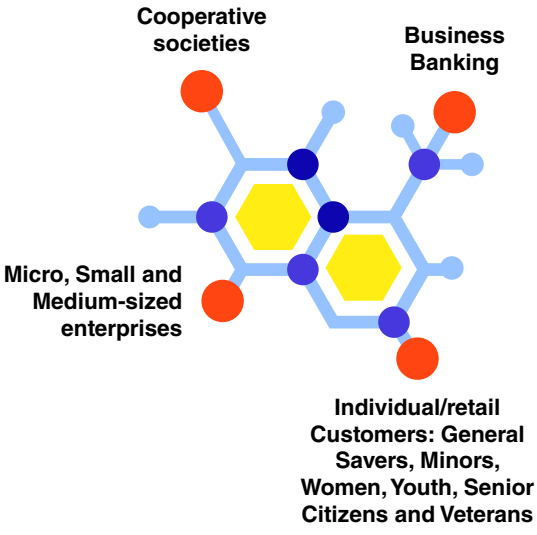


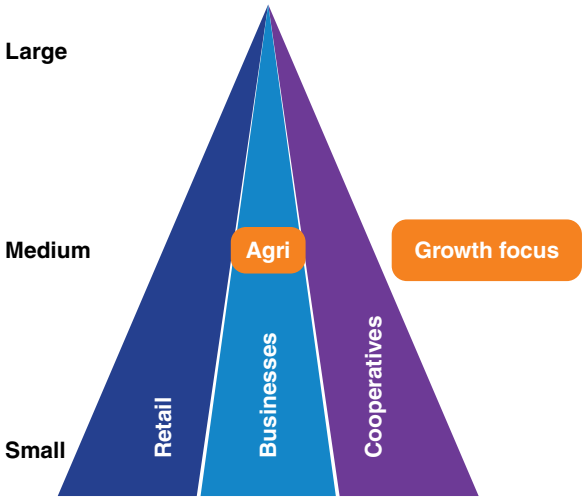
YOUTUBE - SUBSCRIBERS



CUSTOMER FOCUS

MAIN CUSTOMER SEGMENTS





SDB bank has a range of products catering to the specific needs of each customer segment.

Customer segment	Share of Lending Portfolio 2025
Co-Op Segment	LKR 4,939,127,536.07
SME Segment	LKR 32,773,654,672.70
Business Banking Segment	LKR 8,611,162,598.87
Retail Segment	LKR 70,977,525,881.34

CUSTOMER EXPERIENCE MANAGEMENT

SDB bank formally established its Customer Experience (CX) arm in May 2023 with the long-term strategic intent of strengthening customer service excellence, elevating service touchpoints, and fostering deeper engagement and loyalty among its valued customers. The unit brings together several core verticals to deliver a holistic customer experience framework that aligns with the Bank's long-term service mission to be a leading partner for inclusive and sustainable national development.

STRATEGIC APPROACH TO CUSTOMER EXPERIENCE

The Bank's customer experience philosophy is rooted in maintaining a strong equilibrium between the Customer Value Proposition (CVP) and the Employee Value Proposition (EVP). This balance reflects the Bank's belief that exceptional customer experiences are delivered by engaged, empowered, and well-supported employees. Accordingly, the Customer Experience arm works to uplift both internal and external service standards, recognising that employee satisfaction is an integral driver of customer satisfaction at the end of the day.

OPERATIONAL PILLARS OF THE CX FUNCTION

During the year under review, the Customer Experience arm operated through seven strategic pillars designed to enhance service quality, customer engagement, and organisational capability:

1. Talent Upskilling and Reskilling
2. Customer Touchpoint Service Monitoring and Evaluation
3. Customer Relationship Management & Engagement
4. Customer Experience Communications and Awareness
5. Customer Service-Driven Culture and Recognition
6. Transformation of the Call Centre into a Profit Centre

These pillars collectively support the Bank's mission to institutionalise a culture of service excellence across all levels and functions.

- **Talent Upskilling and Reskilling:**

As a part of the Bank's commitment towards enhancing internal capabilities, the Customer Experience arm of SDB bank plays a pivotal role in advancing the Employee Value Proposition.

Key efforts during the period included:

The Bank emphasised employee development through structured capability-building initiatives, enabling staff to enhance their service competencies and evolve as professional service specialists. These efforts contribute to improved employee engagement and long-term career progression within the organisation.









- **Customer Touchpoint Service Monitoring and Evaluation**

The Customer Experience unit strives to pay close attention to SLAs of customer touchpoints of the Bank, and the Call Centre of the Bank, the Customer Complaint Handling Unit of the Bank is highly SLAs and TAT driven in order to maintain smooth customer service operations.

- **Customer Service-Driven Culture and Recognition**

Beyond process improvements, the Bank continued to focus on cultivating a strong, service-driven organisational culture. Through internal communication, recognition programmes, and cross-functional awareness-building, the Customer Experience Unit drove initiatives that encourage employees to consistently uphold service excellence in every customer interaction.

CUSTOMER SERVICE WEEK CELEBRATIONS

The Bank celebrated Customer Service Week to promote global service excellence themes among staff. This initiative fostered a shared understanding of international service standards, improved internal awareness, and reinforced the Bank's commitment to nurturing a service-oriented workforce.

CUSTOMER SERVICE TOUCHPOINT EVALUATION VIA CUSTOMER SENTIMENT ANALYSIS

The Customer Experience Unit continued to enhance customer-facing initiatives that strengthen engagement, accessibility, and trust. A key highlight of the year was the implementation of interactive service feedback mechanisms as part of evaluating the customer touchpoint service. The pilot project was aimed at evaluating customer sentiments of the SDB bank branch network and the customer service provided at the branch network. Our branch network is our stronghold:

- **"QR එක scan කරන්න, Experience එක rate කරන්න" initiative:** Launched to create a convenient and transparent platform for customer feedback, this initiative allows customers to rate their service experience at any SDB bank branch by scanning a QR code. Despite its simplicity, the solution has been instrumental in improving real-time feedback collection, increasing customer participation, and strengthening trust in the Bank's service commitment. The initiative has further improved the Bank's ability to monitor sentiment and address service gaps swiftly. These efforts contribute to delivering meaningful value to customer service, while reinforcing SDB bank's reputation for service excellence and responsiveness.



- **Customer Satisfaction Score and NPS via SMS and Outbound Calling**

In order to further improve customer service standards and expand customer engagement, we commenced conducting CSAT and NPS surveys via SMS and Outbound Calling. This opened up a new platform for our valued customers to convey genuine feedback regarding our services.

- **Future of Customer Experience at SDB bank**

Looking ahead, SDB bank remains committed to advancing its customer experience agenda by leveraging data-driven insights, developing employee capabilities, and further enhancing customer engagement platforms. The Customer Experience team will continue to build on the foundation established in 2023, ensuring that the Bank's service proposition remains agile, reliable, and aligned with evolving customer expectations.

MARKETING CAMPAIGNS

During the year, the Bank conducted aggressive customer engagement activities to expand the portfolio. Some key branding and marketing events are listed below.

- **The first ever trade fair - SDB Viyaapara Prathiba 2025**



- **SDB bank's Poson Dansala**







- **Promoting children's savings**

The Lakdaru children's savings product was promoted at the beginning of the year, targeting the new school year, under the campaign **"New bag for the New Term"**.



Another special promotion for Lakdaru was launched under the campaign **"A Season of Gifts for Little Ones"**.



- **Fixed Deposits**

Multiple rate driven campaigns were launched throughout the year, along with a 28th Anniversary campaign and a special fixed deposit (FD) campaign.

- **Sinhala & Tamil New Year Campaign**

A savings drive was launched under the theme **"Ithurum Charithraya"** for the 2nd consecutive year, for saving certificates and FDs.



- **Ayojana Savings**

This is a cause based savings campaign to drive the Ayojana product.

- **Promoting SDB Leasing**

With vehicle imports restarting, the **"ReLease your Dream car from where you want"** campaign was launched. The main focus was to penetrate the passenger vehicle segment. This was a 360-degree campaign with multiple ground activities organised at the branch level, and many promotions were organised with agents and dealers.

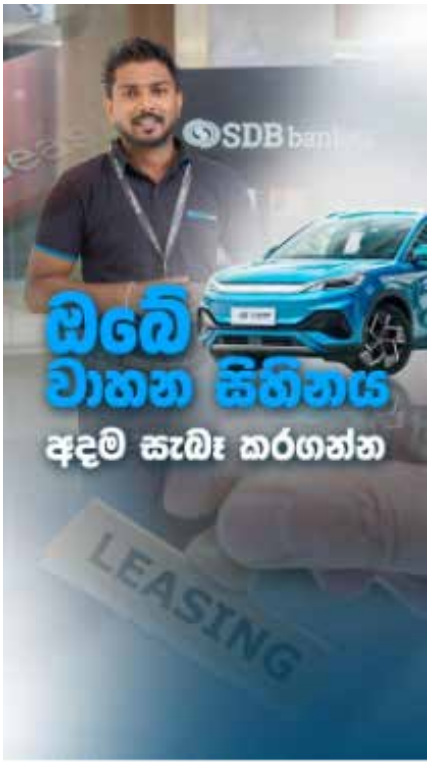


- The Bank took part in the **Colombo Motor Show** for the first time, to enhance the Bank's association with the passenger vehicle segment. Apart from the ground level activity at BMICH, the Bank used the leading influencer in this category to build more visibility for SDB leasing.



- A series of leasing videos was done to promote features of the leasing product, best practices in leasing and the speed of our lease facility. This content was done using SDB staff and was driven digitally.









- **All-purpose property**

A property-backed loan scheme for any purpose was launched, giving the customers greater financial freedom to achieve their goals.

- **Promoting Pawning**

A new campaign was launched to drive the rate driven pawning campaign conducted during the year.

- A series of videos was done using Bank staff to raise awareness about pawning and to develop a positive feel towards the product, to make customers feel comfortable considering pawning

- **SME facilities**

SME facilities were mainly driven via internal campaigns, through the branch network, and were supported by awareness building and ground level activations. The Bank also took part in the Industry Expo 2025 at BMICH.



- **SDB Debit Card**

Seasonal promotions were conducted with the SDB debit card to drive cashless transactions among the Bank's customer base

- **Women's Day Digital Campaign**



- **Introduction branch hoardings**

The Bank launched a project to increase product visibility within the branch premises. Under this project, boards were erected at 35 branches, creating over 5,000 sqft of advertising space within the Bank's control.

- **The Annual Awards ceremony**



SUPPORTING AGRIBUSINESSES

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

As a bank, while maintaining an agricultural portfolio, we place strong emphasis on its quality and long-term stability. In line with our agricultural growth strategy, we have identified key focus crops to drive this portfolio. These include tea, coconut, fruits and vegetables, spices and dairy. In addition, paddy cultivation and all other agriculture-related activities will also be considered as part of this development strategy. Further, we have identified three main regions as focus regions to develop the Agri portfolio, the North Central, Central, and Uva provinces. However, based on geographical crop diversification, we expect to achieve a considerable contribution to the Agri portfolio from the other regions as well. Already, over 25% of the Banks' SME loans were channelled into the agriculture, forestry and fishing sector to develop agricultural infrastructure, to purchase agricultural machinery and equipment, as well as other agri-business development activities

SUPPORTING SME'S

SMEs are the backbone of Sri Lanka's economy, engaged in every category of economic activity. However, SMEs remain highly vulnerable to external shocks and were the worst affected by the economic fallouts from the combined impacts of the COVID pandemic of 2020 and Sri Lanka's economic crisis of 2022. As a development bank, SDB is actively engaged in developing and rehabilitating SMEs in all parts of the country.

As at 31 December 2025, the Bank's SME portfolio remained predominantly concentrated in four key sectors: Agriculture, Forestry and Fishing (44%), Wholesale and Retail Trade (25%), Manufacturing (12%), and Construction (10%).

During the year, the Bank continued its strong focus on inclusive financing of the total disbursements, 74% were extended to male borrowers and 16% to female borrowers. Furthermore, approximately 20% of the total SME loan disbursements during 2025 comprised facilities exceeding LKR 5 Mn, reflecting the Bank's role in supporting medium-scale enterprises with higher working capital and capital requirements.

The Bank effectively utilised Government-funded refinance schemes to support both working capital and capital expenditure requirements. Refinance funding accounted for 25% of total SME disbursements in 2025.

The Bank's SME outreach covered all 25 districts, ensuring nationwide financial inclusion. Recognising the potential within the North Central, Northern, Eastern, and Uva Provinces, the Bank prioritised the promotion of agricultural lending and introduced specialised, schematised programmes aimed at developing the country's agriculture sector.

In line with national priorities, during the year, the Bank collaborated with the National Credit Guarantee Institution (NCGI) to expand financing for MSMEs through collateral-free lending backed by government guarantees, thereby strengthening access to credit for underserved segments.

SUPPORTING THE CO-OPERATIVE SECTOR

SDB bank has a dedicated unit to manage relationships with over 4,000 SANASA and other cooperatives it engages with in all parts of the country. During the year, the Bank not only facilitate funding to cooperatives and their members, but it also conducts many support services such as training events, advisory services, technology support and community development projects. Many Corporate Social Responsibility projects were also conducted in collaboration with cooperatives. The Bank's Rural Upliftment programme (see below for details) also uses the Bank's island-wide cooperative connections as a channel to deliver specialised rural development projects.

TRAINING PROGRAMMES FOR COOPERATIVES IN 2025:

- Motivation of outbound training programs - 20
- Training on recovery, auditing and litigation- 22
- Training for women entrepreneurs and financial literacy- 8

Region	Number of programmes
Metro 1	07
Metro 2	05
Sabaragamuwa	03
Uva	04
Southern	16
Wayamba	07
Central	03
North Central	04
Northern	0
Eastern	01
Total	50

The above training activities were conducted with 844 cooperative societies and benefited 2,727 persons, out of which 1,769 were women.

Total number of societies	884
• Number of SANASA Societies	807
• Number of Multi-Purpose Cooperative Societies (MPCSs)	18
• Other societies	09
Total number of individuals trained	2727
• Number of SANASA members trained	2135
• Number of MPCS members trained	442
• Number of Cooperative Department members trained	150
Training hours	292 hours
No. of Women Participation	1769

COMMUNITY DEVELOPMENT

The Bank's community development projects are primarily channelled through the Rural Upliftment Programme, which was introduced in 2024. Initially, the strategy was to implement a large number of projects at the regional level, in selected regions. However, the Bank's approach has now changed to identifying projects that directly contribute to national development and implementing such projects at the national level, in coordination with government institutions.

RURAL UPLIFTMENT PROGRAMME

SDB's Rural Upliftment Programme aims to significantly improve the economic conditions of rural communities in Sri Lanka through a multifaceted approach. This programme is focused on contributing directly to the achievement of the Sustainable Development Goals (SDGs) outlined by the United Nations and adopted by Sri Lanka, showcasing the Bank's commitment to sustainability and social development. By acting as a conduit for grants, concessionary funding, and risk capital, the programme seeks to position the Bank as the premier financial institution for social development in Sri Lanka.

PROGRAMME OBJECTIVES

- Enhance cooperative societies
- Empower SMEs
- Develop women's entrepreneurship by establishing cottage industries
- Facilitate access to markets for agricultural produce
- Attract investment for infrastructure development and supporting start-ups.

PROJECT PROGRESS AS AT DECEMBER 2025

	Cumulative
Societies participated in awareness Sessions (Financial Literacy & Entrepreneurship Development)	402
Individuals (Financial Literacy & Entrepreneurship Development)	780
Individuals – Digital Marketing	53
Started Productions	Societies – 35 Individuals – 156
Total Beneficiaries	3,991

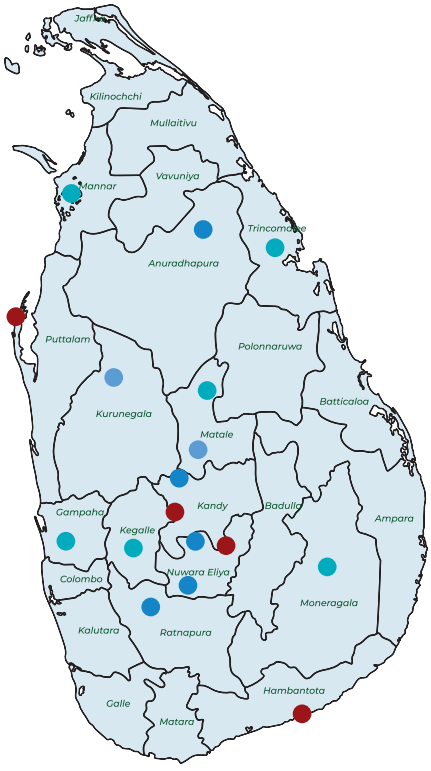
IMPACT OF CYCLONE DITWAH IN NOVEMBER 2025

As a result of severe flooding from Ditwah, 5 projects in the Central Province were significantly damaged. At present, actions have been initiated in collaboration with the relevant institutions to bring those projects into reality, with special attention being given to restoring the mental health of the beneficiaries of those projects.

In addition, a feasibility study is now being conducted on the potential to introduce smart agriculture in the affected regions.

SUMMARY OF EXISTING PROJECTS AS AT END-DECEMBER 2025

Project completed
Processing
Completed, but have to rebuild
Failed



BUSINESS IMPACT & OTHER BENEFITS OF THE RURAL UPLIFTMENT PROGRAMME

Appropriate financial facilities are provided for those businesses that have developed to a level suitable for accessing banking services. Accordingly, we onboarded over 80 entrepreneurs/ cooperatives, disbursed 5 credit facilities worth LKR 93 Mn and maintained LKR 105 Mn in savings and FD balances. The Bank also contributed to the national economy as a development bank through the projects on community based tourism, women's empowerment and awareness sessions on entrepreneurship development to uplift families of the armed forces.

HERITAGE HANDS COMMUNITY UPLIFTMENT PROJECT – DERANIYAGALA

The Heritage Hands Project was initiated in collaboration with the Deraniyagala Divisional Secretariat. While the initial focus was on enhancing fishtail palm products (Kithul) and developing them for export markets, stakeholder requests from the Divisional Secretariat led to the expansion of the initiative into a broader community development programme. The project now aims to economically and socially empower residents across Maliboda and Uda Maliboda Grama Sevaka divisions.

Branded as "Heritage Hands," the project integrates tradition with innovation and technology, and is structured around three pillars:

- Kithul product development
- Community-based tourism
- Women's entrepreneurship through cottage industries

The tourism component emphasises adventure tourism, homestays, and immersive experiences. Selected entrepreneurs have received technical training, and promotional efforts are being guided by a team previously successful in developing Mandaramnuwara as a tourist destination. As of now, over 40 individuals have formed the Maliboda Heritage Trails Tourism Society.

Special attention has been given to empowering female estate workers. Twenty-five women from the estate community have been supported to become entrepreneurs. In September, the Maliboda Siyatha Women Entrepreneurs Society was launched with over 50 women participating.

On September 12, the project was formally unveiled to the public under the patronage of the Governor of Sabaragamuwa Province and the Bank's Executive Director/ CEO, with participation from institutional leaders and community entrepreneurs. Over the next two years, the project aims to uplift individuals through economic and social empowerment.

Additional milestones include:

- Voluntary support from four YouTube channels for promotional activities
- Government commitment to road development in the region

The Heritage Hands Project stands as a transformative initiative, blending heritage, innovation, and inclusive development to create a lasting impact in Deraniyagala.

IUCN PROJECT - TRINCOMALEE

As part of the project carried out by the IUCN for coral reef conservation in the Trincomalee District, a programme was developed to uplift the living standards of the local fishing communities. The Sarvodaya movement and SDB bank are involved in this livelihood development programme. The first phase targeting fishing communities in the area between Kuchchaveli and Uppuweli has already begun. Under this programme, training sessions have been conducted for 158 women, of whom 38 have already started their own businesses. These products are distributed across the country through the relief market that has been started in Deraniyagala.

COMMUNITY-BASED TOURISM PROJECT

The Western Province Tourism Board has officially approved a collaboration with SDB bank to jointly implement capacity development and empowerment programmes related to the tourism sector.

In line with our ongoing efforts to promote sustainable tourism, we are planning the following community-based initiatives, specifically targeting the areas of Attanagalla (Alawala), Walawwita (Yattapatha), and Seethawaka (Avissawella):

1. Community-Based Livelihood Activities
2. Homestay Programme
3. Women Empowerment Programmes
4. Capacity Development Programmes
5. Entrepreneurship Development Programmes

These initiatives are intended to empower local communities while ensuring an inclusive and sustainable tourism model in the Western Province.

CORPORATE SOCIAL RESPONSIBILITY (CSR) PROJECTS

SDB bank's CSR initiatives are carefully aligned with the Bank's commitment to community empowerment, environmental protection, and fostering inclusive economic development. In 2025, the Bank's branches and the head office immediately mobilised to provide volunteers and relief to assist families and persons affected by Cyclone Ditwah in November 2025. In addition, branches and the Human Resource Department continued to support various community welfare initiatives, while the Bank also channelled community welfare initiatives through the cooperative network and through the Rural Upliftment programme.

PARTNERSHIP WITH MANUSATH DERANA DISASTER RELIEF PROGRAMME

SDB bank proactively engaged with "Manusath Derana", the humanitarian arm of the Derana Media network, to extend support to the victims of Ditwah Cyclone. The Bank and employees together collected over LKR 1 million worth of goods for this greater cause.



TAKEOUTS FOR THE NEXT FINANCIAL YEAR

- **Establish a food processing centre for fish and seaweed in Trincomalee town, in February 2026**
- **Develop disaster resilience strategies for ongoing projects**
- **Develop mechanisms to increase the impact of projects**
- **Increase agricultural support**

NATURAL CAPITAL



SDB bank embeds environmental stewardship into its business model as a core pillar of its sustainability framework. While the Bank's direct environmental footprint remains minimal, it recognises that its greatest environmental influence is exercised through its lending and investment decisions. Accordingly, SDB bank is committed to progressively aligning its financing portfolio with clearly defined sustainability objectives.



OUR ACTIONS	OUTCOMES
● Implementation of Project Blue	● Approx. 686.3 kgs of beach waste were removed ● Around 20 kgs of underwater debris was cleared In addition, the project: ● Promoted sustainable community engagement and awareness on the importance of ocean health. ● Strengthened the Bank's commitment to environmental stewardship and green leadership within the financial sector. ● Supported environmental conservation through the protection and restoration of marine ecosystems.
● Nature walk for the Bank's employees	Enhanced environmental awareness among the Bank's employees
● Agroforestry Project in Ududumbara, a nature-based solution for agroforestry financing	A total of 25 hectares of degraded land was restored
● Beach Clean-up Project commemorating the Bank's anniversary	Beach Clean-up project - Wellawatta Coastal

The Bank integrates sustainable practices across its operations by improving resource efficiency, reducing carbon emissions, and incorporating green building principles within its branch network. Beyond its own operations, the Bank acts as a catalyst for environmental progress by channelling capital towards projects that generate positive environmental and social outcomes. These initiatives are aligned with the Central Bank of Sri Lanka's Green Finance Taxonomy (2022), with particular emphasis on priority sectors including renewable energy, climate-smart agriculture, and sustainable waste management. Through strategic partnerships, awareness-building programmes, and tailored sustainable finance solutions, the Bank actively supports both national and global sustainability agendas, reinforcing its commitment to a low-carbon and climate-resilient economy.

During the financial year 2025, SDB further strengthened its environmental agenda through a range of targeted programmes and initiatives, while collaborating with more than five external stakeholders to advance shared sustainability objectives and create long-term value.

SDG FOCUS

The Bank's widespread environmental initiatives have influenced a number of SDGs positively during the year. These impacts are discussed below.



- **A key contribution by the Bank towards promoting affordable and clean energy is the development of financial products aimed at encouraging the adoption of renewable energy across the wider community. During the year, the Bank extended credit facilities to support solar installations and provided financing for electric vehicles, thereby facilitating the transition towards cleaner energy solutions.**



- **Continuous monitoring of electricity, water, and paper consumption was carried out alongside ongoing efforts to sensitise employees across the Bank's island-wide branch network on the importance of responsible consumption, conservation of natural resources, and adherence to the reduce, reuse, and recycle principles.**



- **The Bank continued to engage with external agencies in order to enhance environmental impacts. Environmental partners in 2025 were:**
- **Ocean University of Sri Lanka**
- **Grama Niladhari of Dewahandiya village, in the Central Province**
- **Dewahandiya Farmers' Association**

INTERNAL ENVIRONMENTAL INITIATIVES

REDUCING ENVIRONMENTAL AND SOCIAL RISK

In order to minimise indirect environmental impacts through its lending activities, all business-purpose lending above LKR 500,000 is subject to assessment under SDB bank's Environmental and Social Risk Management System to identify and manage potential environmental and social risks. Facilities classified as medium or high ESG risk, as well as exposures exceeding LKR 20 Mn, are subject to enhanced due diligence. In parallel, the Bank actively educates micro and small enterprises on the importance of early identification of environmental and social risks, enabling them to mitigate potential issues in a proactive manner. Customers are also guided on opportunities for operational improvements, including process optimisation, hazard identification and waste management, to strengthen their long-term sustainability.

CLIMATE RISK IDENTIFICATION

SDB bank is in the process of embedding climate-related risks into its enterprise risk management framework. As part of this initiative, the Bank has entered into a Memorandum of Understanding with USAID Climate Adaptation to enhance internal systems and technical capacity. Through this collaboration, bank staff are being trained on climate change and the integration of climate adaptation considerations into credit evaluation processes. In parallel, the Bank is working to assess the exposure of its loan portfolio to climate-related risks, with the objective of systematically incorporating climate risk into overall risk governance and decision-making.

ENVIRONMENTAL IMPACT AND CARBON FOOTPRINT CALCULATION

As a services provider, SDB bank's direct carbon footprint is relatively small. However, the Bank is actively reducing resource consumption and emissions across all operational sites. Aligned with Sri Lanka's national net-zero ambitions, the Bank is also taking a long-term approach to support emission reductions beyond its own operations by promoting sustainable practices and solutions that help reduce the environmental impact of customers. The Bank has initiated the process of data gathering to commence carbon footprint calculation. The Bank will initially focus on scopes 1 and 2 as the first step and then gradually calculate the indirect scope 3 emissions in future. This data will be used to develop strategies for reducing the organisation's carbon footprint and enhancing its environmental performance.

IMPROVE EMPLOYEE AWARENESS OF ESG

As a core component of its sustainable growth strategy, the Bank emphasises training employees and creating a sustainable mindset among its employees from the point of induction training. The Bank also conducts training on Environmental, Social, and Governance (ESG) principles for employees to ensure a better cultural shift towards sustainability and to make sure that staff are well-equipped to integrate ESG considerations into their daily operations. The Bank's Central Credit Department and Risk Management team were also trained on ESG aspects during the year, enhancing ESG integration into lending and risk management processes.

ENERGY CONSERVATION

The Bank continued to closely monitor energy consumption across its premises with the objective of improving efficiency, managing usage, and minimising unnecessary wastage.

SOLAR ENERGY

During the year, the Bank further strengthened its support for renewable energy by extending financing facilities of up to LKR. 75 Mn to a cooperative society for re-disbursement among to 75 cooperative members. The funds were utilised to install solar panels in 75 households, thereby promoting wider adoption of clean energy solutions.

REDUCING WASTE

The Bank's rapid digitalisation, which aims at transitioning the entire Bank to a paperless operating model, has continually reduced paper consumption across its operations. The Bank also actively encourages the reuse and repurposing of materials as part of its employee awareness programmes.

ENVIRONMENTAL PROJECTS

PROJECT BLUE – BRINGING LIFE TO THE ECOSYSTEM

Project BLUE is an initiative launched by the SDB Sustainability Team in collaboration with the Ocean University of Sri Lanka to support coastal communities while safeguarding marine ecosystems. During the current financial year, the project advanced through activities such as underwater and beach clean-ups, alongside awareness programmes conducted for local communities and schoolchildren. These initiatives primarily addressed plastic pollution and emphasised the critical importance of preserving ocean ecosystems.



NATURE WALK – BIRD RACE & ENVIRONMENTAL AWARENESS

In line with Sri Lanka's Climate Finance Strategy and the Central Bank's Sustainable Finance Roadmap, there is an increasing need for banks to strengthen climate finance and climate risk management. As SDB continues to prioritise agriculture and climate financing, enhancing employee awareness of biodiversity and environmental challenges remains essential. To support this objective, the Bank organised a 'Nature Walk – Bird Race and Awareness Programme' at Diyasaru Park, enabling employees to reconnect with nature while fostering teamwork, biodiversity appreciation, and a deeper sustainability mindset.





ENVIRONMENTAL DAY 2025 – ART AND PHOTOGRAPHY COMPETITION

To mark World Environment Day 2025, the Sustainability Department, in collaboration with the HR Department, organised an art and photography competition under the theme "Plastic Pollution." The initiative aimed to encourage environmental awareness, creativity, and employee engagement in preventing plastic pollution. It featured an art competition for employees' children, categorised into Primary (Grades 01–05) and Secondary (Grades 06–08), alongside a photography competition for staff members.





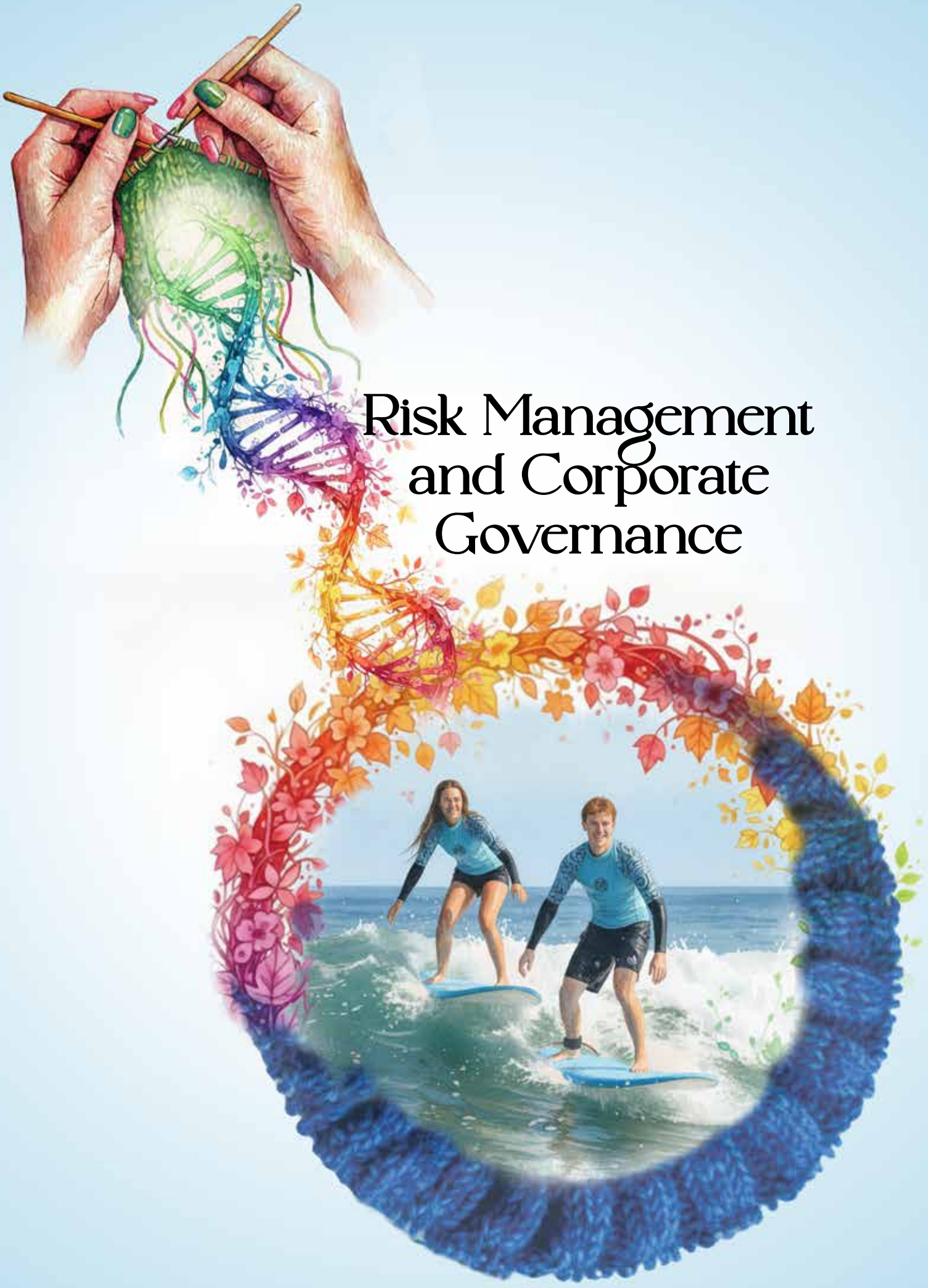
AGROFORESTRY PROJECTS

As part of its 25th anniversary initiatives, SDB bank partnered with the Dewahandiya Farmers' Association to promote sustainable agriculture and community development. Through this collaboration, 25 hectares of degraded land were rehabilitated with the support of the Dewahandiya Grama Niladhari by planting 10,000 saplings near the Victoria, Randenigala Rantambe Sanctuary boundary to strengthen forest cover and encourage sustainable land use.

The Bank also continued its Agroforestry Pilot Project in Dewahandiya East, Ududumbara, originally launched in 2022 as a nature-based solution to support agroforestry financing. While 10,000 trees were initially planted, current estimates indicate that approximately 2,000 trees have survived, largely due to drought conditions and potential plant diseases.

TAKEOUTS FOR THE NEXT FINANCIAL YEAR

- Deploy climate change risk monitoring within the Bank
- Implement plans for structured monitoring of resource consumption within the Bank
- Continue carbon footprint calculation for the Bank
- Expand sustainable financial services, including agriculture and MSME lending
- Support eco-systems
- Continue strategic partnerships to enhance positive environmental impacts



Risk Management and Corporate Governance

RISK MANAGEMENT

APPROACH TO RISK MANAGEMENT

SDB bank adopted a prudent and forward-looking risk management posture throughout 2025, underpinned by continuous macroeconomic and environmental scanning to assess the evolving risk landscape and proactively anticipate potential adverse impacts. Concurrently, the Bank strengthened its risk governance framework, risk culture, and enterprise-wide risk management systems. This disciplined and integrated approach to risk oversight, encompassing financial as well as environmental, social, and governance (ESG) considerations, significantly enhanced the Bank's resilience amid a persistently challenging operating environment. In particular, this enabled SDB to effectively withstand the sudden escalation of environmental risks observed towards the latter part of 2025.

RISK MANAGEMENT HIGHLIGHTS OF 2025

The Bank continued to enhance and refine its risk management tools, methodologies, and compliance mechanisms during the year, including the establishment of a continuous, enterprise-wide risk identification and mitigation framework. This enabled more granular visibility into risk exposures and vulnerabilities across business lines. Key highlights in 2025 include:

- The deployment of advanced analytical tools, including diffusion-style heat maps and integrated dashboards, alongside the further refinement of Key Risk Indicators (KRIs) to support timely risk monitoring and decision-making.
- Strengthening cross-departmental collaboration to promote shared ownership of risk, complemented by targeted training programmes aimed at enhancing risk awareness and competency across the organisation.
- Addressing system integration gaps and emerging cyber risks through the implementation of layered control mechanisms, while enhancing incident reporting protocols and stakeholder communication frameworks to ensure prompt, transparent, and confidence-enhancing responses.
- Strengthening enterprise-wide risk management by standardising risk assessment practices, improving risk reporting granularity, and rolling out a unified risk taxonomy to ensure consistent interpretation and escalation of risks across business units.
- Carried out climate risk stress scenarios to assess the Bank's exposure to physical and transitional climate risks, supporting early identification of vulnerable portfolios and strengthening the enterprise-wide risk management framework.

The Bank further strengthened its enterprise-wide risk management practices through ongoing collaboration with RABO Bank, focusing on enhancing risk governance, risk culture, and staff capability development across key risk areas.

RISK MANAGEMENT POLICIES

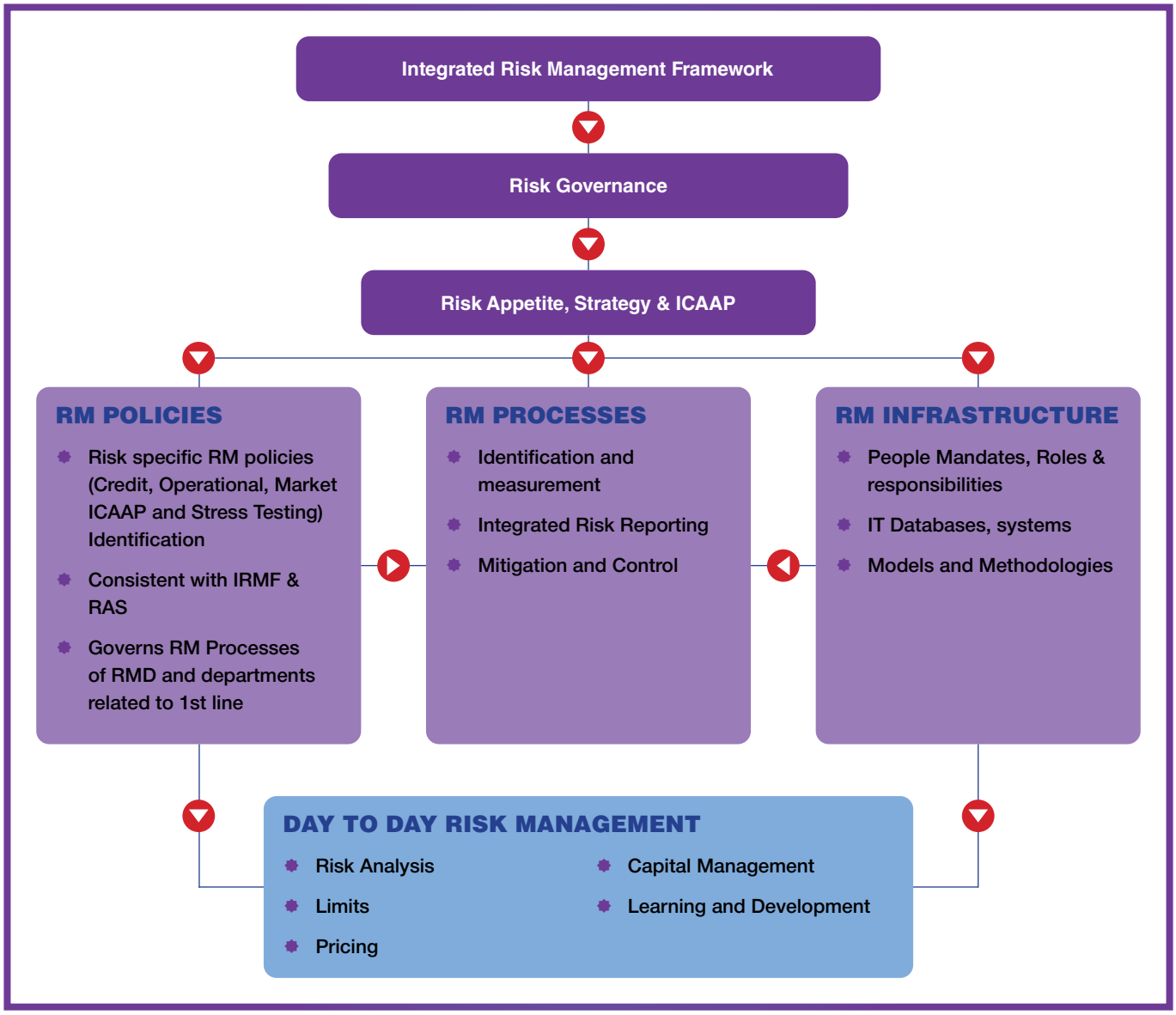
SDB bank is guided by a comprehensive suite of risk management policies aligned with applicable regulatory requirements and industry best practices. During the financial year, these policies were systematically reviewed and updated to reflect regulatory developments, technological advancements, evolving economic conditions, and industry best practices. Key enhancements included translating Central Bank directives, Basel Principles, and quantifiable control requirements into operationally embedded practices, thereby strengthening the linkage between policy formulation and effective execution. In parallel, organisational resilience was reinforced through the enhancement of business continuity and disaster recovery arrangements, incorporating lessons learned from prior disruptions and adopting more focused and outcome-oriented recovery frameworks.

SDB BANKS'S RISK-RELATED POLICIES

- Risk Appetite Statement.
- Integrated Risk Management Policy
- Credit Policy
- Collections & Recovery Policy
- Impairment Policy
- Stress Testing Policy
- Operational Risk Management Policy
- Frauds & Corruptions Prevention Policy
- Asset & Liability Management Policy
- Investment Policy
- Liquidity Contingency Funding Plan
- IT Security Policy
- Compliance Policy
- Anti- Money Laundering Policy
- Loan Review Mechanism Policy

SDB'S RISK MANAGEMENT STRUCTURE

The ultimate responsibility for risk management rests with the Bank's Board of Directors, who are supported in their oversight role by the Board Integrated Risk Management Committee (BIRMC), comprising Independent and Non-Executive Directors. At the management level, the Executive Integrated Risk Management Committee (EIRMC) is responsible for the implementation of the risk management framework and for the ongoing review of the Bank's credit, market, liquidity, strategic and operational risk exposures, as well as internal capital adequacy assessments. The Chief Risk Officer reports directly to the BIRMC, ensuring clear escalation, independence, and effective governance of the risk management function.



I. INTEGRATED RISK MANAGEMENT FRAMEWORK (IRMF):

The Integrated Risk Management Framework (IRMF) comprises the full suite of structures, principles, and mechanisms established by the Bank to achieve its overarching risk management objectives. This includes, inter alia, risk governance arrangements, Risk Appetite parameters, defined risk management processes, and comprehensive policy documentation and reporting standards. The IRMF also provides coverage for risk categories that may not be explicitly addressed under risk-specific policies. All constituent elements of the framework are developed and implemented in alignment with the overarching principles articulated within the IRMF to ensure consistency, coherence, and effective risk oversight.

II. RISK GOVERNANCE:

Risk Governance establishes the roles, responsibilities, authority levels, and reporting lines of all key stakeholders involved in the management and oversight of risks across the Bank. These governance arrangements ensure accountability, independence, and effective escalation of risk-related matters, and are formally documented within the IRMF.

III. RISK APPETITE, STRATEGY, AND ICAAP:

This component defines the Bank's risk strategy by articulating the types and levels of risk the Bank is willing to assume in pursuit of its strategic objectives. It establishes clear tolerance thresholds for each material risk category and integrates risk considerations into strategic and business planning through the Internal Capital Adequacy Assessment Process (ICAAP). Detailed governance structures, processes, and methodologies relating to Risk Appetite and ICAAP are set out in dedicated policy documents to ensure robust implementation and regulatory compliance.

IV. SPECIFIC RISK MANAGEMENT POLICIES AND PROCESSES:

Specific risk management policies and processes are established for credit risk, market and asset-liability management (ALM) risks, operational risk, and environmental, social, and governance (ESG) risks, in accordance with the principles defined under the IRMF. Each of these policies functions as a standalone document governing the management of its respective risk domain, while remaining fully aligned with the overarching framework.

V. RISK MANAGEMENT INFRASTRUCTURE:

Risk Management Infrastructure encompasses the full range of resources deployed by the Bank to operationalise its risk management policies and procedures. This includes, without limitation, skilled personnel, information systems, data repositories, risk models, analytical tools, and methodologies required to identify, measure, monitor, and control risks effectively.

VI. DAY-TO-DAY RISK MANAGEMENT ACTIVITIES:

This element represents the practical application of risk management policies and procedures across the organisation, carried out by all relevant stakeholders as part of routine operations, decision-making, and control activities.

RISK ENVIRONMENT IN 2025

In 2025, SDB bank operated within a complex and challenging operating environment shaped by Sri Lanka's post-crisis economic recovery. Key risk exposures included elevated credit risk pressures arising from households and corporates adjusting to tighter monetary conditions, alongside liquidity risks linked to uneven capital inflows. High concentration in retail consumption lending exerted additional stress on loan portfolios, while increased exposure to more vulnerable segments, such as microenterprises and SMEs, heightened asset quality concerns. At the same time, persistent cybersecurity threats continued to pose risks to operational resilience.

The year was further impacted by a sharp escalation in climate-related events, most notably Cyclone Ditwah, which struck Sri Lanka on 28th November 2025, causing widespread disruption and damage. The cyclone significantly impeded the country's economic recovery, placing renewed strain on public finances due to the need for emergency relief, resettlement support, and restoration of critical infrastructure. Collectively, these developments constituted a significant macroeconomic shock, with implications for near-term growth, inflation, and fiscal sustainability.

As a net importer of oil and liquefied petroleum gas (LPG), Sri Lanka remained highly exposed to volatility in global energy prices and exchange rate movements during 2025, rendering the trade balance particularly sensitive to external shocks. In parallel, the imposition of a 20% import tariff by the United States on Sri Lankan exports, effective August 2025, posed risks to export competitiveness and employment levels. Potential loss of GSP+ concessions or tighter European Union trade regulations also represent downside risks to future export performance. Additionally, ongoing geopolitical tensions arising from the Russia–Ukraine conflict and intermittent instability in the Middle East continued to transmit indirect economic pressures through global market volatility.

Despite these challenges, Sri Lanka's economy maintained positive momentum in 2025, with GDP growth estimated at approximately 4.5%, outperforming the World Bank's forecast of 3.5%. Inflation, which had entered deflationary territory in 2024, reverted to positive levels in 2025, averaging around 2.1%, while food inflation accelerated to approximately 3.5%. The Central Bank maintained the overnight policy rate at 7.75% to steer inflation towards its medium-term target of 5%, against a backdrop of subdued inflationary pressures and global uncertainty.

By end- 2025, Gross Official Reserves (GOR) stood at approximately USD 6.8 Bn, reflecting an improvement from end-December 2024. Fiscal consolidation also progressed, with Sri Lanka recording a primary fiscal surplus for the second consecutive year.

RISK GOVERNANCE

The Bank's risk governance framework is structured around the three lines of defence model, which ensures a clear segregation of responsibilities between risk ownership, independent oversight, and assurance. All material risks identified under the Integrated Risk Management Framework (IRMF) are managed in accordance with this model, thereby strengthening accountability, transparency, and the effectiveness of risk oversight across the organisation.

THE 3 LINES OF DEFENCE AT SDB

1ST LINE OF DEFENCE

Branches, business units, and support functions constitute the first line of defence and act as primary risk owners and risk takers. These units are responsible for identifying, assessing, and managing risk exposures on a day-to-day basis through controls embedded within business processes and specialised back-office functions. This line ensures that risks are managed at source in alignment with approved policies, procedures, and delegated authorities.

2ND LINE OF DEFENCE

The second line of defence comprises independent oversight functions, primarily the Risk Management Division and the Compliance function. The Risk Management Division is headed by the Chief Risk Officer (CRO), who has direct access to the Board Integrated Risk Management Committee (BIRMC), reporting functionally to the BIRMC and administratively to the Chief Executive Officer. The Division is responsible for

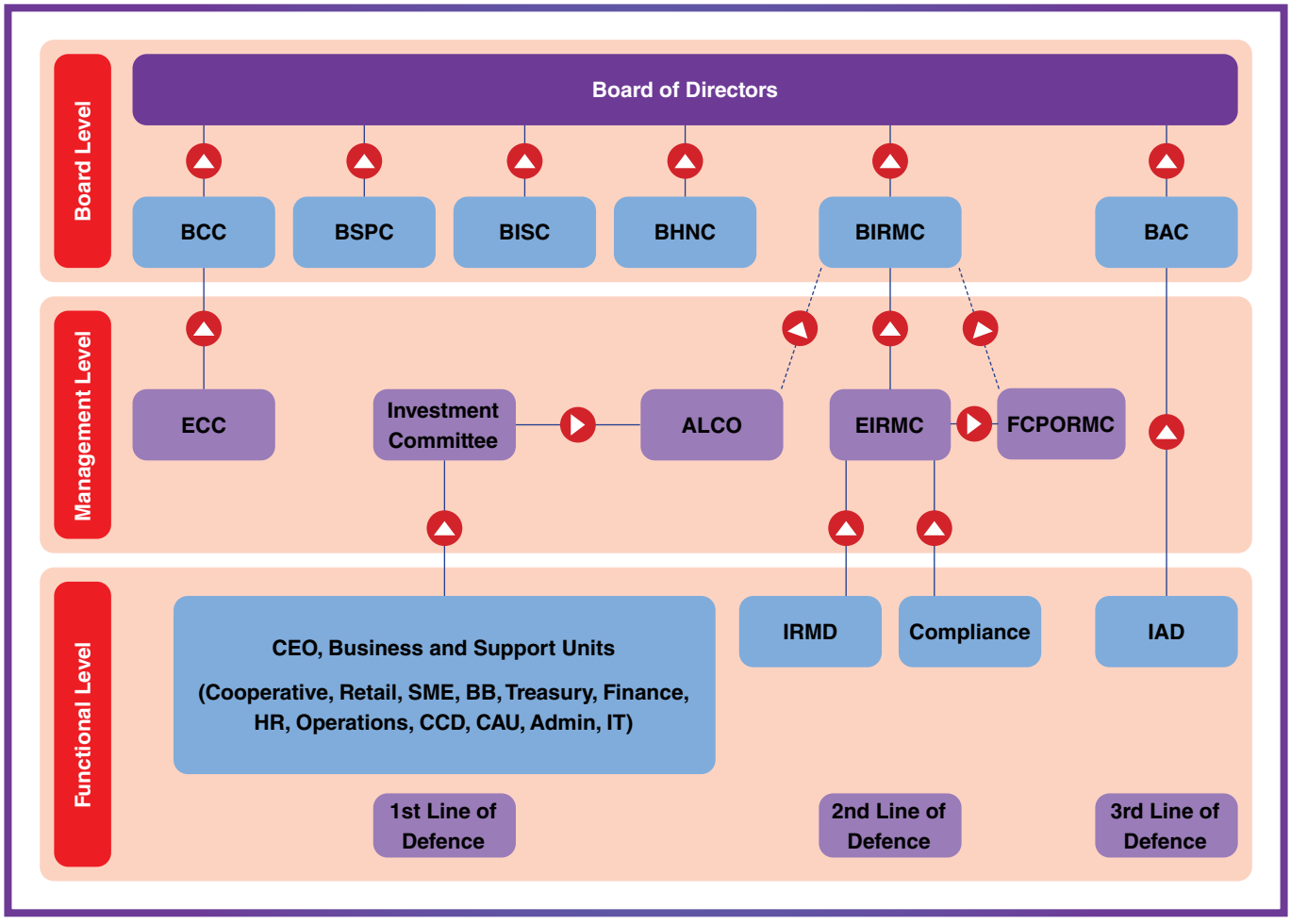
providing independent oversight of the Bank's risk profile and for ensuring that the first line effectively applies and complies with established risk policies, standards, and controls.

The Compliance function, headed by the Chief Compliance Officer and operating under a similar reporting structure, is responsible for ensuring that business activities are conducted in accordance with applicable laws, regulations, internal policies, and industry best practices.

Together, these functions act independently by challenging, monitoring, and providing assurance over the Bank's risk-taking activities.

3RD LINE OF DEFENCE

The Internal Audit Department serves as the third line of defence and provides independent assurance on the adequacy and effectiveness of the Bank's risk management framework, governance processes, and internal controls. In relation to risk management, Internal Audit periodically assesses compliance with approved risk management policies and procedures and evaluates the robustness of risk management methodologies on an ongoing basis.



RISK CULTURE

SDB bank places strong emphasis on fostering a sound risk culture across the organisation as a contiguous risk safety net across all operational aspects. This is achieved through continuous training and awareness programmes at all organisational levels, supported by a structured and formalised risk reporting framework. During the year, targeted training initiatives focused on early identification of credit quality deterioration, operational risk reporting, and effective data capture, thereby strengthening risk awareness and accountability among staff.

RISK APPETITE

Risk appetite represents the level and types of risk the Bank is willing to assume in pursuit of its strategic objectives while maintaining a desired risk profile. The Bank has articulated its risk appetite through a structured set of quantitative and qualitative indicators, supported by defined limits and escalation triggers covering key risk categories. These parameters are reviewed and approved regularly by the Board of Directors to ensure alignment with the Bank's strategic direction, evolving risk environment, and annual corporate plan.

	Limits	Dec-25
Credit Risk		
Single Borrower limits	25% (against Capital)	8.31%
Group Borrower limits	25% (against Capital)	10.53%
Liquidity and Solvency		
Liquidity Coverage Ratio	(Statutory minimum 100%)	151.86%
Net Stable Funding Ratio	>100%	144.82%
Capital Adequacy Ratio	>12.5%	15.24%
Operational Risk		
Operational Losses	<0.25% (Against operating Profit)	Nill
Fraud Cases	3	Nill

RISK REPORTING

Risk reporting forms a critical component of the Bank's risk monitoring and governance processes. Comprehensive reports on the Bank's risk exposures, emerging risks, and key risk indicators are regularly submitted by the Chief Risk Officer to the Board of Directors, relevant senior management committees, departmental heads, the Executive Integrated Risk Management Committee (EIRMC), and the BIRMC. This ensures timely escalation, informed decision-making, and effective oversight of the Bank's risk profile.

Risk Exposure	Risk Reports
Credit Risk	Product-wise Exposure, Stage-wise, and DPD-wise portfolio analysis on Products, Geography, and Sectors, Collateral Analysis, Impairment Analysis on product, sector and Geography, Watch listed customers, Top 25 Counterparties, Recovery Bucket-wise movement analysis, Quarterly Credit Risk related stress testing
Interest Rate Risk on Banking Book and Market Risk	Impact of interest rate shifts on the Bank's Economic Value of Equity and Net Interest Income. Limit Monitoring on Market Risk exposures, Foreign Currency Net Open position and stress tests.
Liquidity Risk	Asset & Liability and Liquidity Risk assessment through Stock Approach and Flow approach. Stress test to assess the ability to withstand under crisis situations.
Operational Risk	Assessment of operational loss events, Key Risk Indicators and RCSA process reporting
Strategic and Reputational	Risk Reporting of actual against forecasted performances, monitoring and updating of reputational risk scenarios the Bank is exposed to. Scorecard-based questionnaire assessments
Technology and Cyber Security	Risk Updates on the existing security levels of the bank, regular monitoring outcomes and way forward

RISK PROFILING

Key risks are identified through a structured and comprehensive risk profiling process that assesses the Bank's exposure in relation to its strategy, long-term objectives, reputation, and execution of business plans, taking into account both internal and external factors. Internal risks are managed proactively through systematic controls and mitigation measures, while external risks are continuously monitored to evaluate their potential impact on operations and strategic outcomes.

STRESS TESTING

The Bank regularly conducts stress testing of its credit, market, and liquidity risk exposures to assess resilience under adverse conditions. These stress scenarios evaluate the potential impact of extreme but plausible movements in market variables and other risk factors on the Bank's capital adequacy and earnings capacity. The results of these stress tests are reviewed by the Board Integrated Risk Management Committee (BIRMC) to support informed risk oversight and strategic decision-making.

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

CREDIT RISK

Credit risk arises primarily from the Bank's core business activity of extending loans and advances and represents the potential for financial loss due to a borrower's inability to meet contractual repayment obligations.

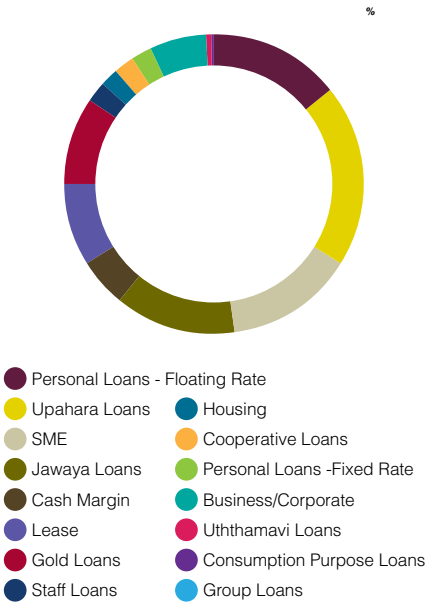
RISK RESPONSE

Despite observing a notable improvement, credit risk remained elevated during the period under review, and its effective management continued to be a central pillar of the Bank's overall risk management strategy.

PRODUCT-WISE EXPOSURE

Index	Product Category	Exposure	%
1	Personal Loans - Floating Rate	16,863.15	14.38%
2	Upahara Loans	22,939.83	19.56%
3	SME	16,403.67	13.98%
4	Jawaya Loans	15,415.61	13.14%
5	Cash Margin	6,225.05	5.31%
6	Lease	10,338.52	8.81%
7	Gold Loans	10,920.36	9.31%
8	Staff Loans	2,644.95	2.25%
9	Housing	2,423.14	2.07%
10	Cooperative Loans	2,709.14	2.31%
11	Personal Loans -Fixed Rate	2,391.29	2.04%
12	Business/Corporate	7,304.04	6.23%
13	Uththamavi Loans	514.19	0.44%
14	Consumption Purpose Loans	205.35	0.18%
15	Group Loans	3.18	0.00%
Total		117,301.47	100.00%

PRODUCT-WISE EXPOSURE



CONCENTRATION RISK

Concentration risk refers to the potential for disproportionate losses arising from exposures that are highly correlated or concentrated by product, sector, geography, or single and group borrowers. There were no material changes in the Bank's concentration risk profile during the year.

RISK RESPONSE

The Bank manages concentration risk by maintaining credit exposures within Board-approved risk appetite parameters and concentration limits. Portfolio balances are closely monitored against these limits, which incorporate prudent thresholds by product type, geographic distribution, and borrower concentrations. Portfolio performance and concentration metrics are regularly reviewed by the Board Credit Committee and the BIRMC, with appropriate mitigation measures proposed where necessary.

MARKET RISK

Market risk refers to the potential for losses in the Bank's trading book arising from adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, credit spreads, and commodity prices.

- **Interest Rate Risk:** The Bank's exposure to market-related interest rate risk remains limited, reflecting minor trading activities and a predominantly held-to-maturity investment portfolio. Accordingly, Interest Rate Risk mainly arises through non-trading assets and liabilities such as loans and advances.
- **Foreign Exchange Rate Risk:** The Bank was exposed to foreign exchange risk arising from assets and liabilities denominated in foreign currencies. During the year, the Bank maintained USD-denominated fixed deposits with the Bank of Ceylon and Peoples Bank, sourced from proceeds of foreign currency borrowings. The Bank now maintains a USD 40 Mn fixed deposit aligned with the repayment profile of the outstanding DFC loan. This structural matching mitigates foreign currency risk without conversion into Sri Lankan Rupees.

RISK RESPONSE

The Bank operates within clearly defined trading book limits, with exposures marked to market and monitored against approved thresholds. Given the limited size of the trading book and the predominance of held-to-maturity investments, market risk exposure remains contained.

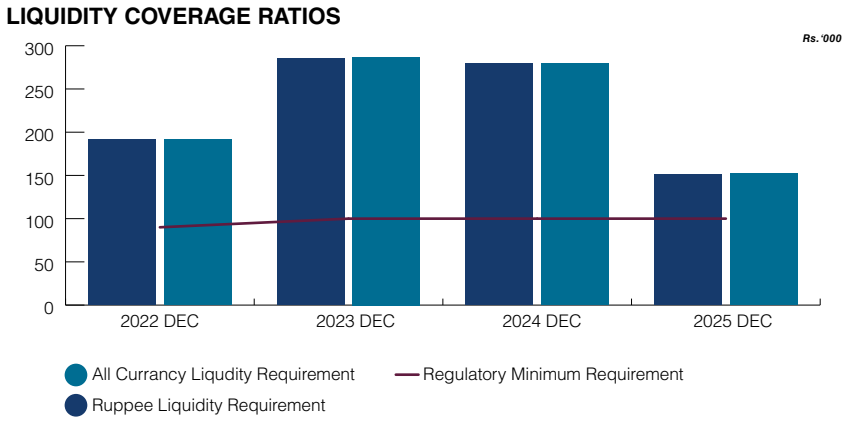
LIQUIDITY RISK

Liquidity risk is the risk that the Bank may be unable to meet its financial obligations as they fall due without incurring unacceptable losses.

RISK RESPONSE

Liquidity and market risk management activities are governed by Board-approved policies and internal prudential limits aligned with the Bank's risk appetite. A structured stress testing framework is in place to assess the Bank's ability to withstand both institution-specific and market-wide liquidity shocks. The Treasury Unit is primarily responsible for managing liquidity risk within these parameters, with oversight provided by the Risk Management Division.

LIQUIDITY RISK PERFORMANCE DURING 2025



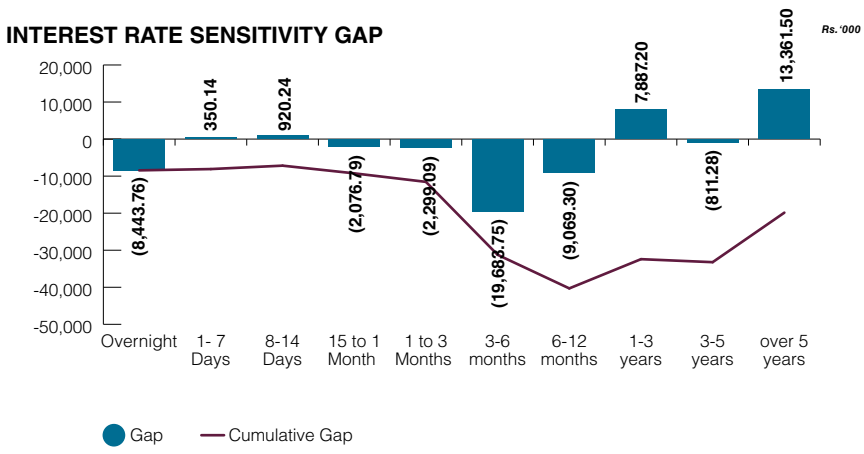
INTEREST RATE RISK

Interest rate risk in the banking book (IRRBB) refers to the potential impact of adverse interest rate movements on the Bank's capital position and earnings.

RISK RESPONSE

The Assets and Liabilities Management Committee (ALCO) oversee the management of IRRBB. The Committee regularly reviews interest rate sensitivity, net interest margin performance, funding mismatches, and cumulative repricing gaps. Stress testing of net interest income and economic value of equity under various interest rate scenarios is conducted to assess resilience. Market risk policies governing these activities are periodically reviewed to ensure continued relevance and effectiveness.

INTEREST RATE SENSITIVITY OF ASSETS AND LIABILITIES AS OF 31 DECEMBER 2025



OPERATIONAL RISK

Operational risk represents the potential for losses resulting from inadequate or failed internal processes, people, systems, or from external events.

RISK RESPONSE

During the year, the Bank enhanced its operational risk management framework to strengthen resilience and regulatory compliance. A structured enterprise-wide risk assessment process was institutionalised to support continuous identification and mitigation of operational vulnerabilities. Advanced monitoring tools, including risk dashboards and Key Risk Indicators, provided timely insights into risk concentrations. Regulatory requirements and Basel principles were embedded into measurable and operational controls, while business continuity and disaster recovery arrangements were updated to incorporate lessons learned from recent disruptions.

LEGAL RISKS

Legal risk arises from potential financial or reputational losses due to non-compliance with, or misinterpretation of, laws and regulations governing the Bank's activities.

RISK RESPONSE

All legal documentation executed on behalf of the Bank is subject to review by the Legal Department, with external legal expertise engaged where required. Robust internal processes and controls ensure compliance with applicable regulatory and legal requirements, thereby mitigating potential legal and reputational exposures.

STRATEGIC AND REPUTATIONAL RISK

Strategic risk refers to the risk of adverse outcomes resulting from inappropriate or ineffective strategic decisions, while reputational risk relates to the potential erosion of stakeholder trust arising from environmental, social, regulatory, or operational issues.

RISK RESPONSE

The Bank aligned its long-term strategic objectives with prevailing market conditions to support sustainable growth while managing reputational exposure. Integrated dashboards and monitoring tools were utilised to identify emerging risks related to market sentiment, regulatory developments, and competitive dynamics. Transparent and consistent communication protocols were reinforced to maintain stakeholder confidence, with strategic and reputational risks translated into measurable controls aligned with international best practices.

IT AND CYBER SECURITY RISK

Technology risk refers to risks arising from the use, management, and reliance on information technology, including system failures, cyber incidents, data breaches, and technological obsolescence.

RISK RESPONSE

Technology risk management was further strengthened through enhanced system monitoring, improved integration controls, and layered cybersecurity defences. Incident response and stakeholder communication protocols were refined to ensure timely, transparent, and effective management of technology-related events.

ESG RISK

ESG risk represents the potential for environmental, social, or governance factors to adversely impact the Bank's financial performance, operations, or reputation, either directly or indirectly through its customers and counterparties.

RISK RESPONSE

The Bank advanced its ESG risk management approach by embedding environmental, social, and governance considerations into credit assessments, risk evaluations, and decision-making processes. Lending practices were reviewed to promote responsible financing, particularly in sectors with heightened ESG sensitivities. Enhanced governance structures, transparency in disclosures, and initiatives in community engagement and energy efficiency further reinforced the integration of ESG principles into the Bank's risk management framework.

COMPLIANCE RISK

Compliance risk refers to the risk of legal sanctions, financial loss, or reputational damage arising from failure to comply with applicable laws, regulations, codes, and standards governing banking activities.

RISK RESPONSE

SDB bank treats compliance as a fundamental and non-negotiable aspect of its operations, supported by a strong ethical culture led by the Board and senior management. A comprehensive compliance governance framework is in place, with the Compliance Officer reporting independently to the BIRMC. The Board retains ultimate responsibility for oversight of compliance risk and has delegated authority to the BIRMC to ensure the establishment and effectiveness of an independent compliance function. Senior management is responsible for day-to-day compliance risk management, supported by structured processes, controls, and regular reviews of the compliance framework to ensure alignment with evolving regulatory requirements and industry best practices.

RISK OUTLOOK

Looking ahead, the Bank faces an evolving risk landscape characterised by both structural shifts and emerging vulnerabilities. Accelerated adoption of digital banking and fintech solutions offers operational efficiencies and enhanced customer reach, however, simultaneously heightens exposure to data privacy and cybersecurity risks. Climate-related financial risks are becoming increasingly material, necessitating the integration of environmental risk assessment and climate stress testing into core risk frameworks. Furthermore, regulatory reforms under IMF-supported programmes will continue to place greater emphasis on governance standards, capital adequacy, and transparency. Rising operating costs and intensifying competition within the banking sector further reinforce the need for agile and forward-looking strategies to preserve long-term resilience and stability.

MESSAGE FROM THE CHAIRPERSON ON CORPORATE GOVERNANCE

Dear Stakeholders,

The Board of Directors and I remain fully committed to good governance as an indispensable enabler of sustainable growth and long-term value creation for all stakeholder groups. SDB bank's corporate governance framework is aligned with the Banking Act, regulations issued by the CBSL, and the rules of the CSE and the SEC, supported by a comprehensive policy and sustainability framework that provides a strong foundation for resilient operations. The Bank also upholds high standards of business ethics, guided by a Code of Conduct that governs the behaviour of all employees. In addition, SDB has adopted several voluntary frameworks and industry best practices to further strengthen its governance practices, risk management systems and corporate reporting.

During the year under review, SDB bank made every effort to comply with amendments to the Banking Act and the new CBSL Directives. These regulatory requirements reinforce the assessment of the fitness and propriety of directors, chief executive officer and key management personnel, while enhancing requirements relating to financial reporting and audit, as well as capital and liquidity frameworks for banks. We have implemented all necessary measures to meet these more stringent requirements.

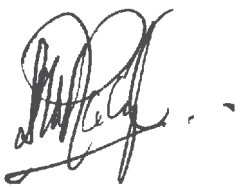
Accordingly, I confirm that SDB bank is in compliance with the requirements stipulated by the Central Bank of Sri Lanka for the year 2025, under its Corporate Governance Directive No. 05 of 2024. Further, the Bank has commenced, and is actively undertaking the necessary actions, to ensure full compliance with the remaining provisions of the said Directive that are scheduled to become effective in 2026 and 2027.

In addition, the Bank is fully compliant with the Listing Rules of Colombo Stock Exchange and with all applicable corporate governance laws, regulations, directives and regulatory guidelines currently in force.

Information relating to the Bank's corporate governance framework and its compliance status with the Banking Act Direction No. 05 of 2024 and subsequent amendments thereto, applicable to Licensed Banks in Sri Lanka issued by the CBSL, and, Code of Best Practice on Corporate Governance (2023), issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), is provided on pages 161 to 173 of this report.

In 2025, the Board of SDB bank met 15 times to guide the Bank's strategy formulation and to ensure strict oversight of operational aspects. The Board comprises a diverse mix of skills, experience and expertise, enabling it to effectively support the Bank's strategic objectives. The strength of SDB bank's sustainable banking model is further evidenced by our ability to attract international investors and globally renowned agencies willing to support the Bank's growth plans with funding, technical expertise and specialised financial solutions.

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



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

4th May 2026
Colombo, Sri Lanka

CORPORATE GOVERNANCE

OUR APPROACH

The Board of SDB bank is fully cognisant of its social and ethical responsibilities to all stakeholders and is committed to upholding the highest standards of integrity and transparency, while balancing and safeguarding stakeholder interests. Therefore, during the year under review, the Board continued to set a strong ethical tone across the Bank, reinforcing a culture of compliance and adherence to best practices. Governance frameworks and internal control systems were continuously reviewed and strengthened to respond to evolving regulatory requirements and to support the expansion of the Bank's sustainable banking framework.

SDB BANK'S CORPORATE GOVERNANCE FRAMEWORK

The Bank confirms that it is in compliance with the requirements stipulated by the Central Bank of Sri Lanka, for the year 2025, under its Corporate Governance Directive No. 05 of 2024. Further, the Bank has commenced, and is actively performing the necessary measures to ensure full compliance with the remaining provisions of the said Directive that are scheduled to become effective in the years 2026 and 2027.

In addition, the Bank affirms its full compliance with the Colombo Stock Exchange Rules of 2024, as well as with all applicable corporate governance laws, regulations, directives, and regulatory guidelines currently in force.

The Bank's overall Governance framework comprises an extensive network of regulations, as well as internal policies, and external commitments, that guide the Bank in all operational activities as well as in developing its business strategies. This framework is depicted below.

Regulatory framework

- Companies Act No. 07 of 2007 and amendments thereto
- Banking Act No. 30 of 1988 and amendments thereto
- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks
- Listing Rules of the Colombo Stock Exchange
- Financial Consumer Protection Regulations
- Customer Charter
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto
- Financial Transactions Reporting Act No. 06 of 2006
- Prevention of Money Laundering Act No. 05 of 2006
- Convention on the Suppression of Terrorist Financing Act No. 25 of 2005
- Inland Revenue Act No. 24 of 2017
- Roadmap for Sustainable Finance in Sri Lanka
- Recommendations from Task Force on Climate-Related Financial Disclosures (TCFD)
- Developing a Body of Knowledge from the Task Force on Nature-Related Disclosures (TNFD)
- The Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- The Foreign Exchange Act No 12 of 2017 and its regulations
- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- All other applicable regulations

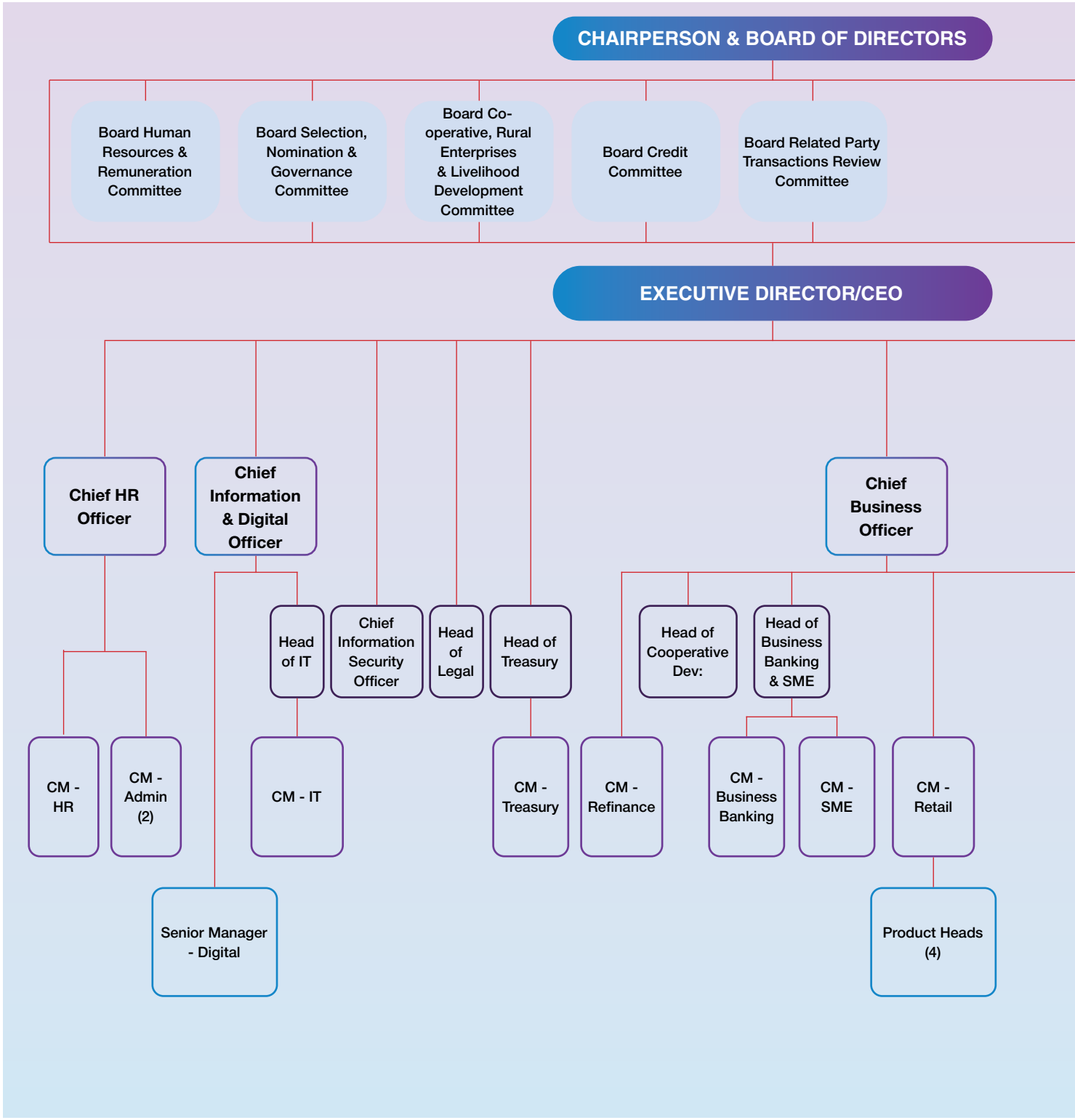
Internal policies, manuals and codes of conduct
● Articles of Association of the Bank
● Code of Conduct and Ethics for Directors and Employees
● Governance Framework on Sustainability
● Board-approved policies on all major operational aspects
● Compliance Policy and procedure manual for Know Your Customer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

Voluntary external standards and codes
● Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (a Voluntary Code)
● Integrated Reporting Framework 2021
● United Nations' Sustainable Development Goals

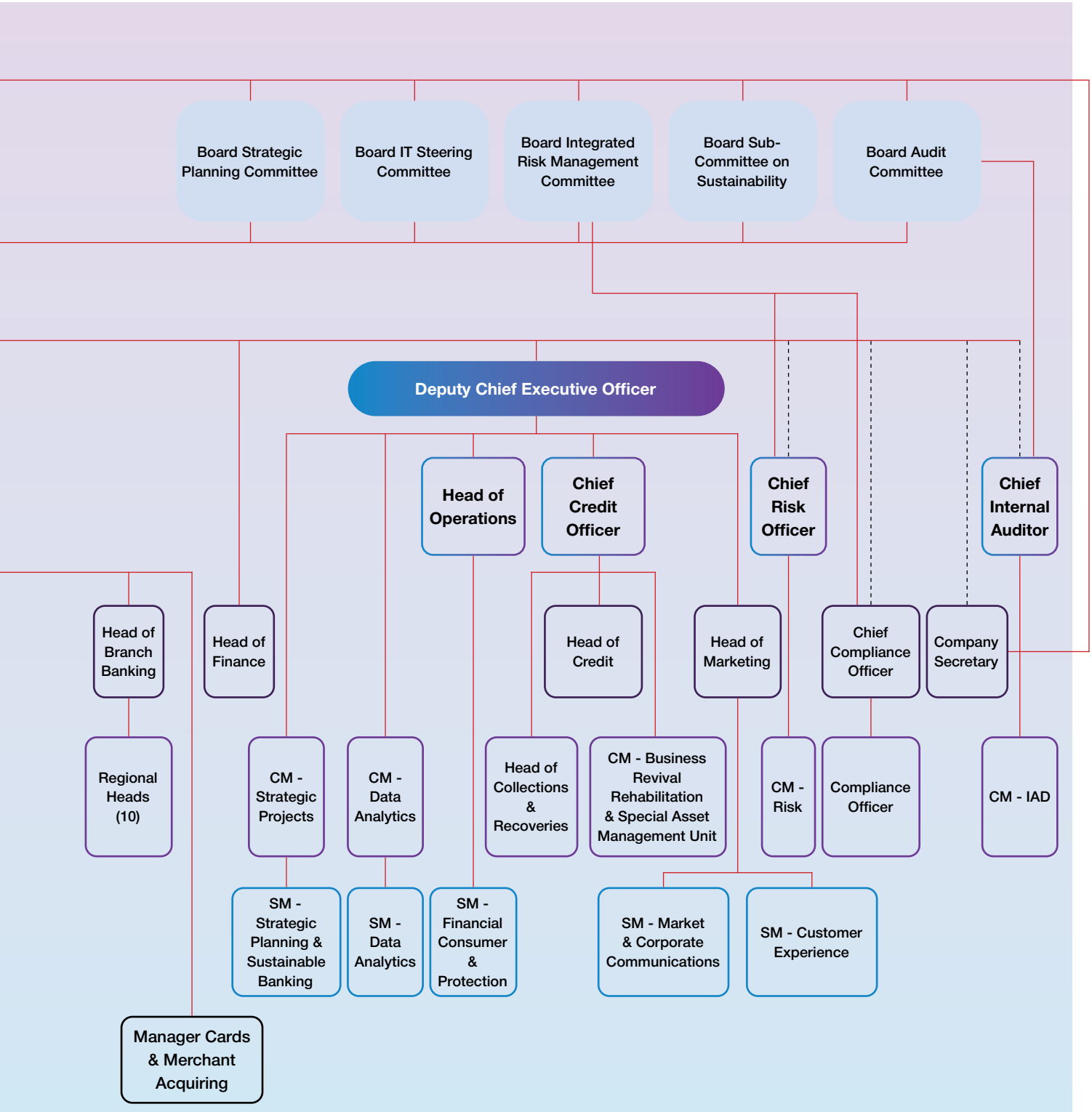
GOVERNANCE STRUCTURE

The Board of Directors, led by an Independent, Non-Executive Chairperson, bears ultimate accountability and responsibility for the affairs of the Bank. The Board is supported by ten Board Subcommittees, each mandated to oversee specific areas of governance and operations. This structure enables focused supervision while allowing the Board to devote adequate time and attention to strategic, policy and oversight responsibilities.

ORGANISATION STRUCTURE



SANASA DEVELOPMENT BANK PLC



BOARD OF DIRECTORS

The Board serves as the highest decision-making authority of the Bank. It is responsible for ensuring compliance with applicable laws and regulations through sound governance practices, establishing the Bank's policy framework, providing strategic direction, and overseeing risk management to ensure the achievement of strategic objectives.

BOARD COMPOSITION:

As at the end of the financial year 2025, the Board comprised ten Directors, of whom 09 were Non-Executive Directors, and five were Independent, and one was an Executive Director.

- **Board Composition as at December 31st, 2025**

Name	Designation
Ms Dinithi Ratnayake	Chairperson, Independent/ Non-Executive
Mr Kapila Ariyaratne	Executive Director/Chief Executive Officer
Mr Chaaminda Kumarasiri	Independent/ Non-Executive Director
Mr Prasanna Premaratna	Independent/ Non-Executive Director
Mr B.R.A.Bandara	Non-Independent/ Non-Executive Director
Mr Thusantha Wijemanna	Independent/ Non-Executive Director
Mr Sarath Nandasiri	Non-Independent/ Non-Executive Director
Mr Conrad Dias	Non-Independent/ Non-Executive Director
Mr Romani De Silva	Non-Independent/ Non-Executive Director
Mr Chandana Dissanayake	Independent/ Non-Executive Director

- **Appointment/resignations of Board members during the year 2025**

Name of the board member	Date appointed	Date resigned
Professor. Sampath Amarathunga, Independent Non-Executive Director	15.02.2016	14.02.2025
Mr Naveendra Sooriyarachchi, Non-Independent, Non- Executive Director	26.11.2021	12.09.2025
Mr Chandana Dissanayake, Non-Independent, Non-Executive Director	26.07.2022	17.10.2025
Mr Chandana Dissanayake, Independent, Non-Executive Director	25.11.2025	Ongoing

BOARD DIVERSITY AND EFFECTIVENESS:

The composition of the Board reflects a balance of skills, experience and diversity aligned with the Bank's strategic direction. Directors bring expertise spanning finance and banking, information technology, academia, rural development, public administration, entrepreneurship and cooperative development, complemented by strong financial and business acumen. This breadth of experience enhances the Board's ability to provide effective oversight and informed guidance. The Board comprises:

- Expertise in business, administration, finance, risk management, information technology entrepreneurship and cooperatives
- Strong financial acumen, with the Chairman of the Board Audit Committee holding membership in a professional accounting body and several Directors holding MBAs from reputed universities

PROCEDURE FOR APPOINTMENTS TO THE BOARD

- All Board appointments are made in compliance with regulatory requirements and through a transparent process.
- Nominations are recommended by the Board Selection, Nomination & Governance Subcommittee in accordance with the criteria stipulated under the Banking Act.
- Nominees submit affidavits of authenticity, and upon Board approval relevant details are forwarded to the Central Bank of Sri Lanka for fit and proper approval.
- Upon CBSL approval, appointments are communicated to the Colombo Stock Exchange and shareholders through press releases.

BALANCE OF POWER

To ensure independence of judgement and an appropriate balance of authority, the roles of Chairperson and Chief Executive Officer (CEO) are clearly segregated, with distinct responsibilities assigned to each role.

THE CHAIRPERSON'S ROLE IS:

- To provide leadership to the Board
- To ensure the effective functioning of the Board through the establishment of annual work plans and agendas, and by facilitating timely meetings and accurate information flows.
- To monitor the overall effectiveness of the Board

THE CEO'S ROLE IS:

- To lead the Bank in achieving its strategic objectives
- To monitor performance and report on the Bank's operations and results to the Board

BOARD REMUNERATION

The remuneration of the Board of Directors and Key Management Personnel is determined in accordance with a formal Remuneration Policy designed to attract, motivate and retain high-calibre professionals. The Board Human Resources and Remuneration Committee is responsible for advising the Board and overseeing remuneration practices within approved terms of reference and in line with the Bank's remuneration policies.

BOARD ACCESS TO INFORMATION

The Board has unrestricted access to the Bank's Management and to all information necessary for the effective discharge of its responsibilities. Management makes regular presentations to the Board on operational performance, strategic initiatives and emerging trends. Directors may also obtain independent professional advice, coordinated through the Company Secretary, when required. In addition, Board members participate in training programmes, seminars and forums organised by the Sri Lanka Institute of Directors and the Central Bank of Sri Lanka.

BOARD MEETINGS

In the financial year 2025, the Board met 15 times and attendance by Board members is disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 206 Except in the case of emergency meetings, notices of Board meetings are issued at least seven days in advance to allow sufficient preparation time. Agendas and Board papers are circulated ahead of meetings, ensuring Directors receive comprehensive and timely information to support effective decision-making.

BOARD ASSESSMENTS

The Board conducts annual self-assessments to evaluate its overall effectiveness as well as the performance of individual Directors and Board Subcommittees. These evaluations are carried out in accordance with the requirements of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, and cover areas such as Board composition, access to information, dynamics, and training and development needs.

SUB COMMITTEES OF THE BOARD

The Bank has established all mandatory Board Subcommittees, in addition to several voluntary Subcommittees. Details of the composition of these Subcommittees as at 31 December 2025 are provided in the Annual Report of the Board of Directors on the Affairs of the Company on pages 199 to 210.

ACCOUNTABILITY AND AUDIT

The Bank's financial statements are prepared in accordance with Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The Board is ultimately responsible for ensuring the accuracy, integrity and fair presentation of the financial statements and exercises oversight prior to their approval. SDB bank's Annual Report also aligns with the Integrated Reporting Framework (2021) in relation to sustainability reporting. The Directors' Responsibility Statement in respect of the financial statements is set out on page 215 of this Annual Report.

RISK MANAGEMENT

The Board bears ultimate responsibility for the effective identification, assessment and management of risks faced by the Bank. This includes ensuring that the risk management framework complies with the requirements of the Banking Act and guidelines issued by the Central Bank of Sri Lanka, approving the Bank's risk appetite, and overseeing the policies, processes and tools used to manage risk exposures. The Integrated Risk Management Committee supports the Board in fulfilling these responsibilities. Details of the key risks and the Bank's risk management practices during the year are set out on pages 108 to 116.

EXTERNAL AUDIT

While the Board retains ultimate responsibility for the financial statements, the Board Audit Committee is entrusted with oversight of financial reporting and the audit process. The Committee makes recommendations to the Board on the appointment, tenure and fees of External Auditors. In line with the Bank's policy, External Auditors are rotated every five years. Auditors provide an annual declaration of independence in accordance with the Companies Act No. 07 of 2007, and no non-audit services are obtained from the External Auditors.

BOARD SUBCOMMITTEE ON SUSTAINABILITY

SDB bank has a Board Subcommittee on Sustainability to oversee the integration of environmental, social and governance (ESG) considerations into the Bank's strategy and decision-making processes since 2021. The governance framework is aligned with the Roadmap for Sustainable Finance and the Sri Lanka Banks' Association Sustainable Banking Initiative. The Subcommittee reviews sustainability-related strategy, risk management, metrics and targets, including alignment with TCFD and TNFD standards.

GOOD CORPORATE CITIZENSHIP

To reinforce ethical conduct and responsible behaviour, the Bank has established clear standards governing employee conduct, including:

- **Code of Conduct:** This Code serves as the primary guide to employee behaviour, outlining ethical standards in interactions with stakeholders and in daily operations. It also incorporates administrative and grievance procedures and is aligned with the Monetary Board's Customer Charter and the secrecy provisions of the Banking Act. All employees receive a copy of the Code of Conduct upon recruitment.
- **Whistle-blowing Policy:** The Board-approved Whistle-blowing Policy provides a secure mechanism for reporting unlawful or unethical behaviour, while safeguarding anonymity, thereby strengthening accountability and deterring misconduct.

COMPLIANCE WITH THE PROVISIONS OF THE BANKING ACT DIRECTION NO.05 OF 2024 OF THE CENTRAL BANK OF SRI LANKA

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
1.1	**RESPONSIBILITIES OF THE BOARD**		
	The Board shall exercise "duty of care" and "duty of loyalty" to the bank with a view to strengthening the safety and soundness of the bank by ensuring the implementation of the following.		
	a) Approve and oversee the bank's strategic objectives and corporate values in terms of bank's long-term goals and ensure that these are properly communicated throughout the bank	The Strategic Plan for 2026–2029 has been thoroughly reviewed and formally approved by the Board of Directors, ensuring alignment with the Bank's long-term strategic objectives and corporate values. The Board also provides ongoing oversight to ensure that these strategic priorities are effectively communicated across the Bank and embedded into business plans, performance targets, and operational decision-making	Complied with
	(b) Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, at least for the next three years.	The Strategic Plan covering the period 2023–2025 was approved by the Board of Directors, and during 2025, the Strategic Plan for the subsequent period of 2026–2029 was developed and approved by the Board of directors. There is a Board-approved Integrated Risk Management policy which defines risk- related procedures and tools for identification, measurement and management of risk exposures	Complied with
	(c) i) Identify the principal risks and ensure implementation of appropriate system to manage the risk prudently. ii) establishing well-defined organisational responsibilities for the three lines of defence of the bank a) the business lines b) the risk management function and the compliance function which are independent from the first and third lines of defence, c) the internal audit function which is independent from the first and second lines of defence	The Board has delegated its risk-related functions to a dedicated committee, namely the Board Integrated Risk Management Committee (BIRMC). The main risk reports are presented at BIRMC on a monthly/ quarterly basis and its minutes are regularly submitted to the main Board for review.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	iii) ensuring that the risk management, compliance, and internal audit functions are properly positioned, sufficiently staffed and resourced to carry out the responsibilities independently, objectively and effectively iv) defining the risk appetite of the bank aligning with the bank's strategic, capital, and financial plans, which is articulated through a Risk Appetite Statement v) outlining the actions to be taken when stated risk appetite limits are breached, including disciplinary actions for excessive risk taking, escalation procedures and notifications to the Board of directors		
	(d) Establish a policy to ensure that the Board is not dominated or significantly influenced by a director or a group of directors in a manner that is detrimental or prejudicial to the interests of the depositors, creditors, and the bank as a whole.	The Board approved "Board Independence and Governance Policy" is available which is a part of the Board Charter.	Complied with
	(e) Approve implementation of a policy of communication with all stakeholders, including regulators, depositors, creditors, shareholders, and borrowers.	The policy is in place	Complied with
	(f) Reviewed the adequacy and the integrity of the Bank's internal control systems and management information system.	The Audit Committee assists the Board in reviewing and evaluating the integrity, adequacy, and effectiveness of the internal control system including management information systems and controls over financial reporting of the Bank. The internal audit carries out periodic reviews to ensure that the internal control systems are functioning as appropriate. The report by the Board of Directors on internal control over financial reporting is given on page 211. The Independent Assurance Report by the External Auditor on the Directors' Statement on Internal Control is given on page 213.	Complied with
	(g) Ensure implementation of effective control systems for managing the related party exposures and avoiding any conflicts of interest that may arise from related party transactions	Effective controls are in place to identify, monitor, and manage related party exposures.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(h) Approve and oversee the business continuity and disaster recovery plans to ensure financial stability, operational resilience and preserve critical operations and services including core-banking systems during any disruptive event	Board approved Business Continuity plan is in place to ensure the operational resilience and preserve critical operations and services including core-banking systems during a disruptive event.	Complied with
	(i) Oversee the approach to remuneration, including monitoring and reviewing remuneration and ensure alignment of remuneration with bank's risk culture and risk appetite	The BHRRC oversees and reviews the Bank's remuneration framework	Complied with
	(j) Identify and designate key management personnel, who are in a position to; (i) significantly influence over policies, (ii) direct activities, and, (iii) exercise control over business activities, operations, and risk management	Based on Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL), the Board has designated Key Management Personnel (KMP) of the Bank to influence over the policies and implement such activities and to exercise control over business activities, operations and risk management	Complied with
	(k) Define the areas of authority and key responsibilities for the Board of directors themselves and for the Chief Executive Officer (CEO) and the key management personnel.	The Board Charter clearly sets out the roles, responsibilities, and authority of the Board of Directors, providing a formal framework for the effective governance and oversight of the Bank. It outlines the Board's duties in relation to strategic direction, risk oversight, corporate governance, regulatory compliance, and the protection of stakeholders' interests. The areas of authority and key responsibilities of KMPs are defined in their approved Job Descriptions (JDs).	Complied with
	(l) Ensure that there is appropriate oversight of the affairs of the bank by CEO and key management personnel, who is consistent with the Board's strategies and policies.	The Board exercised appropriate oversight of the affairs of the Bank by KMPs through the Chief Executive Officer (CEO) and when the need arises, they are called upon by the Board to explain matters relating to their areas.	Complied with
	(m) Periodically assess the effectiveness of the Board of Directors own governance practices including i) the selection, nomination and election of directors, CEO, and key management personnel; (ii) the management of conflicts of interests (iii) identification of weaknesses and implementation of improvements where necessary	A transparent and structured procedure for the selection and appointment of new Directors is in place in accordance with the provisions of the Board Charter, based on the recommendations of the Board Selection, Nominations and Governance Committee.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
		Directors are required to disclose their interests to the Board, and in situations where a Director has a particular or potential conflict of interest in relation to a matter under discussion, the relevant Director abstains from deliberations and voting on such matters. In such instances, the Director concerned is not counted towards the quorum. A Policy on Conflicts of Interest, incorporated as part of the Board Charter, further governs the management and disclosure of such situations. In addition, areas for improvement and potential weaknesses of the Board of Directors have been identified through the Board self-evaluation process conducted for the year 2025, enabling the Board to take appropriate steps to strengthen its effectiveness and governance practices.	
	(n) Approve the criteria for self-assessment to be undertaken by each director annually and maintain records of such assessments	The annual self-assessment from each Director is obtained at the end of the year, and proper records of the same are maintained for reference and governance purposes.	Complied with
	(o) Ensure that the bank has an appropriate succession plan for CEO and the key management personnel as explained in Direction 6.4 i).	A new succession plan was approved by the Board in year 2025 for the ensuing years	Complied with
	(p) Meet regularly, on a needs basis, with CEO and the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	The CEO attends all Board meetings and participates in meetings of Board Sub-Committees when invited. Key Management Personnel are also invited to attend Board and Sub-Committee meetings, as required, to provide input on matters within their respective areas of responsibility, support policy reviews, and enhance communication with the Board. In addition, KMPs may be requested to make periodic presentations to the Board to provide updates and ensure effective progress toward the Bank's strategic and corporate objectives.	Complied with
	(q) Keep abreast of material changes in the regulatory environment and ensure that the bank maintains an effective relationship with regulators.	All the new regulations and directions issued by regulators and non-compliances are reported to the BIRMC/ BOD by the Compliance Department for their understanding of the regulatory environment. The Bank maintains good relationship with the regulators.	Complied with
	(r) Exercise due diligence in the hiring and oversight of external auditors.	The Board selects External Auditors through the BAC, which holds responsibility for overseeing their activities.	Complied with
	(s) Conduct itself in a professional and an ethical manner and shall not receive any undue financial or non-financial benefits including incentives, gifts or funds from the employees, customers, suppliers, shareholders or any other stakeholder of the bank;	The Bank's Board-approved Code of Conduct in place	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(t) Inculcate a sound corporate culture which reinforces norms for professional, ethical and prudent behaviour throughout the bank. Approve and oversee the implementation of a Code of Conduct based on corporate values providing clear guidelines on professionally and ethically acceptable behaviours of directors and employees addressing inter alia the issues on confidentiality of data, conflicts of interest, procedures for dealing with financial and non-financial benefits and gifts, integrity in reporting, and the fair treatment to customers	The Bank's Board-approved Code of Conduct in place	Complied with
	(u) Ensure timely rectification of the supervisory concerns raised by the regulator/s and for this purpose, the assistance of the relevant sub-committees shall be sought	The relevant processes are in place and quarterly reviews and follow-ups are undertaken for resolution as appropriate.	Complied with
	(v) Approve a whistle blowing policy with a view to encouraging employees to communicate confidentially the legitimate concerns regarding illegal, unethical or questionable practices without the risk of reprisal. The policy shall be reviewed at least on an annual basis. The whistle blowing policy shall clearly specify (i) the persons to whom the concerns can be escalated within the bank; (ii) procedures for investigating legitimate material concerns raised by the employees; (iii) procedures to ensure protection and anonymity of the employees who raise concerns due to any detrimental treatment or reprisals; and, (iv) alternative avenues for whistle blowing to regulators	The Whistle blowing policy was reviewed in year 2025, and the Board approval is available	Complied with
	(w) Promote sustainability through appropriate environmental, social and governance considerations in the bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive	The Bank continues to integrate environmental, social, and governance (ESG) considerations into its business strategies while strengthening policies that support green, climate-friendly, and socially inclusive businesses. Progress is being made through enhanced sustainability frameworks and responsible financing practices.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
1.2	**APPOINTING CHAIRPERSON AND CEO**		
	The Board appointed the Chairman / Chairperson and the Chief Executive Officer (CEO) and defined the functions and responsibilities of the Chairman / Chairperson and the CEO in line with Direction No. 5 of this Direction. The Board shall appoint the Chairperson and CEO and define and approve the functions and responsibilities of the Chairperson and CEO in line with Direction 5 of these Directions.	Ms. Dinithi Ratnayake, an Independent Non-Executive Director, has been appointed as the Chairperson of the Board, while Mr. Kapila Ariyaratne has been appointed as the Executive Director and Chief Executive Officer (CEO) of the Bank. The roles of the Chairperson of the Board and the Chief Executive Officer (CEO) are clearly separate and distinct, ensuring an appropriate division between the leadership and oversight responsibilities of the Board and the executive management of the Bank. This separation of roles is established in the Board Charter and is in line with the requirements of Direction No. 05 of 2024	Complied with
1.3	**BOARD MEETINGS**		
	The Board shall meet at approximately monthly intervals and Board meetings shall be held at least twelve times a year. Such regular Board meetings shall normally involve active deliberation of a majority of directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible. The Board approvals obtained through circulation shall be ratified at the Board meeting held immediately following the circulation. The Board may convene and/ or a Board member may attend the Board meetings virtually subject to ensuring active involvement of the relevant directors and attending Board meetings physically at least on a half yearly basis..	Regular Board meetings are convened on a monthly basis, with additional special meetings arranged as and when required. During the year, a total of 15 Board meetings were held	Complied with
1.4	**BOARD PROCEDURES**		
	(a) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of banking business, risk management and conduct of employees of the bank.	A formal procedure has been established under the Policy on Matters Relating to the Board of Directors, which enables every Director to propose matters and include items in the Board agenda, particularly those relating to the promotion of the Bank's business and the management of its risks. To facilitate and encourage this practice, monthly Board meetings are scheduled and communicated to Directors at the beginning of each year.	Complied with
	(b) The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	The schedule of Board meeting dates for the year is approved by the Board at the beginning of the year and communicated to all Directors, providing more than seven days' notice. Any changes to the approved schedule, or any additional meetings not included in the original schedule, are communicated to the Directors at least seven days in advance, unless all Directors consent to a shorter notice period	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(c) The Board procedures shall ensure that a director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Participation at the Board meetings through an alternate director shall, however, be acceptable as attendance	No such situation arose during the period.	Complied with
1.5	**APPOINTING A COMPANY SECRETARY**		
	(a) The Board shall appoint a company secretary who satisfies the provisions of Section 43 of the Banking Act, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and such other written laws for the time being in force	Ms. Amila Belpamulla who serves as the Company Secretary, is an Attorney-at-Law and satisfies the provisions contained in Section 43 of the Banking Act No.30 of 1988, (as amended).	Complied with
	(b) All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.	All Directors are entitled to seek guidance and assistance from the Company Secretary regarding compliance with applicable rules and regulations and policies and procedures of the Bank.	Complied with
	(c) The company secretary shall implement the recommendations made by the Nomination and Governance Committee on training, capacity building and professional development programs for the directors.	The Company Secretary actively facilitates relevant training sessions on a need basis. In addition, the Company Secretary coordinates training programmes conducted by External Auditors, Regulators, and other professional bodies to support the continuous professional development of the Directors.	Complied with
	(d) The company secretary shall maintain the minutes of Board meetings together with the recordings of meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director or the regulator	Board minutes and the recordings of Board meetings are maintained by the Company Secretary and at each Board meeting, the Board of Directors approves the minutes of the previous meeting. At all times the Directors have access to the Board minutes and papers submitted to the Board through a secure electronic link via iPads.	Complied with
1.6	**MAINTENANCE OF BOARD MEETING MINUTES**		
	Minutes of board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes as to whether the Board acted with due care and prudence in performing its duties. a) a summary of data and information and justifications/rationale used by the Board in its deliberations; b) the matters considered by the Board;	Minutes of the Board meetings contain all the necessary information required under the Direction. Each Board paper submitted for approval includes management recommendations along with a clear rationale supporting those recommendations. The Board minutes refer to the relevant paper, capturing the data, analysis, and opinions relied upon by the Board, as well as any additional matters discussed that are not contained in the paper. Minutes are intended to be read in conjunction with the corresponding Board paper.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	c) the fact-finding discussions reflecting the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the testimonies and confirmations of relevant key management personnel which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations appropriately e) the Board's knowledge and understanding of the risks to which the bank is exposed to, and an overview of the risk management measures adopted; and, f) the Board resolutions and decisions		
1.7	**OBTAINING INDEPENDENT PROFESSIONAL ADVICE**		
	There shall be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to effectively discharge the duties.	The Directors are able to seek independent professional advice at the expense of the Bank when deemed necessary The Policy on Matters relating to the Board of Directors included in the Board Charter includes a relevant provision for same.	Complied with
1.8	**MANAGING CONFLICTS OF INTEREST**		
	(a) Directors shall avoid conflicts of interest, or the potential conflicts of interest, in the activities with, and commitments to, other organisations, related parties and other stakeholders	The Related Party Transactions Policy includes provisions to determine, report, resolve, and take appropriate action in relation to Directors in order to avoid conflicts of interest or the appearance of conflicts of interest. In addition, a Board Conflict of Interest Policy is in place under the Board Charter.	Complied with
	(b) A director shall abstain from participating in any discussion in relation to a matter in which he/she or any of his/her close relation or a concern in which he/she has substantial interest, is interested, nor shall receive the access to the information pertaining thereto, including accessing such information both physically and/or electronically.	In instances where a conflict of interest arises, such matters are addressed by the Board in accordance with the requirements of this Direction. Directors with a direct interest abstain from participating in discussions, expressing opinions, or approving the related matters before the Board or its Sub-Committees. Compliance with this process is documented in the Board minutes. Additionally, Directors with a conflict are restricted from accessing any information related to the matter of interest	Complied with
	(c) Directors shall ensure that the relationships between the directors amongst themselves as well as between the directors, CEO and key management personnel are at a level that does not result in excessive familiarity, undue influence or coercion.	The Directors have ensured that relationships among themselves, as well as between the Directors, the CEO and KMP are managed at a level that prevents excessive familiarity, undue influence or coercion.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(d) The Board shall approve and oversee the implementation of a policy to identify and manage conflicts of interests, which shall include: (i) a Board member's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest; (ii) a Board member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the potential conflicts of interest including political affiliations; (iii) situations where conflicts may arise when serving as a Board member; (iv) a Board member's responsibility to abstain from participating in discussions on any Board decisions in relation to which he/she or any of his/her close relations or a concern in which he/she has substantial interest, is interested; and, (v) the measures to be taken in the event of any non-compliance with the policy.	The Directors have fully complied with the directive regarding the management of conflicts of interest and the relevant provisions are embedded in the Board Conflict of Interest Policy.	Complied with
1.9	**REQUIREMENT TO INFORM ON INABILITY TO MEET OBLIGATIONS**		
	The Board shall, if it considers that the bank is, or is likely to be, unable to meet its obligations or about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action	No such situation has arisen up to date.	Complied with
1.10	**COMPLIANCE WITH PRUDENTIAL REQUIREMENTS**		
	The Board shall ensure that the bank is capitalised at levels as required by the Central Bank of Sri Lanka in terms of the capital adequacy ratio and other prudential requirements imposed by the Central Bank of Sri Lanka from time to time.	The Bank was fully compliant with the Capital Adequacy Requirements during the year.	Complied with
1.11	**ANNUAL CORPORATE GOVERNANCE REPORT**		
	The Board shall publish, in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with these directions.	This report serves this purpose	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
2.	**THE BOARD'S COMPOSITION**		
	The Board's composition shall ensure a healthy mix of knowledge, qualifications, skills, experience in relevant disciplines, gender and have varied backgrounds to promote diversity of views commensurate with the size, scale, diversity and complexity of operations of the bank. The qualifications and experience shall be in banking, finance, economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank of Sri Lanka.	Please refer the Profiles of the Board of Directors on page No. 50 to 56.	Complied with
2.1	**PROCEDURE FOR APPOINTING DIRECTORS**		
	(a) There shall be a formal and transparent procedure for the appointment of new directors to the Board. There shall also be Board approved procedures in place for the orderly succession of appointments to the Board.	The Bank follows a formal and transparent procedure for the appointment of Directors, as stipulated in Direction No. 5 of 2024. The Bank has obtained Board approval for the same. The Bank has a Board-approved Directors' Succession Plan under the Board Charter to ensure the orderly succession of appointments to the Board	Complied with
	(b) A director or an employee of a bank shall not be appointed, elected or nominated as a director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	No Director or employee was appointed, elected, or nominated as a director of another bank during the year 2025.	Complied with
2.2	**NUMBER OF DIRECTORS**		
	(a) The number of directors on the Board shall not be less than 7 and not more than 13. The number of directors shall be commensurate with the size, scale, diversity and complexity of operations of the bank	The Board comprised of ten (10) Directors as at 31st December 2025.	Complied with
	(b) The Board shall have at least one female representative by 31.12.2025 and the Boards with more than 10 members shall have at least two female representatives by 31.12.2026	The Bank comprised 10 members as at 31st December 2025 and included one female Director, the Chairperson, Ms. Dinithi Ratnayake.	Complied with
2.3	**EXECUTIVE DIRECTORS**		
	A member of the key management personnel of the bank may be appointed, elected or nominated as a director of the bank (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-third of the number of directors of the Board. In such an event, one of the executive directors shall be CEO of the bank.	The Chief Executive Officer, Mr. Kapila Ariyaratne, is a member of the Key Management Personnel of the Bank and is appointed as the Executive Director. The number of Executive Directors on the Board is one, which does not exceed one-third of the total number of Directors.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
2.4	**NON-EXECUTIVE DIRECTORS**		
	Non-executive directors shall be suitable professionals with credible track record of good conduct and integrity and have necessary knowledge, skills and experience to bring an independent judgment to effectively address issues of strategy, performance and resources and to contribute towards the sustainability of the bank	The Bank consists of Non-Executive Directors who are suitable professionals with credible track records of good conduct and integrity, and who possess the necessary knowledge, skills, and experience to exercise independent judgment in effectively addressing issues of strategy, performance, and resources, and to contribute towards the sustainability of the Bank.	Complied with
2.5	**INDEPENDENT DIRECTORS**		
	(a) At least half of the total number of directors shall be independent non-executive directors. Licensed banks shall comply with this Direction by 01.01.2027	The Bank consisted of 10 Directors, of whom five are Independent Non-Executive Directors	Complied with
	(b) A non-executive director shall not be considered independent if he/she: (i) has direct and indirect voting and/ or non-voting shareholdings of more than 1 per cent of the bank (ii) currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 7.2, exceeding 10 per cent of the regulatory capital of the bank (iii) has been employed by the bank during the two-year period immediately preceding the appointment as director (iv) currently has or had during the period of two years immediately preceding his/her appointment as director, a material business relationship with the bank (v) has a close relation who is a director or CEO or a member of the key management personnel or a material shareholder of the bank. For this purpose, a “close relation” shall mean the spouse or a dependent child (vi) represents a specific stakeholder of the bank (vii) is an employee or a director or a material shareholder or has a material business relationship in a company or business organisation	Independent Non-Executive Directors satisfy the criteria set out in the Rule. The Board Selection, Nomination and Governance Committee quarterly evaluates the independence status of each Independent Non-Executive Director in terms of this Directive.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	a. which currently has a transaction with the bank as defined in Direction 7.2 of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or b. in which any of the other directors of the bank are employed or are directors or are material shareholders except for the appointments recommended by the financial sector authorities, or, c. in which any of the other directors of the bank have a transaction as defined in Direction 7.2, exceeding 10 per cent of regulatory capital in the bank		
	(viii) currently is or has been during the period of one year immediately preceding his/her appointment as director, serving as a consultant/ advisor or principal consultant/ advisor in the case of a firm providing consultancy to the bank; and (ix) currently is or has been during the period of one year immediately preceding his/her appointment as director, an engagement partner of a firm providing audit services to the bank		
	(c) The independent non-executive directors shall be expressly identified in all corporate communications that disclose the names of directors of the bank	In all corporate communications that disclose the names of the directors, the independent non-executive directors are clearly identified	Complied with
2.6	**REPRESENTATION THROUGH ALTERNATE DIRECTORS**		
	(a) Representation through an alternate director is allowed only in exceptional circumstances as approved by the Board for a maximum period of one year from the date of such appointment with prior approval of the Director of Bank Supervision under the provisions of Section 42 of the Banking Act.	The composition of the Board does not include any Alternate Director	Complied with
	(b) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that applies to the independent director	Not applicable	
	(c) An existing director of the bank cannot be appointed as an alternate director to another existing director of the bank	Not applicable	

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(d) An individual appointed as an alternate director to one of the directors cannot be appointed as an alternate director to another director in the same Board	Not applicable	
2.7	**QUORUM FOR THE BOARD MEETINGS**		
	At least half of the Board members shall constitute the quorum for the Board meetings. A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless more than one third of the number of directors present at such meeting are independent non-executive directors. Licensed banks shall comply with this Direction by 01.01.2026.	This Direction was not applicable during the year 2025. Measures have been implemented to ensure full compliance with this Direction from 1 January 2026, as required. The quorum requirements were duly observed at all Board meetings held in 2026 up to the date of this Report	Complied with
3	**SUITABILITY OF DIRECTORS**		
3.1	**CRITERIA TO ASSESS FITNESS AND PROPRIETY**		
	The prior approval of the Director of Bank Supervision shall be obtained for the fitness and propriety of each person to be appointed, elected or nominated as a director of a licensed bank in terms of Section 42 and Section 76H of the Banking Act.	The Bank adheres to Section 42 of the Banking Act No.30 of 1988 (as amended) regarding the assessment of fitness and propriety of its Directors. Annual fit and proper assessments are conducted for continuing Directors, with the requisite approval obtained from the Director of Bank Supervision. During the period under review, one Independent Non-Executive Director was appointed with prior approval from the Director of Bank Supervision of the CBSL	Complied with
3.2	**ADDITIONAL REQUIREMENTS FOR SUITABILITY OF DIRECTORS**		
	(a) The age of a person who serves as Director does not exceed 70 years.	Declarations given by Directors at the time of appointment indicate the date of birth. The age is monitored accordingly. There are no Directors on the Board of the Bank who are over 70 years of age	Complied with
	(b) The total period of service of a Director other than a Director who holds the position of CEO or key management personnel position not exceed nine years.	When a Director completes a total period of service of nine years, he or she shall retire from the Board. Accordingly, Director Mr. B.R.A. Bandara, who completed nine years of service on 26th March 2026, retired from the Board.	Complied with
	(c) No person shall hold office as a Director of more than 20 companies/ entities/ institutions inclusive of subsidiaries or associate companies of the Bank.	As per the declaration made by Directors, none of the Directors is holding Directorship in more than 20 companies	Complied with
	(d) Directors shall have sufficient time to carry out the responsibilities as a director of the bank.	This requirement is encapsulated in the Board Charter. Each Director has devoted sufficient time and attention to effectively discharge their duties and responsibilities as required by the Direction.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
3.3	**COOLING-OFF PERIOD**		
	A director or CEO of a licensed bank operating in Sri Lanka shall not be appointed as a director or CEO of another licensed bank operating in Sri Lanka before the expiry of a period of six months from the date of cessation of his/her office at the licensed bank in Sri Lanka	No such situation occurred during the financial year 2025.	Complied with
4	**DELIGATION OF FUNCTIONS**		
4.1	There shall be a clear division of the responsibilities at the Board level and the key management level to ensure a greater balance of power and authority, so that powers are not concentrated in any individual	The Bank confirms compliance with this directive regarding the clear division of responsibilities at both the Board and key management levels. The Board Charter, which includes the "Policy on Matters Relating to the Board of Directors," sets out the core responsibilities and the role of the Board and also the Matters reserved for the Board. Further, the responsibilities of KMPs are articulated in their respective job descriptions.	Complied with
4.2	The Board shall have a formal schedule of matters specifically reserved for its decisions to ensure that the direction and control of the bank is firmly under its authority.	The Board has formally approved the Policy on Matters relating to the Board of Directors which Includes the Matters Reserved for the Board's decision, which clearly delineates those matters requiring its explicit approval. This provision ensures that the overall direction, strategic oversight, and control of the Bank remain firmly under the authority of the Board.	Complied with
4.3	The Board shall not delegate any matters to a Board committee, CEO, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board may delegate any of its powers to a Board Sub-Committee, a Director, CEO, Executive Director or Key Management Personnel only to the extent which can be lawfully delegated provided such delegation would not significantly hinder or reduce the ability of the Board as a whole to discharge its functions. The Board may at any time withdraw or vary such delegated power. This is embedded in the Board Charter.	Complied with
4.4	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	As and when new requirements have arisen, the Board has reviewed and amended delegation arrangements based on the recommendations made by the management to ensure that the delegation remains relevant to the needs of the Bank.	Complied with
5	**THE CHAIRPERSON AND CEO**		
5.1	**DIVISION OF RESPONSIBILITIES BETWEEN CHAIRPERSON AND CEO**		
	The roles of Chairperson and CEO shall be separate and shall not be performed by the same individual. The division of responsibilities between Chairperson and CEO shall be clearly established and set out in writing	Roles of the Chairperson and the CEO are distinct and such positions are held by two separate individuals. The Chairperson is responsible for leading the Board, ensuring its effectiveness, and maintaining oversight of corporate governance matters, while the CEO is responsible for the day-to-day management of the Bank and implementing the strategies and policies approved by the Board	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
5.2	**SUITABILITY OF THE CHAIRPERSON**		
	(a) The Chairperson shall be an independent non-executive director. In the event the Chairperson becomes non-independent after the initial appointment, as an interim arrangement, the Board shall designate an independent director as the Senior Director for a period not exceeding six months with suitably documented terms of reference. The designation of the Senior Director shall be disclosed in the bank's Annual Report	The Chairperson is a Non-Executive, Independent Director as at the date of this report.	Complied with
	(b) Where a non-independent director is currently serving as the Chairperson, such director may continue to serve as the Chairperson for a further period not beyond 31.12.2027, subject to applicable laws and regulations including Direction 3	The Chairperson is a Non-Executive, Independent Director as at the date of this report	Complied with
	(c) A Chairperson appointed after the effective date of this Direction shall be an independent non-executive director	The Chairperson is a Non-Executive, Independent Director as at the date of this report.	Complied with
5.3	**RESPONSIBILITIES OF THE CHAIRPERSON**		
	The Chairperson shall (a) provide leadership to the Board and ensure the Board works effectively and duly discharges its responsibilities	The Chairperson has fully adhered to this requirement, providing effective leadership to the Board and ensuring that it operates efficiently while discharging its responsibilities responsibly and effectively.	Complied with
	(b) Ensure that all key and appropriate issues are discussed by the Board in a timely manner	The Chairperson ensures that all key and relevant matters are duly included in the Board agenda and are deliberated in a timely and appropriate manner to ensure effective oversight and decision-making	Complied with
	(c) approve the agenda for each Board meeting, considering where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairperson may delegate the preparation of agenda to the company secretary	Drawing up of the agenda has been delegated to the Company Secretary. Accordingly, the Company Secretary has prepared the agenda for Board meetings in consultation with the Chairperson considering the matters proposed by the Directors for inclusion in the agenda. The agenda is approved by the Chairperson.	Complied with
	(d) Ensure that all directors are properly briefed on issues arising at Board meetings and also ensure that directors receive adequate information in a timely manner	The Board may call for explanations from any officer of the Bank on any matter related to the business of the Bank and it shall be the duty of such officer to provide such information as required by the Board. Every paper submitted to the Board seeking approval of the Board shall have recommendations from the executive management and shall also disclose basis/ rationale for making such recommendations.	Complied with
	(e) encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the bank	Minutes of the Board meetings reflect the same.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(f) Facilitate the effective contribution of non-executive directors in particular and ensure constructive discussions between executive and non-executive directors	The Chairperson consistently fosters an environment that encourages active engagement, as evidenced by the substantive participation of all Directors recorded in the Board minutes	Complied with
	(g) Encourage all directors to make critical and constructive discussions at the Board meetings and ensure that dissenting views can be freely expressed and discussed within the decision-making process	The Chairperson ensures that diverse perspectives are heard and that dissenting views are freely expressed as part of the decision making process. This is further evidenced by the minutes of the Board meetings.	Complied with
	(h) Not engage in activities involving direct supervision of key management personnel, other employees or any other executive duties whatsoever	The Chairperson is an Independent Non-Executive Director and does not engage in day to day supervision of management or other executive duties.	Complied with
	(i) There is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	The Board-approved Policy on Relations with Shareholders and Investors, which is included under the Board Charter, and the Bank's Communication Policy have been established and collectively provide the basis and guidelines for communicating with all stakeholders	Complied with
5.4	**CONDUCT OF CEO**		
	(a) CEO shall function as the apex executive-in-charge of the day-to-day management of the bank's operations and business and shall not hold any other executive functions	The CEO functions as the apex executive-in charge of the day-to-day management of the Bank's operations and business	Complied with
	(b) CEO shall not be appointed or nominated as an employee or a director of another licensed bank or any other company/ institution/entity except as a non-executive director of a subsidiary or an associate company of the licensed bank	The CEO was appointed to the Board of Directors of the Credit Information Bureau in June 2025. In accordance with the Central Bank of Sri Lanka's letter dated 14th February 2025, where the CEO represents the Bank on the Board of Directors of an institution established for the development and effective functioning of the banking industry, and/or when such Board membership is required by statute, the application of Direction 5.4(b) is exempted, subject to notifying the Director of Bank Supervision of such appointment. Accordingly, the Bank has informed the Director of Bank Supervision of the said appointment.	Complied with
	(c) In the event CEO is appointed as a non-executive director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities as CEO.	The CEO's ability to effectively discharge his responsibilities is not impeded by his appointment to the Board of the Credit Information Bureau.	Complied with
5.5	**SUITABILITY OF CEO**		
	The person appointed as CEO shall be a fit and proper person to hold such position in terms of Section 44A and Section 76H of the Banking Act, and shall possess sufficient authority, stature, knowledge, competencies, and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the bank.	The CEO of the Bank satisfies the criteria for fitness and propriety and possess sufficient authority, stature, knowledge, competencies, and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the Bank. The approval of the Director Supervision of the CBSL was obtained on the assessment of the fitness and propriety of the CEO.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
6	**BOARD COMMITTEES**		
	Each licensed bank shall have at least five Board committees as set out in Directions 6.2 – 6.6 of these Directions	Following committees have been established and they directly report to the Board and minutes of the same are discussed at the main Board meeting: 1. Board Audit Committee (BAC) 2. Board Human Resources and Remuneration Committee (BHRRC) 3. Board Selection, Nominations & Governance Committee (BSN & GC) 4. Board Integrated Risk Management Committee (BIRMC) 5. Board Credit Committee (BCC) 6. Board Related Party Transactions Review Committee (BRPTRC) 7. Board Strategic Planning Committee (BSPC) 8. Board Co-operative, Rural Enterprise and Livelihood Development Committee (BCRELDC) 9. Board IT Steering Committee (BITSC) 10. Board Sub Committee on Sustainability (BSCS) This is disclosed under the "Annual Report of the Board of Directors".	Complied with
6.1	**REQUIREMENTS FOR THE BOARD COMMITTEES**		
	(a) Each committee shall report directly to the Board	All Board sub-committee directly report to the Board and the minutes of all Board sub-committee meetings are tabled at a subsequent Board meeting for information of the Board.	Complied with
	(b) Board shall set out the authority of each committee, and in particular, whether the committee has the authority to act on behalf of the Board or simply has the authority to examine a particular issue and report back to the Board with recommendations.	The Bank has established ten Subcommittees, each with Board-approved Terms of Reference (TOR). These Subcommittees are authorised to act on behalf of the Board within the scope of their respective TORs. This framework ensures that the Subcommittees operate in alignment with Board policies and governance requirements, enabling effective oversight and decision-making	Complied with
	(c) Each committee shall have a Board approved Terms of Reference	Each committee has a Board approved Terms of Reference	Complied with
	(d) All committees shall appoint a secretary to inter alia arrange the meetings and maintain minutes, records in sufficient detail, under the supervision of the Chairperson of the committee. The minutes of all committees shall be submitted to the Board.	Each committee has a Secretary appointed under the supervision of its Chairman. The secretary is responsible for arranging meetings and maintaining minutes and records	Complied with
	(e) The quorum of each committee shall consist of at least half of the committee members	During 2025, the quorum for all meetings was in line with the Direction's requirements	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(f) The Board shall present a report on the performance of each committee, on the duties and roles at the annual general meeting	The report of each Board committee is included in the Annual Report	Complied with
6.2	**AUDIT COMMITTEE**		
	(a) The Chairperson of the Committee shall be an independent director and is not the chair of the Board or any other Board committee and shall possess qualifications and experience in finance, accounting and/or auditing, with membership of a recognised professional accounting body (effective date - 01.01.2027)	The Chairman is an Independent Non-Executive Director who is a qualified Chartered Accountant	Complied with
	(b) All members of the Committee shall be non-executive directors, with a majority of independent directors. The members shall possess a collective balance of skills and expert knowledge in finance, accounting and auditing commensurate with size, scale, diversity and complexity of operations of the bank (effective date - 01.01.2027)	All members are Non-Executive Directors	Complied With
	(c) A majority of the members of the Committee shall not be constituted by the members of the Integrated Risk Management Committee and vice-versa. (effective date - 01.01.2027)	As at date, BAC comprises three members, and among them, only one member is in the BIRMC	Complied With
	(d) The Committee has made recommendations on matters in connection with – (i) The appointment of the External Auditors for audit services to be provided in compliance with the relevant statutes; (ii) The implementation of the Central Bank guidelines issued to External Auditors from time to time; (iii) The application of the relevant accounting standards; and (iv) The service period, audit fee and any resignation or dismissal of the External Auditors; provided that the engagement of the External Auditor shall not exceed six years, and shall change the particular engagement partner once in every three years.	The Committee makes recommendations regarding those matters.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(e) The BAC review and monitors the external auditor's independence, integrity, objectively and the effectiveness of the audit process in accordance with applicable standards and best practice.	The BAC review and monitors the external auditor's independence, integrity, objectively and the effectiveness of the audit process in accordance with applicable standards and best practice.	Complied with
	(f) The Committee shall develop and implement a policy on the engagement of an external auditor to provide non-audit services that are permitted under the Guidelines issued by the Central Bank of Sri Lanka to External Auditors. The Committee shall ensure that the provision by an external auditor of non -audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and, (iii) whether the nature of the non-audit services, the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor.	A board approved "Policy on engagement of external auditors for non-audit services" is in place. Based on the recommendation of the BAC and in accordance with the guidelines issued by the regulatory authorities. In line with this policy, the necessary approval of the BAC is obtained before procuring any non-audit services from the external auditors.	Complied with
	(g) The Committee shall, before the audit commences, discuss and finalise with the external auditor, the nature and scope of the audit, including: (i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal control over financial reporting; (ii) the preparation of the financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between firms where more than one audit firm is involved.	The Committee has discussed and finalised the Audit Plan 2025, nature and scope of the audit and deliverables, with the External Auditors in accordance with SLAuS before the audit commences.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(h) The Committee shall review the accounting policies/systems and the internal control framework with a view to ensuring greater transparency and integrity of the bank's financial reporting process and the adequacy of accounting and other internal controls	The Committee reviews the accounting policies/ systems and the Internal controls with a view to ensuring greater transparency and integrity of the bank's financial reporting process and the adequacy of accounting and other internal controls where necessary.	Complied with
	(i) The Committee shall review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the bank's annual report and accounts and quarterly reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	The Committee reviewed all quarterly unaudited interim Financial Statements and the Financial Statements for the year ended 31 December 2025 which was submitted by the CFO/HOF	Complied with
	(j) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss including those matters that may need to be discussed in the absence of CEO and key management personnel, if necessary.	The Committee has met the External Auditors in the absence of the Executive Management during the year	Complied with
	(k) The Committee shall review the external auditor's management letter and the management's response thereto.	The BAC reviews the External Auditors' Management Letter and Management, response at the BAC meeting	Complied with
	(l) The Committee shall take the following steps with regard to the internal audit function of the Bank;		
	(i) Review the adequacy of the scope, functions, and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;	The Committee reviews the adequacy of the scope, functions, and resources of the Internal Audit Department.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	The Committee reviewed the risk-based audit plan & the audit reports tabled by the Internal Audit Department (IAD) and the appropriate actions have been taken based on the recommendations of the IAD.	Complied with
	(iii) Review any appraisal or assessment of the performance of the Head and Senior staff members of the Internal Audit Department;	The BAC has evaluated the performance of the Head of Internal Audit and Pillar Heads for the year 2025.	Complied with
	(iv) Recommend any appointment or termination of the head, senior staff members, and outsourced service providers to the internal audit function;	No any appointment or termination of head, senior staff in the year 2025.	Complied with
	(v) The Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	There were no resignations of senior staff members of the Internal Audit Department or outsourced service providers during the period	Complied with
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	The Internal Audit Department is independent since they report directly to the BAC and is not involved in any operational activities of the Bank. Its functions are performed impartially, proficiency and due professional care	Complied with
	(m) The Committee shall consider the major findings of internal investigations and management's responses thereto	The Committee has reviewed all the findings relating to investigations tabled at the BAC and advised the CIA for appropriate actions.	Complied with
	(n) Other Board members, CEO, CIA, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), any other key management personnel and a representative of the external auditors may attend meetings upon the invitation of the Committee for the relevant agenda item. However, at least twice a year, the Committee shall meet with the external auditors without the executive directors being present.	During the year, the Committee met with the External Auditor on two occasions without the presence of the Executive Director	Complied with
	(o) The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary	The Board approved Terms of Reference (TOR) of the Board Audit Committee covers the above aspects	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(p) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and Responsibilities.	During the year 2025, the BAC held 13 regular meetings and its minutes are maintained by the Company Secretary	Complied with
	(q) The secretary of the Committee (who may be the company secretary or CIA) shall record and keep detailed minutes of the Committee meetings.	The secretary of the Committee is the Chief Internal Auditor	Complied with
	(r) The Committee shall; (i) ensure effective implementation of the Board approved whistleblowing policy; and, (ii) ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.	i) A Board Approved Whistle Blowing Policy is in Place ii) All investigation reports, including concerns raised through whistleblowing are circulated with the Board Audit Committee (BAC) directors and such reports are discussed at the immediate BAC meeting for necessary actions. Further, IAD provides quarterly update on them at the Board Human Resources & Remuneration Committee (BHRRC) as well.	Complied with
	(s) The Committee shall act as the key representative body for overseeing the bank's relations with the external auditor	The BAC meets external auditors with or without the management to discuss matters relating to the audit of financial statements where necessary.	Complied with
6.3	**HUMAN RESOURCES AND REMUNERATION COMMITTEE:**		
	(a) Be chaired by a director who is not the chair of the Board and preferably independent (with Effect from 01.01.2026)	The company secretary to appraise the Board on the new requirement with effect from 01.01.2026	Complied with
	(b) Preferably be constituted with a majority of independent directors	Out of four members, three members are independent directors.	Complied with
	(c) require CEO to be present at the meetings upon invitation, except when matters relating to CEO are being discussed	The CEO is present at all meetings other than when matters relating to the CEO are discussed.	Complied with
	(d) determine the remuneration policy in relation to salaries, allowances, special payment benefits made at termination or retirement, and other financial and non-financial benefits made to directors, CEO and the key management personnel	The BHRRC has recommended a policy to determine the remuneration of the CEO and KMPs of the Bank which has already been implemented.	Complied with
	(e) Set goals and targets for the directors, CEO and the key management personnel.	Goals and targets of CEO and KMPs for the year 2025 have been set and reviewed.	Complied with
	(f) evaluate the performance of CEO and the key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	The performance evaluations of the Key Management Personnel have been completed against the set targets and the goals for 2025 to BHRRC.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(g) Ensure that the prior written approval of the shareholders is obtained for any special payments/ financial and non-financial benefits to be made the directors, CEO and key management personnel at the termination of employment or at the retirement	The KMPs termination or retirement benefits are calculated according to the statutory guidelines	Complied with
	(h) coordinate with the Integrated Risk Management Committee to ensure that the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the bank	With regard to CEO & KMPs the Board approvals is obtained	Complied with
	(i) establish a policy on claw-back arrangements for performance-based payments made to CEO and key management personnel of the licensed bank under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the licensed bank. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency. The claw-back procedure of the licensed bank shall be incorporated into the employment contracts of CEO and key management personnel and a similar arrangement shall be implemented for the existing CEO and key management personnel. (with Effect from 01.01.2026)	Board approval is available for Claw Back Policy	Complied with
6.4	**NOMINATION AND GOVERNANCE COMMITTEE:**		
	(a) be chaired by an independent director who is not the chair of the Board and shall be constituted with a majority of independent directors. CEO may be present at meetings by invitation except when matters relating to CEO are being discussed (with effect from 01.01.2027)	The Committee is chaired by an Independent Director, and the majority of the members are also Independent Directors as at the date of this report. The CEO participates only by invitation.	Complied with
	(b) The Committee has implemented a formal and transparent procedure to identify nominate and recommend new Directors, CEO, and Key Management Personnel.	The Board has established the “Board of Directors Succession Plan” to identify nominate and recommend new Directors	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(c) ensure the directors, CEO and the key management personnel are fit and proper persons to hold office as specified in the criteria given in Directions 3 and 8.2 and as set out in the applicable laws and regulations;	Affidavits and Declarations of the Directors including the Affidavit and Declarations of the Executive Director/CEO were submitted to the BSN & GC during 2025 for determining the fitness and propriety of the Directors. Having considered the Affidavits, the BSN & GC recommended that the Directors are fit and proper persons to hold their respective office for approval of the Board. A CBSL confirmation was also received on the fit and proper status of Directors. CBSL approvals are available for all KMP positions.	Complied with
	(d) obtain the views of the Integrated Risk Management Committee in selecting CRO and CCO and that of the Audit Committee in selecting CIA	In compliance	Complied with
	(e) consider and recommend (or not recommend) the re-election of current directors, through periodic evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities	The BSN & GC has considered and recommended re-election of Directors in compliance with the Direction	Complied with
	(f) quarterly evaluate the status of independence of the independent non-executive directors in terms of the Direction 2.5 b) and whether such directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision	During the year under review, the status of independence of Independent Non - Executive Directors was evaluated by the BSN & GC on a quarterly basis in compliance with this Directive.	Complied with
	(g) set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions	All documentations are in place	Complied with
	(h) consider and recommend from time to time, the requirements of additional/ new expertise to the Board and the succession arrangements for retiring directors	The Board-approved "Board of Directors' Succession Plan" for Directors, under the Board Charter, is in place	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(i) ensure that the bank has a robust succession plan for CEO and the key management personnel with an effective and transparent process to: (i) identify qualified and competent persons (internal/external) to fulfil the positions of CEO and key management personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the bank; (ii) groom the selected successors for the respective positions by identifying and mitigating the skill/knowledge gaps for the respective area; and, (iii) review the succession plan at least on an annual basis	The Board Approved Succession Plan is available for 2026 and will be reviewed annually	Complied with
	(j) ensure that the directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry on a continuous basis	The Bank ensures that Directors are continuously updated on applicable laws and regulations, macroeconomic policies, the latest technological developments, and emerging trends in the financial sector and market relevant to the banking industry. Regular briefings, workshops, and information sessions are conducted to keep the Board well-informed and equipped to discharge their responsibilities effectively.	Partially Complied with
	(k) identify the training needs of the directors and make recommendations to the Board relating to training, capacity building and professional development programs for the directors on a regular basis	As and when required, the Board Selection, Nominations & Governance Committee (BSN & GC) assesses the training needs of Directors and communicates them to the Company Secretary for appropriate arrangements. Additionally, the Company Secretary has facilitated and directed Directors to participate in various training programs during the year under review, contributing to their ongoing professional development and effectiveness in Board responsibilities.	Complied with
	(l) review the structure, size, qualifications and composition of the Board and Board committees to ensure effective discharge of duties and responsibilities	The BSN & GC confirms compliance with the directive by periodically reviewing the structure, size, qualifications, and composition of the Board and its Committees to ensure effectiveness and alignment with governance requirements	Complied with
	(m) ensure that the overall corporate governance framework and policies of the bank are reviewed, updated and effectively implemented considering all applicable laws and regulations and industry/international best practices	The BSN & GC confirms compliance with this directive and ensures that the overall corporate governance framework and policies of the Bank are regularly reviewed, updated, and effectively implemented. This process takes into account all applicable laws and regulations.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
6.5	**INTEGRATED RISK MANAGEMENT COMMITTEE**		
	(a) be chaired by an independent director who is not the chair of the Board or any other Board committee (with effect from 01.01.2027)	The Committee is chaired by an Independent Director as at the date of this report.	Complied with
	(b) consist of at least three non-executive directors with a majority of independent directors. The Committee members shall have sound collective experience in risk management issues and practices in relation to banking and/or financial services (with effect from 01.01.2027)	During the year under review, the Committee consisted of at least three non-executive Directors, the majority of whom are independent. The Committee members collectively possess sound experience in risk management. and practices in relation to banking and/or financial services.	Complied with
	(c) A majority of the members of the Committee shall not be constituted by the members of the Audit Committee and vice-versa (with effect from 01.01.2027)	Since this requirement is effective from 01.01.2027, the Bank will ensure compliance from that date onwards	Complied with
	(d) CEO, CRO, CCO and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks, to attend the meetings on need basis	At present the BIRMC consists of four Non- Executive Directors. The Committee includes the CEO, CRO, and KMPs supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks as members of the Committee.	Complied with
	(e) work with key management personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee	In place	Complied with
	(f) establish an independent risk management function responsible for integrated risk management of the bank	In place	Complied with
	(g) assess all risks, i.e., credit, market, liquidity, operational, information security and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be conducted, both on solo and consolidated basis;	Credit, market, operational, and strategic risks are evaluated on a monthly basis by the Risk Management Department and discussed at the Executive Integrated Risk Management Committee. The minutes are submitted to the BIRMC bimonthly	Complied with
	(h) advise and report to the Board on the bank's exposures against the risk appetite	In place	Complied with
	(i) oversee the functioning of CRO. The Committee shall receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches	In place	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(j) oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite	In place	Complied with
	(k) review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee	The Committee reviews the adequacy and effectiveness of management level committees such as the Executive Credit Committee, Executive Integrated Risk Management Committee, the Investment Committee, Sustainability committee, and the Assets and Liability Management Committee.	Complied with
	(l) take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements	The BIRMC reviews risk indicators which may have exceeded the defined limits	Complied with
	(m) meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	The Committee met BIRMC 9 times during 2025	Complied with
	(n) take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee	Disciplinary actions to be taken against officers responsible for failure to identify specific risks will be discussed at the Committee and it is incorporated into the disciplinary procedure manual.	Complied with
	(o) submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	A risk assessment report is submitted to the Board within one week of each BIRMC meeting	Complied with
	(p) establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the Committee periodically	Compliance function is in place to ensure that the Bank complies with all relevant regulations, rules, and guidelines. A dedicated senior officer has been appointed by the Bank in this regard who has been designated as a KMP. The Compliance Officer submits a monthly compliance status to the Board and a Related Party Transactions Report on a quarterly basis to the Board.	Complied with
	(q) establish an effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the bank	In place	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(r) without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the bank	All incentives and benefits granted to employees are With Approval	Partially Complied with
6.6	**RELATED PARTY TRANSACTIONS REVIEW COMMITTEEE**		
	(a) be chaired by an independent director who is not the chair of the Board;	The Committee is chaired by an Independent Director as at the date of this report.	Complied with
	(b) consist of at least three non-executive directors with a majority of independent directors. CEO and relevant key management personnel may attend the meetings on need basis only for the relevant agenda items	During the year under review, the Committee consisted of three non-executive directors with a majority of two independent directors. The CEO and KMP attend on need basis.	Complied with
	(c) ensure that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations	Necessary processes are in place.	Complied with
	(d) review the related party transactions of the bank including the transactions defined in Direction. 7.2, particularly with the persons who shall be considered as “related parties”, as defined in Direction 7.1, with a view to avoiding any conflicts of interest that may arise from such transactions	Necessary processes are in place.	Complied with
	(e) quarterly report to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions	Necessary processes are in place to keep the BRPTC/ BOD informed.	Complied with
	(f) ensure that a director abstains from participating in discussions on any Board decision on transactions in relation to the director or any of his/her close relation or a concern in which the director has substantial interest	This is specifically provided in the Board Charter and the Directors abstain from participating in discussions regarding Board decisions on transactions involving themselves, their close relations, or any concerns in which they hold a substantial interest.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(g) The Board has a process to ensure that the Bank does not engage in transactions with related parties as defined in Direction 7.1, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business. In this context " more favourable treatment" shall mean:	The Board approved "Related Party Transactions Policy" is in place. It defines related parties and types of related party transactions and how the Bank does not engage in transactions with related parties as defined in Direction 7.1, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business	Complied with
	(i) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board.	Effective identification and monitoring of total net accommodation granted to related parties is carried out during the approval process	Complied with
	(ii) Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counter-party.	Pricing to related parties is not more favourable than to comparable unrelated parties	Complied with
	(iii) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	The business unit is in compliance with the stipulated regulatory guidelines.	Complied with
	(iv) Providing services to or receiving services from a related party without an evaluation procedure;	Evaluation procedures are in place	Complied with
	(v) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential, or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	All employees have to maintain the confidentially according to the Code of Conduct	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
7	**Related Party Transactions**		
7.1	Related Parties The categories of persons considered as "related parties" for the purpose of this Direction are as follows. a) a director of a licensed bank; b) close relations of such director; c) a concern in which a director of a licensed bank has a substantial interest, being an interest acquired either before or after the appointment as a director of such licensed bank; d) a concern in which a close relation of a director of a licensed bank has a substantial interest; e) a chief executive officer or an officer performing executive functions of a licensed bank in respect of any accommodation granted other than an accommodation granted to such officer under a scheme applicable to the employees of such licensed bank; f) a shareholder of a licensed bank having material interest, whether individual or a concern; g) a subsidiary or an associate company of the licensed bank; h) a holding company of the licensed bank including its subsidiaries, excluding the parent bank and subsidiaries of a bank incorporated outside Sri Lanka; i) a director of a subsidiary or an associate company of the licensed bank; j) a director of a holding company of the licensed bank and its subsidiaries; k) a close relation of a person specified in Direction 7.1 (e) and (f) above; l) a concern, whose director or partner is a director of such bank; m) a concern in which a material shareholder of a licensed bank has substantial interest; and, n) a concern in which a close relation of an individual material shareholder has substantial interest	The policy Identifies categories of persons considered as related parties in line with the corporate governance directions	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
7.2	**TYPE OF RELATED PARTY TRANSACTIONS**		
	The type of transactions with related parties that shall be covered by this Direction shall include the following a) The grant of any type of accommodation, as defined in the Banking Act Directions on Maximum Amount of Accommodation/ Large Exposures of Licensed Banks. b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments. c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank. d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties	The Policy on Related Party Transaction ensures that the Bank identifies and appropriately manages transactions with related parties to avoid any potential conflicts of interest.	Complied With
7.3	**APPLICABILITY OF BANKING ACT PROVISIONS**		
	Licensed banks shall ensure compliance with the provisions of Section 47 and Section 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 as applicable, except for any accommodation granted to a CEO or a member of the key management personnel under a scheme applicable to the employees of the bank	All related party accommodations are granted in compliance with the provision of Section 47 and Section 76K of the Banking Act.	Complied With
7.4	**ACCOMMODATION GRANTED TO DIRECTORS AND CONNECTED PARTIES**		
	Where any accommodation has been granted by a licensed bank to a person or to a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, and if (a) the necessary security as approved by the Central Bank of Sri Lanka is not provided, within one year from the date of appointment of such person as a director; and	All related party accommodations are granted in full compliance with the provisions of Section 47 and Section 76K of the Banking Act.	Complied With

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(b) any amount due on account of such accommodation, together with interest, if any, is not settled within the period specified at the time of grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of the director, whichever is earlier, in the event such security is not provided by the period as provided in a) above; such director shall be deemed to have vacated the office of director. This Direction, however, shall not apply to a director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.		
7.5	**ACCOMMODATION GRANTED TO EMPLOYEES**		
	A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/or commission to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Central Bank of Sri Lanka in respect of accommodation granted as per Sections 47(3) and (5) of the Banking Act	All related party accommodations are granted in full compliance with the provisions of Section 47 and Section 76K of the Banking Act	Complied with
7.6	**WRITING-OFF OF ACCOMMODATION TO RELATED PARTIES**		
	No accommodation granted by a licensed bank to related parties given in Direction 7.1, nor any part of such accommodation, nor any interest due thereon shall be written-off without the prior approval of the Central Bank of Sri Lanka and any writing-off without such approval shall be void and of no effect	So far, no related party accounts have been written off	Complied with
8	**SENIOR MANAGEMENT**		
8.1	The overall responsibility of the Board shall not be construed as an obligation to undertake the inspection of day-to-day activities but shall rather be understood as an obligation to oversee and ensure that the senior management members are carrying out the day-to-day activities in a safe and sound manner in accordance with the Board approved strategies and policies. Accordingly, the Board shall		

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(a) define the areas of authority and responsibilities of the senior management	a) The authority and responsibilities of Senior Management have been defined in the Job descriptions.	Complied with
	(b) ensure that the actions of senior management are consistent with the business strategy and policies approved by the Board	b) All business strategies are communicated to Senior Management and the related business targets are shared among them.	Complied with
	c) meet regularly, on needs basis, with the senior management to review the progress towards achieving corporate objectives;	c) The Senior Management review the progress to achieve the corporate objectives.	Complied with
	d) question and critically review explanations and information provided by the senior management;	d) Board reviewed management's explanations, acknowledged strengths, noted gaps, and emphasised accountability and transparency.	Complied with
	e) assess whether collective knowledge and expertise of the senior management remain appropriate given the size, scale, diversity and complexity of operations of the bank; and,	e) Board assessed management expertise, found appropriate for bank's size, scale, diversity, and operational complexity.	Complied with
	f) hold the senior management members accountable for the actions	f) Board holds senior management accountable for actions, ensuring responsibility, transparency, compliance, and organisational integrity.	Complied with
8.2	**CRITERIA TO ASSESS FITNESS AND PROPRIETY OF SENIOR MANAGEMENT**		
	In terms of Section 44A and Section 76H of the Banking Act, the senior management of licensed banks as determined by the Central Bank of Sri Lanka shall be fit and proper persons to hold such respective positions and the provisions of Sections 42(2) of the Banking Act shall apply in determining whether the members of the senior management are fit and proper persons.	All KMPs are appointed with the approval of the CBSL Fit and proper persons to hold such positions	Complied with
8.3	**RESPONSIBILITIES OF SENIOR MANAGEMENT**		
	(a) contribute substantially to a licensed bank's sound corporate governance framework through personal conduct	Senior management's personal conduct substantially strengthens the bank's corporate governance framework and organisational integrity.	Complied with
	(b) devote sufficient professional time to discharge his/her duties at the licensed bank. In the event a senior management member is appointed as a non-executive director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities to the bank	Senior management devote enough time to their duties at the Bank. The Bank does not have any subsidiaries or associate companies, where they ensure their responsibilities to the Bank.	Complied with
	c) implement business strategies, risk management systems, risk and compliance culture, processes and controls for managing both financial and non-financial risks under the directions given by the Board		Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	d) recognize and respect the independent duties of the risk management, compliance and internal audit functions and shall not interfere in the exercise of such duties		Complied with
	e) receive access to regular training to maintain and enhance competencies and keep abreast of developments relevant to the respective areas of responsibility	Senior management receive regular training to maintain competencies and stay updated on relevant developments.	Complied with
	f) be responsible for delegating duties to staff and overseeing such delegated duties	Senior management delegate duties to staff and oversee execution, ensuring accountability, efficiency, and compliance.	Complied with
	g) establish a management structure that promotes accountability and transparency throughout the bank	established a management structure that promotes accountability and transparency throughout the bank	Complied with
	h) ensure that appropriate remedial or disciplinary action is taken if breaches are identified	Done	Complied with
	i) regularly provide the Board and the Board sub-committees as applicable with the information of material matters including but not limited to; (i) changes in business strategy, risk strategy/risk appetite, (ii) the bank's performance and financial condition, (iii) breaches of risk limits or compliance rules, (iv) internal control failures, and, (v) legal or regulatory concerns		Complied with
	j) notify the Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another senior management member.	There were no such instances during the year under review.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
9	DISCLOSURES		
9.1	BOARD RESPONSIBILITIES ON DISCLOSURES		
	The Board shall ensure adequate and timely public disclosures of relevant information including but not limited to key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, financial statements, etc., are made with a view to facilitating enhanced market discipline and transparency commensurate with the size, scale, diversity and complexity of operations of the bank. The Board shall ensure that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards	Annual Audited Financial Statements including the basis of preparation and presentation and statement of compliance is disclosed in the Annual Report 2025 and such Audited Financial Statements and quarterly Financial Statements have been published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with
9.2	MINIMUM DISCLOSURES TO BE MADE IN THE ANNUAL REPORT		
	The Board shall ensure that the following minimum disclosures are made in the Annual Report		
	(a) The statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Specific disclosures are available on page 215 of this Annual Report under “Statement of Directors Responsibility for Financial Reporting”.	Complied with
	(b) The report by the Board on the Bank’s internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Specific disclosures are available on pages 211 to 212 of this Annual Report under “Directors’ Statement on Internal Control over Financial Reporting”.	Complied with
	(c) The external auditor’s certification on the effectiveness of the internal control mechanism referred to in b) above. The Assurance Report issued by the Auditors under “Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors’ Statements on Internal Control” may be used as a substitute disclosure in this regard.	The Board has obtained the Assurance Report issued by the Auditors under “Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors’ Statement on Internal Control” and included on page 213 of this Annual Report	Complied with

<table>
<tr><th>Guideline</th><th>Function of the Board</th><th>Level of Compliance</th><th>Complied/ Not Complied</th></tr>
<tr><td></td><td>(d) Details of Directors, including names, qualifications, age, experience fulfilling the requirements of the guideline, fitness and propriety, transactions with the Bank, and the total of fees/remuneration paid by the Bank.</td><td>Details on the same are disclosed under the heading “Board of Directors”.</td><td>Complied with</td></tr>
<tr><td></td><td>(e) Total net accommodation granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank’s regulatory capital</td><td>Disclosures of accommodation outstanding as of balance sheet date to related parties are made under Notes to the Financial Statements in the Annual Report. Net accommodations granted to each category of related parties and its percentage as a Bank capital is as follows:

<table><tr><th>Category of Related party</th><th colspan="2">Balance</th></tr><tr><th></th><th>(LKR Mn)</th><th>%</th></tr><tr><td>Board of Directors</td><td>28.00</td><td>0.19</td></tr><tr><td>Corporate Management</td><td>257.79</td><td>1.74</td></tr><tr><td>Related Companies</td><td>365.86</td><td>2.47</td></tr><tr><td>Spouse and other family members</td><td>1.62</td><td>0.01</td></tr></table></td><td></td></tr>
<tr><td></td><td>(f) The aggregate values of remuneration paid by the Bank to its CEO and Key Management Personnel and Directors, and the aggregate values of the transactions of the Bank with its CEO and Key Management Personnel and Directors, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.</td><td>Disclosure of remuneration paid by the Bank to its KMPs and Directors and other transactions with KMPs and Directors are disclosed below.

<table><tr><th rowspan="2">Category of KMP</th><th colspan="2">Balance as at 31 December 2025</th><th rowspan="2">Remuneration fees paid during the year</th></tr><tr><th>Deposits</th><th>Loan outstanding</th></tr><tr><th></th><th>(LKR Mn)</th><th>(LKR Mn)</th><th>(LKR Mn)</th></tr><tr><td>Board of Directors</td><td>0.29</td><td>-</td><td>28</td></tr><tr><td>Corporate management (AGM grade and above)</td><td>23.58</td><td>57.97</td><td>199.82</td></tr></table></td><td></td></tr>
<tr><td></td><td>(g) Details of Board committees including
(i) details of the key activities of each Board committee during the year;
(ii) the number of meetings of each committee held in the year; and
(iii) attendance of each individual director at such meetings</td><td>This is disclosed in Pages 204 to 207 of this Annual Report</td><td>Complied with</td></tr>
<tr><td></td><td>(h) The following shall be disclosed in the Annual Corporate Governance Report:
(i) the external auditor’s certification of the compliance with these Directions, clearly demonstrating the compliance status of the licensed bank with each sub-direction;</td><td></td><td>Complied with</td></tr>
</table>

Guideline	Function of the Board	Level of Compliance	Complied/ Not Complied
	(ii) the composition of the Board, by category of directors, including the names of the Chairperson, executive directors, non-executive directors and independent non-executive directors; and,		Complied with
	(iii) the identity of the Chairperson and CEO and the nature of any relationship including financial, business, family or other material/ relevant relationship(s), if any, among the Chairperson, CEO and the members of the Board.		Complied with
	(i) A report setting out details of the compliance with prudential requirements, regulations, laws, and internal controls and measures taken to rectify any material non-compliance.	This aspect is covered by the "Board of Directors on the affairs of the Company" on page 199 of this Annual Report.	Complied with
	j) A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been communicated by the Director of Bank Supervision, or administrative fines imposed by the Central Bank of Sri Lanka, if so directed by the Central Bank of Sri Lanka to be disclosed to the public, together with the measures taken by the bank to address such concerns.	No such direction was issued by the Monetary Board during the year	Complied with
	(k) The aggregate value of total non-statutory special payments/ financial or non-financial benefits made to directors, CEOs and key management personnel at the termination of employment or at the retirement during the respective financial year	No non statutory special payments or additional financial/non financial benefits were made to the CEO or Key Management Personnel at termination or retirement during the financial year.	Complied with
9.3	**DISCLOSURES TO BE MADE ON RESIGNATION, REMOVAL OR VACATION OF OFFICE OF DIRECTORS**		
	If a director resigns or is removed or is deemed to have vacated the office of director due to regulatory non-compliances and/or as decided by the Board, the Board shall disclose the director's resignation or removal or the status of being deemed vacated the office and the reasons for same in the official website of the licensed bank, including but not limited to information relating to the relevant director's disagreement with the bank, if any	Resignations, along with one cessation of directorship due to a Director's demise, were duly disclosed in accordance with the requirements of this Direction during the period under review.	Complied with

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
A. DIRECTORS			
A.1. THE BOARD			
The Bank should be headed by a Board, which should direct, lead, and control the Bank			
Except one Director who serves in the capacity of CEO, all the other Directors of the Bank function in a non-executive capacity. The Board consists of professionals in the fields of Banking, Accounting, Rural Development, Management and Economics. All Directors possess the skills, experience and knowledge combined with a high sense of integrity and independent judgement. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Bank. The Board's composition reflects sound balance of independence and anchors shareholder commitment.			
1. Board meetings	A.1.1	The Board should meet regularly. At least once a quarter.	The Board meets regularly on a monthly basis. During the year the Board met 15 times.
2. Board responsibilities	A.1.2	Board should provide an entrepreneurial leadership within a framework of prudent and effective controls.	The Board provides entrepreneurial leadership by setting the Bank's strategic direction, defining its vision and mission, and approving the annual budget to ensure sustainable growth. At the same time, the Board ensures that all initiatives are undertaken within a robust framework of prudent and effective controls, balancing innovation and risk management to safeguard the Bank's assets, uphold regulatory compliance, and create long-term value for shareholders.
3. Compliance with laws and access to independent professional advice	A.1.3	The Board collectively and Directors individually must act in accordance with rules and regulations.	The Board collectively as well the Directors individually, recognize their duties to comply with laws of the country which are applicable to the Bank. A procedure has been put in place for Directors to seek independent professional advice under the Board Charter, in furtherance of their duties, at the Bank's expense. This is being carried out through the Board Secretary, as and when it is requested
4. Board secretary	A 1.4	All directors should have access to the advice and services of the company secretary	The Directors have access to advice and services of the Company Secretary.
5. Independent judgement	A.1.5	All Directors should bring an independent judgement to bear on issues of strategy.	Directors are responsible for bringing independent and objective judgement, and scrutinising the decisions taken by the Corporate Management led by the CEO, on issues of strategy, performance, resource utilization and business conduct.
6. Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company.	Chairperson and members of the Board have dedicated adequate time for the fulfilment of their duties as Directors of the Bank. In addition to attending Board meetings, they have attended Subcommittee meetings and also have made decisions via circular resolution where necessary. Papers relating to the Board meetings are sent well in advance, allowing sufficient time for preparation.
7. Training for new Directors	A.1.8	Every Director should get an appropriate training.	The Board of Directors recognises the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
A.2. CHAIRMAN AND CEO			
There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions. The roles of the Chairman and the Chief Executive Officer are functioning separately at SDB bank. The Chairman's main responsibility is to lead, direct and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. CEO is responsible for the day-to-day operations of the Bank.			
1. Division of responsibilities of the Chairman and the MD/ CEO	A.2.1	A decision to combine the posts of Chairman and the CEO in one person should be justified and highlighted in the Annual Report.	The roles of the Chairperson and the Chief Executive Officer have been segregated, ensuring an appropriate balance of power
A.3. CHAIRMAN'S ROLE			
The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully and preserves order and facilitates the effective discharge of the Board function.			
1. Role of the Chairman	A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure an effective discharge of the Board functions.	The Chairperson leads the Board, ensuring effectiveness in all aspects of its role. The Chairperson of SDB bank is an Independent Non-Executive Director elected by the Board. The Chairperson's role includes ensuring that new Board members are provided with an appropriate induction covering their terms of appointment, duties, and responsibilities.
A.4. FINANCIAL ACUMEN			
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board is equipped with members having sufficient financial acumen and knowledge.			
1. Availability of sufficient financial acumen and knowledge	A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	There is sufficient financial acumen on the Board, gained from leading large private and public enterprises coupled with academic and professional backgrounds. The details of their qualifications and experiences have been listed in the Annual Report under "Board of Directors".
A.5. BOARD BALANCE			
It is preferable for the Board to have balance of Executive and Non-Executive Directors such that no individual or a small group of individuals can dominate the Board's decision-taking.			
1. Presence of Non-Executive Directors	A.5.1	The Board should include at least two Non- Executive Directors or a number equalling to 1/3 of all Directors whichever is higher and in the event of CEO and Chairman is same the majority should be consistent with Non- Executives.	The majority of the Directors are Non-Executive Directors, with the CEO being the sole Executive Director performing executive functions. This composition is in full compliance with the requirements of the applicable Direction throughout the year 2025.
2. Independent Directors	A.5.2	Two or 1/3 of Non-Executive Directors out of all, should be Independent Directors.	Board comprises five Independent, Non- Executive Directors as at 31st December 2025.
3. Criteria to evaluate Independence of Non-Executive Directors	A.5.3	For a Director to be deemed as "Independent", such Director should be independent from management and free of any business or other relationships that could materially interfere.	As of the report date, the Board comprises five Independent Non-Executive Directors, fully compliant with the independence criteria as at 31 December 2025.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
4. Signed declaration of independence by the Non-Executive Directors	A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence.	A declaration of Independence is signed by all Independent Non-Executive Directors
5. Determination of independence of the Directors by the Board	A.5.5	The Board should make a determination annually as to the independence or Non-Independence of each Non-Executive Director.	The Board has determined that the submission of declaration/s by the Independent Non- Executive Directors, as to their independence, as fair representation and will continue to evaluate their submission quarterly.
6. Appointment of alternate Director	A.5.6	If an Alternate Director is appointed by a Non- Executive Director such Alternate Director should not be an Executive of the Bank.	No Alternate Director was appointed during the year 2025
7. Senior Independent Directors	A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non- Executive Directors to be the "Senior Independent Director" and disclose this appointment in Annual Report.	Roles of the Chairperson and the CEO are held by two different individuals that carry out different functions.
8. Confidential discussion with the Senior Independent Director	A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors.	The roles of the Chairperson and the CEO are segregated.
9. Meeting of Non-Executive Directors	A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Since this requirement is not derived from the CBSL Directions or the CSE Listing Rules, such meetings were not conducted during the year under review.
10. Recording of concerns in Board minutes	A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	Concerns of Directors have been duly recorded in Board minutes.
A.6. SUPPLY OF INFORMATION			
Management should provide time bound information in a form and of quality appropriate to enable the Board to discharge its duties.			
1. Information to the Board by the Management	A.6.1	Management has the responsibility to provide the information appropriately and timely to the Board. But information volunteered by Management is not always enough and Directors should make further inquiries where necessary.	The Board was provided with timely and appropriate information by the Management by way of Board papers and proposals. The Board sought additional information as and when necessary. Members of the Corporate Management made presentations on issues of importance whenever clarification was sought by the Board. The Chairperson ensured that all Directors were briefed on issues arising at Board meetings.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
2. Adequate time for effective Board meetings	A.6.2	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven days before.	The Board papers were circulated to the Directors at least a week before the respective Board meetings by giving adequate time for Directors to study the papers and prepare for a meaningful discussion at the meeting.
A.7. APPOINTMENTS TO THE BOARD			
There should be a formal and transparent procedure for the appointment of new Directors to the Board.			
1. Nomination Committee	A.7.1	A Nomination Committee should be established to make recommendations to the Board on selection of New Directors. The Chairman and members of the Committee should be disclosed in the Annual Report.	The Board Nomination, Selections and Governance Committee made recommendations to the Board on all new Board appointments. The Terms of Reference of the Committee was formally approved by the Board and Chairperson and members are disclosed in the Annual Report under "Report of The Board Nomination, Selections and Governance Committee (BNS & GC).
2. Assessment of Board composition by the Nomination Committee	A.7.2	The Nomination Committee or in the absence of Nomination Committee, the Board as a whole should annually assess Board composition.	The Board Nomination, Selections and Governance Committee carried out continuous review of the structure, size and composition (including the skills, knowledge, experience and independence required for Directors) of the Board and sub-committees to address and challenge adequately key risks and decisions that confront or may confront the Board and makes recommendations to the Board with regard to any changes.
3. Succession plan for CEO and all KMP	A 7.3	The committee should ensure that there is a succession plan for the chief executive officer and for all key management personnel and determine the training and development requirements for those identified for succession.	The board approved succession plan is in place. The training needs are identified for the development of the successors.
4. Disclosure of details of new Directors to shareholders	A.7.4	Upon the appointment of a new Director, the Company should forthwith disclose relevant particulars to shareholders.	New appointments of Directors are disclosed to the shareholders through the CSE website as well as at the AGM.
A.8. RE-ELECTION			
All Directors should submit themselves for re-election at regular intervals and at least once in every three years.			
1. Appointment of Non- Executive Directors	A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions of Companies Act relating to the removal of Directors and their reappointment should not be automatic.	Complied with, subject to provisions in the Articles of Association.
2. Election of Directors by the shareholders	A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment and re-election thereafter at intervals of no more than three years.	Complied with, subject to provisions in the Articles of Association

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
A.9. APPRAISAL OF BOARD PERFORMANCE			
The Board should periodically appraise its own performance against the pre-set targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
1. Appraisal of Board performance	A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.	Self-assessments for Board of Directors were done for the year 2025.
2. Annual self-evaluation of the Board and its committees	A.9.2	The Board also should undertake an annual self-evaluation of its own performance and that of its committees.	There is a self-performance evaluation procedure for the Board of Directors of the Bank.
3. Disclosure of the method of appraisal of Board and Board Subcommittee performance	A.9.4	The Board should state how such evaluation was done in the Annual Report.	Refer the write up of the "Corporate Governance Report" in the Annual Report.
A.10. DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders			
1. Details in respect of Directors	A.10.1	The Annual Report of the Company should disclose details regarding Directors.	Details of the Directors are given in the Annual Report under "Board of Directors" and "Annual Report of the Board of Directors on the Affairs of the Company".
A.11. APPRAISAL OF THE CEO			
The Board of Directors should at least annually assess the performance of the Chief Executive Officer.			
1. Targets for MD/ CEO	A.11.1	At the commencement of every fiscal year the Board in consultation with the CEO should set objectives for the Company.	CEO's objectives have been cascaded to the next levels of the Bank and assessed accordingly.
2. Evaluation of the performance of the MD/CEO	A.11.2	The performance of CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets have been achieved.	Performance of the CEO has been assessed by the Board of Directors.
B. DIRECTORS' REMUNERATION			
B.1. REMUNERATION PROCEDURES			
The Bank should have a formal and transparent procedure for developing policy on Executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her remuneration.			
1. HR and Remuneration Committee	B.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board.	The HR and Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy of the Directors and KMPs, and for making all relevant disclosures.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
2. Composition of the HR and Remuneration Committee	B.2.2	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman who should be appointed by the Board and the Chairman and members of the Committee should be stated in the Annual Report.	All Committee members are Non-Executive Directors and the Chairman is appointed by the Board. Composition of the Committee is given in the Annual Report under "Report of the Board Human Resources and Remuneration Committee".
3. Consultation of the Chairman and access to professional advice	B.2.3	The Remuneration Committee should consult the Chairman and CEO about its proposals relating to the remuneration of other executive Directors and have access to other professional advice.	Inputs of the Chairperson is obtained as and when required for the said subcommittee and access is available to obtain professional advice, if necessary.
4. Remuneration of the Non-Executive Directors	B.2.13	The Board as a whole or as required by the Articles of Association the shareholders should determine the remuneration of Non-Executive Directors.	Remuneration of Non-Executive Directors is determined by the Board Human Resources and Remuneration Committee
B.2. LEVEL AND MAKE UP OF REMUNERATION			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Bank successfully. A Proportion of Executive Directors remuneration should be structured to link rewards to the corporate and individual performance.			
1. Level and make up of the remuneration of Executive Directors	B.2.4	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors.	The Board is mindful of the fact that the remuneration of the Executive and the Non- Executive Directors should reflect the market expectations and is sufficient to attract and retain the quality of Directors needed to run the Bank
2. Comparison of remuneration with other companies	B.2.6	The Remuneration Committee should judge where to position the level of remuneration of the Company relative to other companies.	The Remuneration Committee in deciding the remuneration of the Directors (including the compensation package of the CEO) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors
3. Comparison of remuneration with other companies in the Group	B.2.7	The Remuneration Committee should be sensitive to remuneration and employment conditions.	Please refer the above comment under B.2.2
4. Performance – related payment to Executive Directors	B.2.8	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	This requirement has been complied with
5. Executive share options	B.2.9	Executive share options should not be offered at a discount.	Such a share option scheme is not in practice in the Bank

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
6. Early termination of Directors	B.2.11	Remuneration Committee should consider what compensation commitments, their Directors' contracts of service, if any, entail in the event of early termination.	Compensation on early termination will be discussed on a case-by-case basis considering the relevant facts.
7. Early termination not included in the initial contract	B.2.12	Where the initial contract does not explicitly provide for compensation commitments, remuneration committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	Compensation on early termination will be discussed on a case-by-case basis by the Remuneration Committee.
8. Remuneration of the Non-Executive Directors	B.2.14	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their roles, taking into consideration market practices.	The level of remuneration of Non-Executive Directors reflects the time commitment and responsibility of their role taking into consideration market practices
B.3. DISCLOSURE OF REMUNERATION			
The Bank should disclose the Remuneration Policy and the details of remuneration of the Board as a whole.			
1. Disclosure of Remuneration	B.3.1	The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Directors.	Refer page 273 to the Financial Statements relating to Related Party Transactions included in the Annual Report for remuneration of Directors, and "Report of the Board Human Resources and Remuneration Committee" for composition of the Remuneration Committee with names.
C. RELATIONS WITH SHAREHOLDERS			
C.1. CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING AND CONDUCT OF GENERAL MEETINGS			
Boards should use the AGM to communicate with shareholders.			
1. Adequate notice of the AGM	C.1.1	The Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The Bank gives notice of the AGM and related papers to the shareholders 15 working days prior to the Meeting date.
2. Separate resolution for all separate issues	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular purpose a resolution at the AGM relating to the adoption of the report and accounts.	The Bank proposes a separate resolution at the AGM on each substantially separate issue.
3. Encourage their participation	C.1.3	Companies should count all proxy votes and should indicate the level of proxies lodged in each resolution, and the balance for and withheld after it has been dealt with on a show of hands, except where a poll is called.	The Bank has a mechanism to record all proxy votes and proxy votes lodged on each resolution.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
4. Availability of all Board Subcommittee Chairmen at the AGM	C.1.4	The Chairman of the Board should arrange for the Chairman of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	The Board which includes the Chairman of the Audit, Remuneration, Nomination, and Integrated Risk Management Committees are present at the AGM to answer any questions.
5. Procedures of voting at General Meetings	C.1.5	The Company should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	Voting procedures at General Meetings are circulated to the shareholders along with the Annual Report.
C.2. COMMUNICATION WITH SHAREHOLDERS			
The Board should implement effective communication with shareholders.			
1. Dissemination of timely information	C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	All the financial information of the Bank could be accessed through newspapers, the Bank's website and the CSE website by stakeholders.
2. Policy and Methodology for communication with shareholders	C.2.2	The Company should disclose the policy and methodology for communication with shareholders.	Communication with shareholders is carried out through individual correspondence, responses to inquiries handled by the Company Secretary's Department, the Annual Report, the Bank's official Facebook page, and the Bank's website. In addition, the Bank has a formal Communication Policy in place to guide stakeholder communications.
3. Implementation Of communication Policy and Methodology	C.2.3	The Company should disclose how they implement the above policy and methodology.	A Board-approved Policy on Relations with Shareholders and Investors and the Communication Policy are in place.
4. Contact person for communication	C.2.4	The Company should disclose the contact person for such communication.	Following is the contact number of person to be contacted - The Company Secretary – 011 4079 528
5. Awareness of Directors on major issues and concerns of shareholders	C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Shareholders can direct the concerns to the Company Secretary via the above given contact number to discuss at Board Meetings
6. The Contact person in relation to shareholders' matters	C.2.6	The Company should decide the person to contact relating to shareholders matters. The relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the Board of Directors.	Following is the contact number of person to be contacted relating to shareholders' matters. Company Secretary – 011 4079 528
7. The process of responding to shareholder matters	C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Answering the shareholders' matters is done by Company Secretary / through the above contact numbers and at the AGM.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
D. Accountability and Audit			
D1. FINANCIAL AND BUSINESS REPORTING			
Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Bank, if entered into.			
1. Statutory and regulatory reporting	D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators.	SDB bank has reported a true and fair view of its position and performance for the year ended 31st December 2025 and at the end of each quarter of 2025. In the preparation of quarterly and annual financial statements, SDB bank had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 and amendments thereto, and are prepared and presented in conformity with Sri Lanka Accounting Standards. SDB bank has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.
2. Directors' Report in the Annual Report	D.1.4	The Directors' Report which forms a part of the Annual Report, should contain a declaration by the Directors stating that Bank's operations are in line with statutory requirements.	The "Annual Report of the Board of Directors on the Affairs of the Company" given in the Annual Report covers all areas of this section
3. Declaration by the Board that the business is a going concern	D.1.4	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	This is given in the "Annual Report of the Board of Directors on the affairs of the Company" in the Annual Report.
4. Statement of Directors' and Auditor's responsibility for the Financial Statements	D .1.5	The Annual Report should contain a statement setting out the responsibilities of the Board on preparation and presentation of Financial Statements, and a statement of Internal Control.	This requirement is satisfied by the "Statement of Directors' Responsibility for Financial Reporting" and "Directors' Statement on Internal Control over Financial Reporting" given in the Annual Report. Statement of Internal Control is also given in the Annual Report.
5. Management Discussion and Analysis	D.1.6	Annual Report should contain a "Management Discussion and Analysis".	The Annual Report contains a "Management Discussion and Analysis".
6. Summoning an EGM to notify serious loss of capital	D.1.7	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an EGM of the Company to notify shareholders of the position and remedial actions.	Such a situation has not arisen during the period
7. Disclosure of Related Party Transactions	D.1.8	The Board should adequately disclose the Related Party Transactions in its Annual Report.	Related party transaction details are given in the Annual Report.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
D.2. RISK MANAGEMENT AND INTERNAL CONTROL			
The Board should have a sound system of internal controls to safeguard shareholders" investments and the Bank's assets.			
1. Annual evaluation of the internal controls system	D.2.1	The Directors should at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal control.	The Board is responsible for establishing a sound framework of internal controls and monitoring its effectiveness on a continuous basis. The system of internal controls was evaluated by the Board Audit Committee in the year 2025. Risk has been reviewed by BIRMC quarterly. The Board of Directors was satisfied with the effectiveness of the system of internal controls, which is evidenced through the "Independent Assurance Report to the Board of Directors of SANASA Development Bank PLC" given by the External Auditors with regard to the "Directors' Statement on Internal Control over Financial Reporting" in the Annual Report.
2. Need for internal audit function	D.2.2.2	Companies should have an internal audit function.	The Bank has a separate Internal Audit Department (IAD). IAD is independent since they report directly to the BAC
3. Reviews of the process and effectiveness of risk management and internal controls	D.2.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	During the Financial Year 2025, the BAC reviewed the effectiveness of risk management and internal controls through the reports tabled by the Internal Audit Department. Further, the Directors' Statement on Internal Controls over Financial Reporting in the Annual Report confirms the same..
4. Sound system of internal control and its content	D.2.2.4	Directors should follow the said guidance on responsibilities in maintaining a sound system of internal controls.	Directors' Statement on Internal Controls over Financial Reporting in the Annual Report describes the related areas.
D.3. AUDIT COMMITTEE			
The Board should have formal and transparent arrangements for selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Bank's External Auditor.			
1. Composition of the Audit Committee	D.3.1	The Audit Committee should comprise of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher.	Complied with. (Please refer to the composition of Board Audit Committee in the Annual Report.)
2. Review of objectivity of the External Auditor	D.3.2	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors.	The Audit Committee ensures the independence and objectivity of External Auditors.
3. Terms of reference of the Audit Committee	D.3.2	The Audit Committee should have a written Terms of Reference.	Bank has a written Terms of Reference (TOR) for Board Audit Committee (BAC) which complies with the requirements of the code.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
4. Disclosures of the Audit committee	D.3.3	The names of the Directors of the Audit Committee, determination of the independence of the Auditors and its basis should be disclosed in the Annual Report.	The names of the members of the Audit Committee are given in the Annual Report. The External Auditor has provided an independent confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by SEC and the BAC has reviewed the same to ensure their independence
D.6. CODE OF BUSINESS CONDUCT AND ETHICS			
The Bank should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management Team.			
1. Code of Business Conduct and Ethics	D.6.1	Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if there is such a Code, make an affirmative declaration in the Annual Report.	The Code of Conduct has been communicated to all staff
2. Affirmation by the Chairman that there is no violation of the Code of Conduct and Ethics	D.6.7	The Chairperson must affirm in the Company's Annual Report that she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Please refer the "Chairperson Statement on Corporate Governance" for details.
D.7. CORPORATE GOVERNANCE DISCLOSURES			
The Bank should disclose the extent of adoption of best practice in Corporate Governance.			
1. Disclosure of Corporate Governance	D.7.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner in which Company has complied with the principles and provisions of this code.	This requirement is met through the presentation of this report.
E. INSTITUTIONAL INVESTORS			
E.1. SHAREHOLDERS' VOTING			
Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.			
1. Institutional shareholders	E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern
E.2. EVALUATION OF GOVERNANCE DISCLOSURES			
1. Evaluation of Governance Disclosures	E.2	When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.	Institutional investors' concerns are addressed as and when raised.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
F. OTHER INVESTORS			
F.1. INVESTING/DIVESTING DECISION			
1. Individual shareholders	F.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Information is readily available for individual shareholders investing directly in shares of the Bank to carry out adequate analysis.
F.2. SHAREHOLDER VOTING			
1. Individual shareholders' voting	F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	All individual shareholders are given the opportunity to participate at Annual General Meetings and exercise their voting rights.
H. SUSTAINABILITY:ESG RISK AND OPPORTUNITY			
1. Principle 1 Economic sustainability	H.3	Principle of economic sustainability governance recognises how organisations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate in their sphere of influence and how this is integrated through the organisation.	The Board of Directors through multiple subcommittees guides and reviews the performance of the bank in relation to economic sustainability. Key Board Subcommittees in this regard includes the Board Strategic Planning Committee, Board Cooperative, Rural Enterprise and Livelihood Development Committee, Board Subcommittee on Sustainability, Board Integrated Risk Management Committee and the Board Credit Committee. The management executes a Board approved integrated strategy, where the performance is reviewed and discussed in aforementioned Board Subcommittees and also in the meetings of the Board of Directors. Integrated Sustainability Framework is in place approved by the Board of Directors addressing the key focused areas on sustainability, such as environmental stewardship, social responsibility and sustainable economic growth. Bank considers its regional influence and its impact when planning its strategies, activities and decisions on economic performance for economic sustainability governance.
2. Principle 2 – The environment	H .3.1.1	Environmental governance of an organisation should adopt an integrated approach that takes into consideration economic, social, health and environmental implications of their decisions and activities.	The Board of Directors through the Board Subcommittee on Sustainability reviews the implementation of the integrated strategy. Bank's seven pronged approach to sustainability management considers the economic, social, health and environmental implications of the decision and activities undertaken by the bank.
3. Principle 3 – Labour practice	H.3.1.2	Labour practices governance of an organisation encompasses all policies and practices relating to work performed by or on behalf of the organisation.	The bank is in compliance with the labour laws of the county.

Corporate Governance Principle	CA Sri Lanka Code Reference	Description of the Requirement	SDB bank's Extent of Compliance in 2025
4. Principle 4 – Society	H.4.3	Society governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community development.	The Board of Directors, through the Board Subcommittee on Sustainability reviews the Social Performance Management of the organisation in alignment with the Universal Standards for Social and Environmental Performance Management. It is supported by other committees such as the Board Cooperative, Rural Enterprise and Livelihood Development Committee and Board Strategic Planning Committee.
5. Principle 5 – Product responsibility	H.5.1	Product responsibility governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment.	The Board of Directors through the Board Subcommittee on Sustainability reviews the product responsibility aspect(value propositions on responsible finance) through Social Performance Management System of the bank in alignment with the Universal Standards for Social and Environmental Performance Management.
6. Stakeholder identification, engagement and effective communication	H.5.2	Internal and external stakeholder groups should be identified in relation to the Company's sphere of influence, impact and implication. Communication should be proactive and transparent.	The Board Strategic Planning Committee reviews stakeholder materiality aspects when formulating the integrated strategy. This involves identification and engagement of stakeholders through various functions of the bank.
7. Principle 7 – Formalisation of sustainability report	H.5.4	Sustainability reporting and disclosure should be formalised as part of the Company's reporting process and take place on a regular basis.	The Board of Directors through the Board Subcommittee on Sustainability and the Board Strategic Planning Committee reviews sustainability performance of the bank and its adherence to reporting and disclosure requirements. This requirement is met through the presentation of this report.

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

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.1	**APPLICABILITY OF THE CORPORATE GOVERNANCE RULES**		
	The Bank is to publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	This report serves this purpose.	Complied with
9.2	**POLICIES**		
9.2.1	Establish and maintain the following policies, and disclose its existence and details of implementation on the website-		
	• Policy on the matters relating to the Board of Directors • Policy on Board Committees • Policy on Corporate Governance, Nominations and Re-election • Policy on Remuneration • Policy on Internal Code of Business Conduct and Ethics for all Directors and employees including Policies on trading in the Bank's listed securities • Policy on Risk management and Internal controls • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistle blowing • Policy on Anti-Bribery and Corruption	Following policies and procedures as required under the rule are currently in force at the Bank; Policy on the matters relating to the Board of Directors, Policy on Board Committees, Policy on Corporate Governance, Nominations and Re-election, Remuneration Policy and Procedure for Board of Directors, Remuneration Policy (Employees), Internal Code of Business Conduct and Ethics for Board of Directors and employees including Policies on trading in the Bank's listed securities, Policies on Risk management and Internal controls, Communication Policy, Policy on Relations with Shareholders and Investors, Integrated Sustainability Policy Framework, Assets and Liability Management Policy covering Control and Management of Company Assets and Shareholder Investments, Policy on Corporate Disclosures, Policy on Whistle blowing and Policy on Fraud, Corruption and Operational Risk management. However, reviews of these policies need to be undertaken by the Bank in order to ensure further improvements.	Complied with

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.3	**BOARD SUB COMMITTEES**		
9.3.1/ 9.3.2	Following Board Committees to be established and the Bank to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules • Nominations and Governance Committee • Remuneration Committee • Audit Committee • Related Party Transactions Review Committee	The following Board Sub Committees referred to in the Rule are constituted and maintained and are functioning effectively; • Board Audit Committee (BAC) • Board Human Resources and Remuneration Committee (BHRRC) • Board Selection, Nominations & Governance Committee (BSN & GC) • Board Integrated Risk Management Committee (BIRMC) • Board Related Party Transactions Review Committee (BRPTRC)	Complied with
9.3.3	The Chairperson of the Board shall not be the Chairperson of the above Board sub-committees.		Complied with
9.4	**PRINCIPLES OF DEMOCRACY IN SHAREHOLDER DEALINGS**		
9.4.1	The Bank is to maintain records of all resolutions and the requisite information of shareholder resolutions and provide copies to the SEC or CSE if requested.	The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.	Complied with
9.4.2	A shareholder communications and relations policy is to be established and its existence is to be disclosed in the Annual Report and website.	The Bank's Communication Policy ensures this requirement. This report in the annual report 2025 serves the disclosure requirement.	Complied with
	Bank to have and disclose a contact person for communication with shareholders.	Details of the contact personnel are provided in the "Corporate Governance" section under "Communication with Shareholders" of this Report.	Complied with
9.5	**POLICY ON BOARD RELATED MATTERS**		
9.5.1	Bank to establish and maintain a formal policy governing matters relating to the Board of Directors covering the requisites in 9.5.1	The policy on matters relating to the Board of Directors Is available.	Complied with
9.6	**POLICY ON BOARD RELATED MATTERS**		
9.6	The Chairperson of the Bank should be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same person.	The Chairperson of the Bank is a Non-Executive Director. The positions of Chairperson and CEO are held by two different individuals.	Complied with
9.6.3	If the Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, the Bank is to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3	Such a situation has not arisen during the year.	Not Applicable

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.7	**FITNESS OF DIRECTORS AND CEO**		
9.7.1/ 9.7.2/ 9.7.3/ 9.7.4	The Bank is to ensure that the Directors and CEO and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Bank to obtain declarations from all directors and CEOs on an annual basis confirming their fitness and propriety.	The Company Secretary obtains declarations from the Directors on an annual basis. Declarations on the Directors' fitness and propriety in line with the Listing Rules have been obtained and submitted to the Board to assess and ensure that the Directors are fit and proper persons to hold office as specified in the criteria.	Complied with
9.8	**BOARD COMPOSITION**		
9.8.1	The minimum number of Directors shall be 5.	The number of Directors during the year 2025 complied with the thresholds detailed in these Rules. As at 31st December 2025, the Board comprised ten (10) Directors.	Complied with
9.8.2/ 9.8.3/ 9.8.5	The minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change is to be rectified within 90 days.	The Board comprises of five (05) independent Non-Executive Directors as at the date of this report.	Complied with
9.9	**ALTERNATE DIRECTORS**		
	The Bank is to follow the requirements laid down in 9.9 when appointing an Alternate Directors.	Such a situation has not arisen during the year	Not Applicable
9.10	**DIRECTOR DISCLOSURES**		
9.10.1	The Bank is to disclose policy on the maximum number of directorships allowed to be held by a Director. If such a number is exceeded, an explanation is to be provided in the Annual Report	As required by the Banking Act Directions, no Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed under the section of "Board of Directors" of the Annual Report.	Complied with
9.10.3	The bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	The Bank makes the required announcements as and when necessary.	Complied with
9.11	**NOMINATION AND GOVERNANCE COMMITTEEE**		
9.11.1	The bank shall have a Nominations and Governance Committee (NGC).	In view of the revised Listing Rules Board Selection, Nominations and Governance Committee has been established.	Complied with
9.11.3	NGC to have written Terms of Reference.	Available.	Complied with
9.11.2	Establish and maintain a formal procedure for appointments and re-election of Directors through the Nominations and Governance Committee	The BSN & GC considers Board vacancies and recommends suitable candidates, when necessary, in accordance with the Board-approved procedure for selection and appointment of Directors and in line with applicable laws and regulations.	Complied with

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.11.4 9.11.5	Functions and Composition of the NGC - Comprise a minimum of 3 Directors out of which a minimum of 2 shall be Independent - not consist of Executive Directors – Chairperson to be an Independent Director	Please see the detailed report under the section "Report of the Board Selection and Nomination Committee" of the Annual Report for the functions and composition.	Complied with
9.12	**REMUNERATION COMMITTEEE**		
9.12.2/ 9.12.5	The bank shall have a Remuneration Committee and the Committee to have written Terms of Reference.	The Bank has a Board Human Resources & Remuneration Committee & written Terms of Reference to such committee are in force.	Complied with
9.12.3/ 9.12.4	BHRRC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual directors.	The Bank has a Board-approved Policy and Procedure for the Selection, Appointment, and Remuneration of the Directors (Independent) and CEO, addressing the remuneration aspects of Directors & CEO.	Complied with
9.12.6	Functions and Composition of the HRRC Comprise a minimum of 3 Directors out of which a minimum of 2 shall be independent not consist of Executive Directors Chairperson to be an Independent Director.	Please see the detailed report on "Board Human Resources & Remuneration Committee" in the Annual Report.	Complied with
	The Remuneration Committee shall comprise of Non-Executive Directors a majority of whom shall be Independent. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Please see the detailed report on the "Board Human Resources & Remuneration Committee" in the Annual Report.	Complied with
9.13	**AUDIT COMMITTEEE AND BIRMC**		
9.13.1/ 9.13.2	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. Audit Committee to have written Terms of Reference.	The Bank has a separate Board Audit Committee (BAC) and a Board Integrated Risk Management Committee (BIRMC) with separate written Terms of References.	Complied with
9.13.3/ 9.13.4	Functions and Composition of the BAC - Comprise a minimum of 3 Directors out of which a minimum of 2 or a majority (whichever higher) shall be Independent - not consist of Executive Directors - chairperson to be an independent director • Compulsory meetings on a quarterly basis prior to recommending the financials to be released to the market • Quorum- the majority of those in attendance shall be independent • CEO and CFO to attend meetings by invitation. • Provided however where there is a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.	The BAC comprises three (03) Independent, Non-Executive Directors as at report date. The Chairman of the BAC is an Independent Non-Executive Director. Interim Financial Statements have been recommended to the Board by the BAC on a quarterly basis prior to release to the market. The BAC held 13 meetings in 2025 and the majority of the attendance of directors were independent. Further, the BIRMC has had 9 meetings in 2025 and the CEO/CFO attended all such meetings by invitation.	Complied with
	Where the parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary.		Not Applicable

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
	The Chairperson of the BAC shall be a Member of a recognised professional accounting body. Provided, however this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee.	The Chairman of the BAC, Mr. Chaaminda Kumarasiri is a chartered accountant and possesses over 27 years of extensive lecturing and corporate training experience. His qualifications are detailed under the section of "Board of Directors" of the Annual Report.	. Complied with
	The Audit Committee shall comprise of Non- Executive Directors a majority of whom shall be independent. One Non-Executive Director shall be appointed as the Chairman of the committee by the board of Directors. Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	See the detailed report on the "Board Audit Committee" included in the Annual Report	. Complied with
	In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.	Not Applicable.	Not Applicable
	Functions and Annual Report Disclosures of the Audit Committee.	See the detailed report on the "Board Audit Committee" included in the Annual Report.	Complied with
9.14	**RELATED PARTY TRANSACTION REVIEW COMMITTEEE**		
9.14.1	The bank shall have a Board Related Party Transaction Committee (BRPTC)	The Terms of Reference of the Bank's Related Party Transactions Review Committee were amended in view of the revised Listing Rules.	Complied with
9.14.2/ 9.14.3	Functions and Composition of the BRPTRC - Comprise a minimum of 3 Directors out of which 2 shall be Independent - may include Executive Directors - Chairperson to be an independent director	Please see the detailed report of "the Board Related Party Transactions Review Committee" included in the Annual Report.	Complied with
	Where the parent and subsidiary are both listed the BRPTC of the parent may be permitted to function as the BRPTC of the subsidiary.	Not Applicable.	Not Applicable

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.14.4	GENERAL REQUIREMEENTS		
	The frequency of meetings shall be at least quarterly.	In 2025 the BRPTRC had 04 meetings, with 1 meeting per quarter.	Complied with
	Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the BRPTC are tabled at the meetings of the Board of Directors on a periodic basis.	Please see the detailed report of "the Board Related Party Transactions Review Committee" included in the Annual Report.	Complied with
	Members of the BRPTRC to ensure they have or have access to adequate knowledge expertise and advice.	The members being aware of the same and exercise this right as and when needed.	Complied with
	Where necessary, the BRPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the BRPTC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.	When necessary, Related Party Transactions were submitted to the Board in 2025.	Complied with
	Interested Directors shall not vote on or shall not be present during the deliberations on the specific matter	Interested Directors did not participate or vote on any discussions during the deliberations on the interested matters in 2025.	Complied with
9.14.5	Subject to the exemptions, BRPTC shall review in advance all proposed RPTs	The BRPTRC reviews all transactions falling within the scope of this rule.	Complied with
	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the BRPTC prior to the completion of the transaction.	This requirement has been incorporated into the policy of Related Party Transactions to be followed in the Bank.	Complied with
	The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT.	This requirement has been incorporated into the policy of Related Party Transactions and is followed in the Bank.	Complied with
	Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT.	Interested Directors did not participate or vote on any discussions during deliberations on the interested matters in 2025.	Complied with
	For recurrent RPTs, the BRPTRC may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the BRPTC on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the RPT remains appropriate.	These requirements have been incorporated into the policy of Related Party Transactions and the Terms of Reference of the BRPTRC.	Complied with
9.14.6	Bank to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6	No such transactions took place in 2025.	Not Applicable.
9.14.9	Acquisition and Disposal of substantial assets from/to related parties are to be done with shareholder approval as per Rule 9.14.9.	No such transactions took place in 2025.	Not Applicable.

Rule No.	Corporate Governance Requirement	Level of Compliance 2025	Complied/ Not Complied 2025
9.16	ADDITIONAL DISCLOSURES		
	The Board of Directors must include declarations in the Annual Report, including disclosures about material interests in contracts, a review of internal controls, awareness of applicable laws and regulations, disclosure of areas of material non-compliance, and any relevant fines imposed by regulatory authorities.	This report serves this purpose.	Complied with

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is mandated by the Board to oversee and strengthen the risk management framework of the Bank. Its responsibilities encompass defining the Bank's risk appetite and ensuring that business operations are consistently conducted within established tolerance levels. In fulfilling this mandate, the Committee plays a pivotal role in promoting a sound governance structure that enables the timely identification, assessment, and mitigation of both existing and emerging risks. Through its oversight, the BIRMC ensures that risk management practices remain aligned with regulatory expectations, industry best practices, and the Bank's strategic objectives, thereby safeguarding resilience and supporting sustainable growth.

Operating in a dynamic and evolving environment, the Bank is exposed to a wide spectrum of risks, and the BIRMC plays a pivotal role in embedding a strong culture of risk awareness across the organisation. The Committee ensures that employees remain well-informed of the latest developments, regulatory expectations, and emerging trends in risk management, thereby strengthening the Bank's ability to anticipate and respond to challenges proactively.

In addition to fostering awareness, the BIRMC undertakes the evaluation of the performance of the Chief Risk Officer and the Chief Compliance Officer, ensuring that leadership within these functions demonstrates the necessary expertise, judgment, and accountability. This oversight extends to verifying that personnel within the Risk and Compliance Departments possess the requisite skills, technical knowledge, and professional competence to discharge their responsibilities effectively. By combining awareness-building with rigorous evaluation of leadership and departmental capabilities, the BIRMC reinforces the Bank's resilience, enhances operational integrity, and ensures that risk management practices remain robust, forward-looking, and aligned with the institution's strategic objectives.

COMPOSITION OF THE BIRMC

The BIRMC comprised the following Directors:

- Mr. Prasanna Premaratna - Chairman (BIRMC), Independent, Non-Executive Director
- Ms. Dinithi Ratnayake - (Chairperson of the Bank), Independent, Non-Executive Director
- Mr. Conrad Dias - Non-Independent, Non-Executive Director
- Mr. Chandana Dissanayake - Independent, Non-Executive Director

Mr. Chaaminda Kumarasiri Independent Non Executive Director, served as a member of the Committee until 10.12.2025. Mr. Chandana Dissanayake Non Independent Non Executive Director served as a member of the Committee until 17.10.2025 and was re-appointed as a member of the Committee w.e.f. 10.12.2025, following his re-appointment to the Board as an Independent Non-Executive Director.

The Chief Executive Officer and the Chief Risk Officer are permanent invitees of the Committee and the Chief Risk Officer acts as the secretary of the Committee.

TERMS OF REFERENCE (TOR) OF THE COMMITTEE

The BIRMC was constituted by the Board of Directors in accordance with the corporate governance directions issued by the Central Bank of Sri Lanka for Licensed Specialised Banks.

The composition of the Committee and the scope of its responsibilities are fully aligned with these regulatory requirements, ensuring that its mandate is carried out in strict compliance with the prescribed standards. In support of this, the Board of Directors has formally approved the Committee's ToR, which provides a clear framework for its operations and oversight activities. This structured approach reinforces the Committee's accountability and ensures that its work remains consistent with both regulatory expectations and the Bank's broader governance objectives.

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

- The Committee regularly assesses all categories of risk faced by the Bank including credit, market, liquidity, and operational risks using appropriate risk indicators to ensure timely monitoring and management.
- It reviews the adequacy and effectiveness of all management-level committees, thereby reinforcing the strength of the Bank's overall risk governance framework.
- Where specific risks exceed prudential thresholds determined by the Committee, prompt and corrective actions are initiated to mitigate potential adverse impacts.
- A dedicated compliance function has been established under the Committee's oversight to evaluate the Bank's adherence to applicable laws, regulations, directives of regulatory authorities, internal controls, and approved policies across all business operations. This function is led by a Chief Compliance Officer, appointed from among the Key Management Personnel, who reports to the Committee on a periodic basis.
- The Committee oversees the strategies implemented by the Chief Executive Officer and senior management in relation to capital and liquidity management, as well as the management of credit, market, operational, information security, and strategic risks, ensuring alignment with the Bank's defined risk appetite.
- In addition to traditional risk domains, the Committee emphasises the integration of sustainability considerations into risk assessment and mitigation processes. Particular focus is placed on identifying and managing environmental, social, and governance (ESG) risks, thereby ensuring that the Bank's risk management framework supports long-term resilience,

responsible banking practices, and the achievement of sustainability objectives.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

During the year under review, the Committee introduced several enhancements and procedural improvements to further strengthen the Bank's risk management processes. The Enterprise-wide Risk Management Framework was periodically reviewed and reinforced to ensure closer alignment with industry best practices and the evolving regulatory environment.

The Committee also examined the Bank's internal capital adequacy calculation methodologies and future projections, while reviewing the Internal Capital Adequacy Assessment Process (ICAAP) report submitted to the regulator. Attention was given to the assumptions and methodologies applied in stress testing, as well as the three-year capital projections, to confirm that they remained within acceptable parameters.

In addition, the Committee undertook a comprehensive review of significant risks arising from credit, market, liquidity, and operational areas, alongside an evaluation of the effectiveness and efficiency of Key Management Committee meetings held during the year.

Specific focus was placed on risks associated with the retail credit portfolio, which require close monitoring to mitigate inherent vulnerabilities.

The Committee also assessed stressed segments of the portfolio impacted by recent natural calamities, providing guidance to management on measures necessary to safeguard the interests of both borrowers and the Bank. These measures were designed not only to protect the institution's financial stability but also to preserve the overall health of the lending portfolio.

MEETINGS

The BIRMC met nine (09) times during the year under review. The attendance of the Committee members at the meetings of the Committee is tabled on page 206. The minutes of meetings are regularly forwarded to the Board together with detailed key risk indicators, stress testing reports, and forecasts. All key risk indicators and potential risks were discussed and reviewed at each meeting and appropriate mitigatory measures were taken where necessary.

COMMITTEE EVALUATION

In line with industry best practices on corporate governance, the members of the BIRMC carried out the Committee's annual self-evaluation during the year under review.

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



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

4th May 2026
Colombo, Sri Lanka

REPORT OF THE BOARD AUDIT COMMITTEE

COMPOSITION OF THE BOARD AUDIT COMMITTEE (BAC)

The Board Audit Committee appointed by and responsible to the Board of Directors ("the Board") comprises three (03) Independent, Non-Executive Directors.

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

- Mr. Chaaminda Kumarasiri - Chairman (BAC), Independent, Non-Executive Director
- Mr. Prasanna Premaratna - Independent, Non- Executive Director
- Mr. Thusantha Wijemanna - Independent, Non-Executive Director (Appointed to the BAC w.e.f 26.03.2026)

Mr. B.R.A. Bandara, Non- Independent, Non- Executive Director, served as a member of the BAC until 26.03.2026. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by Mr. B.R.A. Bandara as a member of the Committee.

The Chairman of the BAC, Mr. Chaaminda Kumarasiri is an Independent Non- Executive Director. Brief profile of Mr. Chaaminda Kumarasiri and other members of the BAC are given on pages 50 to 56 in the Annual Report.

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

TERMS OF REFERENCE

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

REGULATORY COMPLIANCE

The roles and functions of the BAC are regulated by the Banking Act Direction No 05 of 2024 on corporate governance for licensed Banks issued by the Central Bank of Sri Lanka, the Rules on Corporate Governance as per the Section 9 of listing rules issued by the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through follow-up reports tabled during the year 2025.

DUTIES AND ROLE OF THE BOARD AUDIT COMMITTEE

The BAC is responsible for:

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

MEETINGS

For the purpose of discharging its duties, the BAC met thirteen (13) times during the year. The attendance of the Committee members of each of these meetings is given in the table in page 206 of the Annual Report. The minutes of the meetings have been regularly reported to the Board of Directors. Chief Internal Auditor and Chief Financial Officer have normally attended meetings on invitation and Executive Director / Chief Executive Officer and the relevant Corporate Management/ Officers in other grades also participated in the meetings on invitation. On the invitation of the

Committee, the Engagement Partner and the Senior Officers of the Bank's External Auditors, Messrs. Ernst & Young attended four (04) Committee meetings during the year. In four (04) out of thirteen (13) meetings, it has been discussed and recommended the Quarterly and Annual Financial Statements for the Board approval.

The Committee met Chief Internal Auditor without the presence of Management in an occasion to assess the independence and other confidential matters. The BAC met the External Auditors in four (04) occasions during the year and in which two (02) occasions were without the presence of the Executive Director / Chief Executive Officer and the Management to ensure that there were no limitations of scope in relation to the external audit and to allow for full disclosure of any incident which could have had a negative impact on the effectiveness on the external audit.

FINANCIAL REPORTING

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

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

The Bank is required to comply with Section 9.2 (b) of the Banking Act Direction No 05 of 2024 on corporate governance for licensed Banks issued by the Central Bank of Sri Lanka and assessed the adequacy and effectiveness of internal control over financial reporting as of 31st December 2025.

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

The Bank's assessment was concentrated on processes documented by the respective process owners with the guidance of the Bank's Internal Audit and External Auditors. Based on Internal Auditors' and External Auditors' assessments, the Board has concluded that, as of 31st December 2025, the Bank's internal control over financial reporting is effective. Directors' Report on the Bank's Internal Control over Financial Reporting is provided on pages 211 to 212 in the Annual Report. The Bank's External Auditors have reviewed the effectiveness of the Bank's internal control over financial reporting and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. External Auditor's Report on the Bank's Internal Control over Financial Reporting is provided on page 213 of the Annual Report.

ANNUAL CORPORATE GOVERNANCE REPORT

As required by Section 9.2 (b) of the Banking Act Direction No 05 of 2024 on corporate governance for licensed Banks issued by the Central Bank of Sri Lanka, the Annual Corporate Governance Report for 2025 and the compliance with Colombo stock Exchange (CSE) listing rules – Section 09 on Corporate Governance for 2025 are provided on pages 124 to 160 and 174 to 180 respectively in the Annual Report. The External Auditors of the Bank have performed procedures set-out in Sri Lanka Related Services Practice Statement (SLRSPS) 4750 issued by The Institute of Chartered Accountants of Sri Lanka, to meet the compliance requirement of the Corporate Governance directive. The findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on pages 161 to 173.

EXTERNAL AUDIT

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

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

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

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

INTERNAL AUDIT

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

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

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

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

Along with the significant findings, the Internal Audit Department has engaged in sharing and providing knowledge through audit exit meetings to the Bank's staff for better control awareness and identifying early warning signals. In keeping with BAC recommendations, the internal audit has also provided input to the Corporate Management for effective control and prevention of frauds. Further the Internal Audit Department conducted several awareness sessions on Fraud Detection & Prevention to branch deputy managers and branch managers as per the invitation of the financial consumer protection unit of the Bank. Also the Human Resource Department conducted awareness sessions on the Whistleblowing Policy of the bank during 2025. The Committee reviewed the performance appraisal of the Chief Internal Auditor and other Pillar Heads of the Internal Audit Department.

INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL

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

WHISTLEBLOWING

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

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

The Committee reviewed the Policy on Non-Audit Services provided by the External Auditors of the Bank.

REPORTING TO THE BOARD

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

PROFESSIONAL ADVICE

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

TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

Members of the BAC attended presentations made by consultants and Key Management Personnel as a part of their continuous professional development.

BOARD AUDIT COMMITTEE EVALUATION

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

For and on behalf of the Board Audit Committee,



Mr. Chaaminda Kumarasiri
Chairman
Board Audit Committee (BAC)

4th May 2026
Colombo, Sri Lanka

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board Human Resources and Remuneration Committee (BHRRC) of SDB bank was established according to the Terms of Reference approved by the Board of Directors of the Bank and the Central Bank guidelines. Its main responsibility is to establish the Remuneration Policy and its framework, and reviewing and approving the key Human Resources policies in the Bank.

COMPOSITION OF THE BHRRC

The Board Human Resources and Remuneration Committee consists of four (04) Non-Executive Directors listed below:

- Mr. Thusantha Wijemanna - Chairman (BHRRC) , Independent, Non-Executive Director
- Mr. Prasanna Premaratna - Independent, Non-Executive Director
- Mr. Sarath Nandasiri - Non-Independent, Non-Executive Director
- Mr. Chandana Dissanayake - Independent, Non-Executive Director (Appointed to the BHRRC w.e.f. 10.12.2025)

Mr. Chandana Dissanayake, Non-Independent Non-Executive Director, served as a member of the Committee until 27.02.2025 and was re-appointed as a member of the Committee with effect from 10.12.2025, following his re-appointment to the Board as an Independent Non-Executive Director.

Mr. Naveendra Sooriyarachchi who served as a member of the Committee ceased to hold office as a Director of the Bank with effect from 12.09.2025 due to his demise.

Mr. Chaaminda Kumarasiri, Independent Non-Executive Director, served as a member of the Committee until 10.12.2025. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by Mr. Chaaminda Kumarasiri as a member of the Committee.

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

COMMITTEE MEETINGS OF BHRRC

The Committee held ten (10) meetings during the year under review to endorse proposals related to a wide array of aspects relating to the Human Resources function of the Bank. The Committee has consistently guided the Bank's HRM functions to align with its strategic direction, while ensuring full compliance with the Bank's regulatory and statutory framework.

SCOPE AND RESPONSIBILITIES

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

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

KEY HR INITIATIVES DURING THE YEAR

The Committee comprehensively reviewed and evaluated the KPIs of the Key Management Personnel (KMP) of the Bank for the year 2024 against the set goals and targets and finalised the performance achievements. BHRRC also set goals and targets of KMPs for the year 2025 in line with the strategic vision and direction of the Bank for 2025.

The Committee acknowledges that in addition to effective strategic planning and talent management, cultivating a conducive work environment supports and sustains a culture of superior performance that drives success.

Recognising both individual performance and collective achievement, the Bank has approved a performance-linked bonus plan for all staff, tied to the overall attainment of the Bank's profit target. The Committee also provided its approval to the Annual Training Plan for 2025.

Adhering to the Human Resources and Remuneration Policy, the Committee approved the promotions and recommended the recruitment of Key Management Personnel during the year.

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

COMMITTEE EVALUATION

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

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



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

4th May 2026
Colombo, Sri Lanka

REPORT OF THE BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE

The Board Selection Nomination and Governance Committee (BSN&GC) carried out its activities during the year within the scope of its Terms of Reference in conformity with the directions of Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks in Sri Lanka (as amended).

COMPOSITION OF THE BSN&GC

The Board Selection Nomination and Governance Committee comprises four (04) Non-Executive Directors appointed by the Board of Directors of the Bank, the majority of whom are Independent. The following Directors serve on the BSN&GC:

- Mr. Thusantha Wijemanna - Chairman– (BSN&GC), Independent, Non-Executive Director
- Ms. Dinithi Ratnayake (Chairperson of the Bank) - Independent, Non-Executive Director
- Mr. Chaaminda Kumarasiri - Independent, Non-Executive Director
- Mr. Conrad Dias - Non-Independent, Non- Executive Director

Director Mr. Chandana Dissanayake ceased to be a member of the Committee with effect from 17.10.2025.

The Company Secretary functions as the Secretary of the BSN&GC.

PRIMARY OBJECTIVES OF THE BSN&GC

The BSN&GC was established to assist the Board of Directors in fulfilling its role and responsibilities with regard to the selection and appointment of new Directors, election and re-election of Directors, appointment of Chief Executive Officer and other Key Management Personnel of the Bank and recommendation of the overall Corporate Governance Framework of the Bank.

RESPONSIBILITIES OF THE BSN&GC

The BSN&GC is responsible for reviewing the composition of the Board and Board Subcommittees with a view to ensuring that they are properly constituted and well-balanced in terms of experience, expertise, skills, and diversity. Further, the BSN&GC is mandated:

- To ensure the implementation of the Board approved policy and procedure in the selection and nomination of new Directors and Key Management Personnel of the Bank and to make recommendations regarding such appointments.
- To recommend the re-appointment/ re-election of current Directors considering the performance and contribution made by such Directors towards the overall discharge of responsibilities of the Board.
- To review and determine the criteria such as qualifications, experience, and key attributes, required for the eligibility for appointment of CEO and appointment/promotion for other Key Management Positions.
- To ensure that the Directors, CEO, and other Key Management Personnel are fit and proper persons to hold such positions as required by the Banking Act and applicable statutes.
- To consider from time to time the requirement of additional/ new skills and expertise at the Board level and make a suitable recommendation to the Board, to mobilise such skills and expertise.
- To put in place a proper succession plan for retiring Directors and Key Management Personnel with a view to ensuring the uninterrupted and smooth functioning of all aspects of the Bank's operations and decision-making process in the long run and business continuity in unforeseen situations.
- To review and recommend the overall Corporate Governance Framework of the Bank and to periodically update the Corporate Governance Policies of the Bank in line with regulatory and legal developments.

The Terms of Reference of the Board Selection Nomination and Governance Committee were adopted by the Board in 2012 and it was further reviewed and refined in 2025.

MEETINGS OF THE BSN&GC AND ITS EFFECTIVENESS

The Committee met eleven (11) times during the year under review, and it focused mainly on the following:

- Board Composition The Committee identified the required skills and recommended the appointment of one Independent Non-Executive Director, in view of his extensive industry experience, deep institutional knowledge, and qualifications in Banking and Finance.
- Filling the Skills Gaps in the Key Management Team. The Committee continuously reviewed the required skills and experience at the Top Management level and made recommendations to the Board with regard to the appointment of Key Management Personnel.
- Recruitments/ Service Confirmation During the period under review, the Committee made recommendations to the Board to recruit several Key Management Personnel (KMP), and also confirmed a few Key Management Personnel (KMP) in service.
- Succession Plan During the year under review, the Committee proposed that Management continuously develop the Succession Plan and examined and made recommendations to the Board on the Succession Plan.

REPORT OF THE BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE

- Job Grading The Committee made recommendations to the Board to promote and upgrade a few KMPs.
- Corporate Governance Policies The Committee reviewed and recommended the policies pertaining to Corporate Governance for approval of the Board in line with regulatory and legal requirements.

COMMITTEE EVALUATION

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

For and on behalf of the Board Selection Nomination and Governance Committee,



Mr. Thusantha Wijemanna
Chairman
Board Selection Nomination and Governance Committee (BSN&GC)

4th May 2026
Colombo, Sri Lanka

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board of Directors of the Bank constituted a Board Related Party Transactions Review Committee (BRPTRC) voluntarily in July 2014 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE, which required mandatory compliance from 1st January 2016. The composition and scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

COMPOSITION OF THE BRPTRC

The Committee consists of three (03) Independent, Non- Executive Directors as listed below:

- Mr Thusantha Wijemanna - Independent, Non-Executive Director (Appointed as the Chairman of BRPTRC w.e.f. 10.12.2025)
- Mr Prasanna Premaratna - Independent, Non-Executive Director
- Mr Chandana Dissanayake - Independent, Non-Executive Director (Appointed to the BRPTRC w.e.f. 10.12.2025)

Mr Chaaminda Kumarasiri, Independent Non-Executive Director, who was a member of BRPTRC was appointed as Chairman of the Committee with effect from 01.02.2025 and stepped down from the position with effect from 10.12.2025. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by Mr. Chaaminda Kumarasiri in his capacity as Chairman of the Committee.

The Company Secretary functions as the Secretary to the Committee as per the approved Terms of Reference of the Committee.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference (TOR) of the BRPTRC were approved by the Board of Directors and are reviewed annually. As part of the annual review process, the Committee reviewed the TOR in March 2026 for the year 2025. The Committee carries out the following duties and responsibilities:

- Review all transactions with Related Parties of the Bank in order to ensure that Related Parties are treated in par with other stakeholders of the Bank;
- Implement regulations relating to Related Parties issued by the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka;
- Ensure that the interests of Shareholders as a whole are taken into account by the Bank when entering into related party transactions; and
- Ensure that there is a safeguard to prevent of taking advantage of their positions by Directors, Key Management Personnel or Substantial Shareholders.

COMMITTEE MEETINGS OF BRPTRC

The Committee met four (04) times on a quarterly basis during the year under review, and the attendance of the Committee members at meetings is stated in the table on page 207 of the Annual Report. The Chief Executive Officer, Chief Compliance Officer and Chief Risk Officer shall attend the meetings as Invitees of the Committee except when matters relating to them are discussed.

The proceedings of the Committee meetings are formally documented and have been regularly reported to the Board of Directors. The Board of Directors take due consideration of the comments/ observations made by the Committee when decisions are made.

OBJECTIVE OF THE COMMITTEE

In carrying out the duties of the Committee, the Committee avoids "Conflicts of Interest" which may arise from any transaction of the Bank with any person, particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the Corporate Governance Directions which requires the Bank to avoid engaging in transactions with related parties in a manner that would grant such parties "more favourable treatment" than accorded to other constituents of the Bank carrying on the same business, in line with the security requirements as stated in the Banking Act Directions and in compliance with the approval procedure set out in the Banking Act.

SUMMARY OF ACTIVITIES

The Committee engaged in the following activities during the year:

- Review of the transactions relating to Investment in Commercial Papers of LOLC Holdings PLC.
- Review of proposed term loan facility of LKR 175 Mn and enhancement of the existing short-term revolving loan of LKR 50 Mn to LKR 100 Mn to Candy Delights Limited, which is fully owned by E.B. Creasy & Company Limited
- Annual review of the short term revolving loan of LKR 400 Mn of Darley Butler & Company Limited
- Annual review and temporary extension of the existing short term revolving loan of LKR 300 Mn to Galoya Plantation (Pvt) Ltd until 30.09.2025,
- Review of the price increase for hiring vehicles from Digital Mobility Solutions Lanka (Pvt) Ltd
- Periodic evaluation of the transactions entered into with related parties.
- Recommendation of the annual revision of the Related Party Policy.

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- Evaluation of the analysis of the adequacy of the securities obtain for related party advances.

The Committee observed that no favourable treatment has been granted for those Related Party Transactions.

The Committee noted that the Bank has not entered into any transactions as contemplated in Section 9.14.5 of the Listing Rules of the CSE and that, accordingly, there are no disclosures to be made in this regard in accordance with Section 9.14.7 (1) (a) and (b)of the Listing Rules of the CSE.

The Committee has reviewed the Related Party Transactions of the Bank during the period from 1 January 2025 to 31 December 2025 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9.14 of the Listing Rules of the CSE.

COMMITTEE EVALUATION

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

For and on behalf of the Board Related Party Transactions Review Committee,



Mr. Thusantha Wijemanna
Chairman
Board Related Party Transactions Review Committee (BRPTRC)

4th May 2026
Colombo, Sri Lanka

REPORT OF THE BOARD STRATEGIC PLANNING COMMITTEE

In 2015, the Board of Directors established the Board Strategic Planning Committee (BSPC) to support the Board in shaping and adapting the Bank's strategic business direction. The Committee focuses on enhancing profitability and brand equity through sustainable, appropriate, and responsible practices.

COMPOSITION OF BSPC

The BSPC consists of four (04) Non-Executive Directors appointed by the Board of Directors. The following Directors serve on BSPC.

- Mr. Chandana Dissanayake - Chairman (BSPC), Independent, Non-Executive Director (appointed as the Chairman of BSPC w.e.f. 10.12.2025)
- Ms. Dinithi Ratnayake - (Chairperson of the Bank) Independent, Non-Executive Director
- Mr. Conrad Dias - Non-Independent, Non-Executive Director
- Mr. Romani De Silva - Non-Independent, Non- Executive Director (Appointed to the BSPC on 10.12.2025)

Mr. Chandana Dissanayake served as the Chairman of the Committee w.e.f 01.01.2025 and with the cessation of his Directorship as a Non-Independent, Non- Executive Director on 17.10.2025 he ceased to be the Committee Chairman and Mr. Conrad Dias was appointed as the Chairman w.e.f. 21.10.2025. However, Mr. Chandana Dissanayake was re-appointed as the Committee Chairman w.e.f. 10.12.2025 with his re-appointment to the Board as an Independent, Non-Executive Director.

Mr. Romani De Silva was appointed as a member of the Committee with effect from 10.12.2025.

Mr. B.R.A Bandara served as a member of the Committee until 26.03.2026. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by, Mr. Bandara during his tenure as a member of the Committee.

Mr. Kapila Ariyaratne, Executive Director/ Chief Executive Officer attends the Board Strategic Planning Committee meetings by invitation, contributing his expertise and operational leadership and guidance to the strategic direction of the Bank.

The Company Secretary serves as the Secretary to the Committee.

MEETINGS OF BSPC

The Board Strategic Planning Committee convened three times in 2025 and once in January 2026 to meet the quarterly meeting requirement in order to review, deliberate, and finalise the Bank's Strategic Plan for 2026–2029. In line with the requirements of the Central Bank of Sri Lanka (CBSL), the Committee reviewed the projected financial statements, including Profit and Loss forecasts up to 2029, and the structured roll-out of the strategy will be monitored, including the communication plan and implementation framework.

During the year, the Committee undertook a comprehensive review of the 2026–2029 Strategic Plan to ensure alignment with the country's evolving economic reforms, the impact of recent adverse weather conditions and other emerging external factors. This review was essential to ensure that the Bank remains agile and responsive to changing macroeconomic indicators and market dynamics, while continuing to deliver sustainable growth and stakeholder value.

The revised strategic direction places strong emphasis on Food and Agriculture and Value Chain Financing, Cooperative Banking, digital transformation, SME development, financial inclusion, climate resilience, and sustainable banking. These focus areas are designed to strengthen the Bank's contribution to national economic progress while driving long-term institutional resilience and impact.

The Strategic Framework is structured around main Strategies and Goals, supported by:

- Monitoring SDB Bank's identify as a Sustainable Value Driven financial institution dedicated to serving its customers and communities effectively.
- Reinforcement of the Bank's identity and positioning, with a focus on enabling the economic transformation of progressive individuals, communities, co-operatives, and entrepreneurs.
- Strengthening stakeholder trust and brand positioning
- Segment-specific strategies covering Business, Cooperative, and Retail banking
- ESG Strategy integration
- Digital and Data Inclusion and innovation
- Lean Management practices
- Structured Communication Strategy and roll-out mechanisms

In navigating a rapidly evolving financial landscape, the Committee placed particular emphasis on:

- Macroeconomic Adjustments: Integrating revised GDP growth projections, inflation trends, and interest rate movements into the strategic outlook.
- Regulatory Compliance: Ensuring full alignment with prevailing policy reforms and financial sector regulations.
- Market Opportunities: Identifying emerging growth sectors, investment avenues, and financial inclusion opportunities aligned with national priorities.
- Sustainable Banking Commitments: Strengthening alignment with the Bank's Sustainable Approach and its focused SDGs, particularly in promoting economic resilience, gender equality, and climate action.

Through these strategic realignments and continuous oversight, the Committee ensured that SDB Bank remains well-positioned to deliver sustainable financial solutions, enhance economic resilience, and create long-term value for all stakeholders.

TERMS OF REFERENCE (TOR)

The BSPC's scope includes:

- Comprehensive evaluation of the Bank's performance against strategic goals outlined in the Corporate Plan, including identifying areas for improvement and leveraging new market opportunities.
- Review and recommendation of the Bank's marketing and business development strategies for Board approval, analysing risks, benefits, and strategic implications.
- Advising the Corporate Management and the Board on business expansion opportunities, particularly in new markets and technology platforms.

COMMITTEE EVALUATION

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

For and on behalf of the Board Strategic Planning Committee



Mr. Chandana Dissanayake
Chairman
Board Strategic Planning Committee
(BSPC)

4th May 2026
Colombo, Sri Lanka

REPORT OF THE BOARD CREDIT COMMITTEE

The main income generation activity of the Bank is its lending operation. It has employed the capital funds of its shareholders as well as deposits mobilised from its depositors to engage in this exercise.

Therefore, it has cast a considerable responsibility on the Board of Directors of the Bank to employ these funds with the highest degree of prudence to ensure the safety of the funds and maximum profitability to the Bank.

The Board Credit Committee (BCC) is established to formulate the policies, strategies, and directions in the Bank's credit operation and be the forerunner to the Board of Directors for it to make the necessary strategic decisions.

COMPOSITION OF THE BCC

The membership of the Board Credit Committee comprised four (04) Non-Executive Directors.

- Mr. Chandana Dissanayake - Chairman (BCC), Independent, Non-Executive Director (Appointed as the Chairman of BCC w.e.f. 10.12.2025)
- Mr. Romani De Silva - Non-Independent, Non-Executive Director
- Mr. Thusantha Wijemanna - Independent, Non-Executive Director
- Mr. Prasanna Premaratna - Independent, Non-Executive Director

Mr. Naveendra Sooriyarachchi ceased to hold office as a Director and, accordingly, as the Chairman of the Committee with effect from 12 September 2025, following his demise Mr. Chandana Dissanayake served as the Chairman of the Committee w.e.f.15.09.2025 and with the cessation of his Directorship as a Non-Independent, Non- Executive Director on 17.10.2025 he ceased to be the Committee Chairman, and Mr. Romani de Silva was appointed as the Chairman of the Committee. However, Mr. Chandana Dissanayake was re-appointed as the Committee Chairman w.e.f. 10.12.2025 with his re-appointment to the Board as an Independent, Non- Executive Director.

The Company Secretary functions as the Secretary of the Committee. Executive Director / Chief Executive Officer, and/ or any other relevant Management personnel shall attend the Meetings as and when required by the Committee to assist them and to provide expert knowledge on different areas of issues

The main areas falling under the purview of the Board Credit Committee are as follows and it is empowered to:

- Formulate the Credit Policy and Recovery Policy of the Bank and review and recommend timely changes for the approval of the Board of Directors
- Monitor the credit growth/ performance of the Bank vis-à-vis the annual budget forecasts and the previous year performance
- Analytically appraise credit proposals and recommend to the Board of Directors for approval
- Evaluate the market potential due to the prevailing economic crisis in the country together with inherent risks attached and provide appropriate guidelines
- Monitor the interest rate behaviour of the market and the internal and external factors affecting such fluctuations
- Monitor the portfolio mix to ensure sectoral exposure, collateral diversification, term diversification, and lending to priority sectors
- Provide relevant directions to ensure adherence to statutory and regulatory compliance requirements
- Ascertain the quality of the credit portfolio by monitoring credit collections and delinquent loan recoveries
- Evaluate and afford interest concessions where appropriate, for full and final settlements of hard-core loans and write-offs of loan capitals whenever it deems necessary and recommend to the Board of Directors
- Apart from the aforementioned, the Board Credit Committee has the prerogative to call for any other information or special report relating to the Credit Operation of the Bank, if it deems it necessary for its scrutiny
- Ensure that the sustainability related risks and opportunities are accurately identified, monitored in the credit approving process

COMMITTEE MEETINGS OF BCC

The Committee met nine (09) times, during the year under review to discuss the normal scope of work and the proceedings of the Committee meetings have been reported to the Board of Directors.

During the year under review, the Credit Committee discharged its responsibilities in line with its mandate, supporting prudent credit risk management and sound governance. The Committee carried out the following key activities:

- Reviewed and recommended revisions to the Bank's Credit Policy and the Terms of Reference of relevant Committees for approval by the Board of Directors.
- Evaluated and approved credit proposals exceeding delegated authority levels, including the annual reviews of credit facilities within specified categories.
- Monitored the Bank's credit portfolio on a regular basis, reviewing portfolio reports against approved budgets, business plans, and strategic objectives, and recommended appropriate enhancements to lending practices where necessary.
- Reviewed large credit exposures of the Bank to ensure compliance with regulatory requirements and internal risk appetite guidelines.
- Monitored the loan recovery process by reviewing the progress of recoveries on past-due loans.

- Reviewed the Top 20 Watch List Customers and Top 20 NonPerforming Loan (NPL) Customers and provided strategic guidance to Management on recovery actions.
- Assessed the progress of Business Revival and Special Asset Management activities, including the approval of restructurings, rescheduling, and concessions where justified.
- Reviewed legal policies and practices relating to credit administration and provided guidance on litigation actions initiated against delinquent borrowers.

COMMITTEE EVALUATION

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

For and on behalf of the Board Credit Committee,



Mr. Chandana Dissanayake
Chairman
Board Credit Committee (BCC)

4th May 2026
Colombo, Sri Lanka



Financial Reports



FINANCIAL CALENDAR

Financial Calendar - 2025	
Annual General Meeting	
29th Annual General Meeting	To be held on 26 May 2026
28th Annual General Meeting	Held on 30 May 2025

Annual Financial Statements*	
Annual Financial Statements 2025	Signed on 27 February 2026
Annual Financial Statements 2024	Signed on 28 February 2025

Interim Financial Statements**	Date released to the CSE	Date published to the newspapers (In Sinhala, English, Tamil)
4th Quarter 2024	28 -Feb- 2025 (Audited)	28-Mar-25
1st Quarter 2025	15-May-25	28-May-25
2nd Quarter 2025	12-Aug-25	22-Aug-25
3rd Quarter 2025	06-Nov-25	14-Nov-25
4th Quarter 2025	27- Feb- 26 (Audited)	26-Mar-26

Proposed Financial Calendar - 2026	
Annual General Meeting	
30th Annual General Meeting	To be held on or before 31 May 2027

Annual Financial Statements*	
Annual Financial Statements 2026	To be signed on 26 Feb 2027

Interim Financial Statements**	Date released to the CSE	Date published to the newspapers (In Sinhala, English, Tamil)
1st Quarter 2026	15-May-26	29-May-26
2nd Quarter 2026	14-Aug-26	28-Aug-26
3rd Quarter 2026	13-Nov-26	27-Nov-26
4th Quarter 2026	26-Feb-27	26-Mar-27

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

GENERAL

The Directors have pleasure in presenting to the shareholders the Annual Report of the SANASA Development Bank PLC together with the Audited Financial Statements for the year ended 31st December 2025 and the Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and amendments thereto and the Directions issued thereunder including the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Banks in Sri Lanka" and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices.

The Financial Statements of the Bank for the year ended 31st December 2025, including the comparatives for 2024 were approved and authorised for issue by the Board of Directors on 24th February 2026 in accordance with the Resolution of the Directors. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

SANASA Development Bank PLC ("The Bank") is a licensed specialised bank registered under the Banking Act No. 30 of 1988 and was incorporated as a public limited liability company in Sri Lanka on 6 August 1997 under the Companies Act No. 17 of 1982. The Bank was reregistered as per the requirements of the Companies Act No. 07 of 2007 ("Companies Act") on 30 October 2007. The reregistration number of the Bank is PB 62 PQ. The Registered Office as well as the Head Office of the Bank is at No. 12, Edmonton Road, Kirulapone, Colombo 6, Sri Lanka.

The ordinary voting shares of the Bank are listed on the Main Board of the Colombo Stock Exchange since May 2012. The Bank has been assigned a National Long-Term Rating of BB+(lka) by Fitch Ratings Lanka Ltd.

VISION, MISSION, GOALS, VALUES AND CORPORATE CONDUCT

The Bank's Vision and Mission statements are exhibited on page 4 of the Annual Report.

The business activities of the Bank are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

The Bank issues a copy of its Code of Ethics to each, and every staff member and all employees are required to abide by the Bank's Code of Conduct.

PRINCIPAL BUSINESS ACTIVITIES

The principal activities of the Bank include accepting deposits at competitive rates of interest and the investment of these deposits in community-based lending programmes, with a special focus on Cooperative Societies, their members, and other micro-enterprises, and issuing local and international debit cards. The Bank's range of products includes Special Deposits, Credit, Pawning, Leasing, and Refinance Loan Schemes.

At the end of 2025, the Bank has established 94 delivery points (2024 – 94) across all districts of the country

REVIEW OF OPERATIONS

The "Chairperson's Review" on pages 42 to 45 the "Chief Executive Officer's Review" on pages 46 to 49 and the "How we create value" on pages 30 to 31, together with the Audited Financial Statements provide an overall review of business performance and the state of affairs of the Bank together with important events that took place during the year as required by the Section 168 of the Companies Act No. 07 of 2007 and the recommended best accounting practices

FUTURE DEVELOPMENTS

The Bank intends to expand its network of delivery channels by employing a client- focused strategy with effective management of capital, liquidity, and risks. Please refer to sections on "Chairperson's Review", "Chief Executive Officer's Review" on pages 46 to 49, and "How we create value" on pages 30 to 31 for initiatives taken in this regard.

FINANCIAL STATEMENTS

The Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and they comply with the requirements of Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988. The Financial Statements of the Bank for the year ended 31st December 2025 duly signed by the Head of Finance and Chief Executive Officer, two Directors of the Bank, and the Company Secretary are given on page 221. P&L is in page 220, which forms an integral part of the Annual Report of the Board of Directors.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Bank, which reflect a true and fair view of the financial position and performance of the Bank. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies, and Notes thereto appearing on pages 220 to 296 have been prepared in conformity with the requirements of the SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and the Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" appearing on page 215 forms an integral part of this Report

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

AUDITORS' REPORT

The External Auditors of the Bank are Messrs. Ernst and Young, Chartered Accountants. Messrs. Ernst & Young, Chartered Accountants, carried out the Audit on the Financial Statements of the Bank for the year ended 31st December 2025, and their report on these Financial Statements, as required by Section 168 (1) (c) of the Companies Act, is given on pages 216 to 219 of this Annual Report. The Auditors' remuneration details are stated in Note 15.2 to the Financial Statements on page 247. Auditors are independent and do not have any relationships or any interest in contracts with the Bank.

SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies adopted in the preparation of the Financial Statements are given on page 227 and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007

GOING CONCERN

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, such as restrictions or plans to curtail operations.

FINANCIAL RESULTS AND APPROPRIATIONS

Gross Income

The gross income of the Bank for 2025 was LKR 18.40 Bn (2024: LKR 21.06 Bn). An analysis of the gross income is given in Note 6 to the Financial Statements on page 240.

Profits and Appropriations

The profit before tax as in the Financial Statements of the Bank amounted to LKR 800.17 Mn in 2025 (2024: LKR 684.26 Mn), and this has increased by 16.94% when compared to 2024. Further, the profit after tax as in the Financial Statements of the Bank amounted to LKR 404.91 Mn in 2025 (2024: LKR 409.53 Mn), and this was a decrease of 1.13% when compared to 2024. A detailed breakup of the profits and appropriations of the Bank is given below:

Description	2025	2024
	LKR	LKR
Profit before Tax	800,172,578	684,262,920
Less: Taxation	(395,254,032)	(274,728,675)
Net profit after tax	404,918,546	409,534,246
Other Comprehensive Income (OCI)		
Actuarial Gain/(losses) on defined benefit plans	(106,466,586)	(195,633,301)
Deferred tax relating to defined benefit plans	31,939,976	58,689,990
Loss arising on re-measuring investments in equity instruments designated at fair value through other comprehensive income	(11,448,154)	-
Revaluation surplus on property plant & Equipment	28,375,000	69,025,000
Deferred tax relating to revaluation surplus on Property, Plant and Equipment	(129,412,760)	-
Total comprehensive income for the year	217,906,021	341,615,936
Unappropriated balance carried forward from the previous year	2,772,192,228	2,590,860,977
Balance available before adjustment	2,990,098,249	2,932,476,912
Appropriations		
Transfer to the statutory reserve fund	(20,245,927)	(20,476,712)
Dividend		
Scrip Dividend	-	(139,807,974)
Unappropriated balance carried forward as of 31 December	2,969,852,323	2,772,192,225

Taxation

The Bank applied the rate of 30% and other amendments in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as of 31st December 2025.

The Bank applied the rate of 30% to compute the deferred tax as of 31st December 2025.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments (including all taxes, duties, and levies payable by the Bank) due to the Government, other regulatory institutions, and related to the employees have been made on time or, where relevant, provided for.

Reserves

A summary of the Bank's reserves position is given below

As at 31 December	2025	2024
	LKR	LKR
Statutory reserve fund	381,295,092	361,049,165
Other reserves	318,120,303	430, 606,217
Retained profits	2,698,388,993	2,388,242,984

Information on the movement of reserves is given in the Statement of Changes in Equity on page 222 and in Notes 34 to 36 to the Financial Statements on page 270.

Capital Expenditure

The total capital expenditure on the acquisition of property, plant, and equipment of the Bank amounted to LKR 91,135,973 (2025) and LKR 429,588,160 (2024). Details are given in Note 25.2 to the Financial Statements.

Capital Commitments

The contracted and approved capital expenditure as at the date of the reporting is given in Note 25.2 to the Financial Statements

Property, Plant and Equipment, Intangible Assets and Leasehold Property

Information on property, plant and equipment and leasehold property of the Bank is given in Note 25 & 26 to the Financial Statements on pages 259 to 262. Particulars of intangible assets are given in Note 27 to the Financial Statements on pages 262 to 263.

STATED CAPITAL

The stated capital of the Bank as at 31st December 2025 amounted to LKR 11,406,601,998, consisting of 164,166,494 ordinary voting shares.

Distribution Schedule of Shareholdings

	As at 31 December 2025		As at 31 December 2024	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Individual	35,632	40,960,891	35,242	37,079,035
Institution				
Foreign	1	16,416,564	3	37,350,366
Local and other institutions	74	84,925,601	62	67,579,467
SANASA Federation				
Acc 1	1	797,822	1	797,822
Acc 2		31,511		31,511
SANASA Societies	3,390	9,930,846	3,399	10,249,218
SANASA Unions	39	3,551,456	35	3,527,611
MPCCS	26	1,269,878	24	1,269,539
Trust Companies	105	6,281,925	105	6,281,925
Total	39,268	164,166,494	38,871	164,166,494

	As at 31 December 2025				As at 31 December 2024			
Share range	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 - 1,000	36,769	93.63	4,985,283	3.04	36,328	93.46	4,850,937	2.95
1,001 - 10,000	1,856	4.73	6,016,527	3.66	1,891	4.86	5,803,990	3.54
10,001 - 100,000	543	1.38	17,152,765	10.45	555	1.43	17,080,778	10.41
100,001 - 1,000,000	85	0.22	20,521,213	12.50	79	0.20	17,504,585	10.66
1,000,001 - and above	15	0.04	115,490,706	70.35	18	0.05	118,926,204	72.44
Total	39,268	100.00	164,166,494	100.00	38,871	100.00	164,166,494	100.00

Substantial Shareholding

Names of the 20 (Twenty) largest shareholders, with their respective shareholdings and percentage holdings as at 31 December 2025 with their comparative shareholding as at 31 December 2024 are as follows;

No.	Name of the Shareholder	31 December 2025 (Amalgamated)		31 December 2024 (Amalgamated)	
		No of Shares	%	No of Shares	%
1	SENTHILVERL HOLDINGS (PVT) LTD	24,624,974	15.0000	21,019,383	12.8037
2	LOLC INVESTMENT HOLDINGS ONE (PRIVATE) LIMITED	24,624,948	15.0000	24,624,948	15.0000
3	FINCO HOLDINGS (PRIVATE) LIMITED	24,622,810	14.9987	-	-
4	BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES SA/NV	16,416,564	9.9999	16,416,564	9.9999
5	MR. D.G. WIJEMANNA	7,000,000	4.2640	-	-
6	ALLIANCE FINANCE COMPANY PLC	3,592,187	2.1881	3,592,187	2.1881
7	PEOPLE'S LEASING AND FINANCE PLC/L.P.HAPANGAMA	3,406,664	2.0751	3,279,555	1.9977
8	PEOPLE'S LEASING & FINANCE PLC	2,320,270	1.4134	2,320,270	1.4134
9	BANK OF CEYLON A/C CEYBANK UNIT TRUST	1,573,477	0.9585	1,573,477	0.9585
10	PEOPLE'S LEASING & FINANCE PLC/MR.A.M. INDURUWAGE	1,500,000	0.9137	-	-
11	HATTON NATIONAL BANK PLC/SARRAVANAN NEELAKANDAN	1,471,083	0.8961	1,471,083	0.8961
12	KEGALLE SANASA SHARE HOLDERS TRUST COMPANY LIMITED	1,287,440	0.7842	1,287,440	0.7842
13	POLGAHAWELA SANASA SOCIETIES UNION LTD	1,035,980	0.6311	1,035,980	0.6311
14	NIKAWARATIYA THRIFT AND CREDIT CO-OPERATIVE SOCIETY UNION LIMITED	1,014,273	0.6178	1,014,273	0.6178
15	HETTIGODA CITY (PVT) LTD	1,000,036	0.6092	-	-
16	BINGIRIYA MULTI-PURPOSE COOPERATIVE SOCIETY LTD	991,850	0.6042	991,850	0.6042
17	SANASA FEDERATION LIMITED	829,333	0.5052	829,333	0.5052
18	MR. R. GAUTAM	800,500	0.4876	622,600	0.3792
19	DFCC BANK PLC/N.G.N.MADURANGA	662,403	0.4035	662,403	0.4035
20	COMMERCIAL BANK OF CEYLON PLC/W. JINADASA	600,000	0.3655	-	-

During the year under review, Senthilverl Holdings (Pvt) Limited, a major shareholder of the Bank, temporarily exceeded the regulatory shareholding limit prescribed under Section 76J(1)(q) of the Banking Act No. 30 of 1988 (as amended) and Banking Act Direction No. 2 of 2007, due to an inadvertent market purchase on 12 September 2025.

Upon identification of the noncompliance, the excess shareholding was promptly rectified on 15 September 2025 through the disposal of a portion of the shares. As at the date of this Annual Report, the shareholding of Senthilverl Holdings (Pvt) Limited, together with its related parties, is fully compliant with the applicable regulatory requirements.

The Directors confirm that the noncompliance was unintentional, temporary, and adequately addressed in accordance with the directions of the Central Bank of Sri Lanka.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Bank has at all times ensured that all shareholders are treated equitably.

INFORMATION ON THE DIRECTORS OF THE BANK

The Board of Directors of the Bank consists of ten Directors (as at 31/12/2025) with wide financial and commercial knowledge and experience. The names of the Directors of the Bank as at 31st December 2025 are given below as per Section 168 (1) (h) of the Companies Act. Their brief profiles appear on pages 52 to 56 of the Annual Report.

The classification of Directors into Executive Director (ED), Non- Executive Director (NED), Independent Director (ID), and Non-Independent Director (NID) is given against the names as per the Listing Rules and Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

No.	Name of Director	Independent / Non – Independent Status	Executive/ Non – Executive Status
1.	Ms. Dinithi Ratnayake (Chairperson)	Independent	Non-Executive
2.	Mr. Kapila Ariyaratne	Non-Independent	Executive Director/CEO
3.	Mr. Chaaminda Kumarasiri	Independent	Non-Executive
4.	Mr. Prasanna Premaratna	Independent	Non-Executive
5.	Mr. Thusantha Wijemanna	Independent	Non-Executive
6.	Mr. B.R.A.Bandara	Non-Independent	Non-Executive
7.	Mr. Sarath Nandasiri	Non-Independent	Non-Executive
8.	Mr. Conrad Dias	Non-Independent	Non-Executive
9.	Mr. Romani De Silva	Non-Independent	Non-Executive
10.	Mr. Chandana Dissanayake	Independent	Non-Executive
Resignations/ Retirement during 2025			
Prof. Sampath Amaratunge (retired from the Board w.e.f.14.02.2025)		Independent	Non-Executive
Mr. Chandana Dissanayake (ceased to be a member of the Board w.e.f.17.10.2025)		Non-Independent	Non-Executive
New Appointments made during 2025			
Mr. Chandana Dissanayake (re-appointed to the Board w.e.f. 25.11.2025)		Independent	Non-Executive

Special Note

Following the demise of Mr. Naveendra Sooriyarachchi, Non-Independent, Non-Executive Director, on 12 September 2025, he ceased to hold office as a Director. Mr. B.R.A.Bandara, Non-Independent, Non-Executive Director, retired from the Board w.e.f.26.03.2026 due to the completion of 9-years.

RETIREMENT BY ROTATION AND RE-ELCTION / RE-APPOINTEMENT OF DIRECTORS

In terms of Article 6 (4) (i), Mr. Conrad Dias, Non-Executive, Non-Independent Director shall retire by rotation at the 29th AGM and the Board has recommended his re-election.

In terms of Article 6(4)(ii), Mr. Chandana Dissanayake, Non-Executive, Independent Director, who was appointed to the Board on 25 November 2025 to fill a casual vacancy, is eligible for re-appointment at the 29th AGM, and the Board has recommended his re-appointment.

BOARD SUBCOMMITTEES

The Board of Directors of the Bank formed four mandatory Board Subcommittees namely, the Board Selection Nomination and Governance Committee, the Board Human Resources and Remuneration Committee, the Board Integrated Risk Management Committee and the Board Audit Committee as required by the Banking Act Direction No 05 of 2024 on “Corporate Governance for Licensed Banks in Sri Lanka” issued by the CBSL.

The Board formed a Board Related Party Transactions Review Committee in 2014 to assist the Board in reviewing all related party transactions carried out by the Bank, by early adopting the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (the SEC) which became mandatory from 1 January 2016.

The Board of Directors also has formed five other voluntary Board Subcommittees to assist the Board.

These committees play a critical role in order to ensure that the activities of the Bank at all times are conducted with the highest ethical standards and in the best interest of all its stakeholders. The Terms of Reference of these Subcommittees conform to the recommendations made by various regulatory bodies, such as the Central Bank of Sri Lanka, The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission, and The Colombo Stock Exchange.

The composition of both mandatory and voluntary Board Subcommittees, as at 31st December 2025 and the details of the attendance by Directors at meetings are tabulated on page 206 while the reports of this composition of the board sub committees in the page 205 in this Report.

Board Subcommittees

Committee	Composition
Board Integrated Risk Management Committee	Mr. Prasanna Premaratna - Chairman - BIRMC Mr. Chandana Dissanayake Ms. Dinithi Ratnayake Mr. Conrad Dias
Board Audit Committee	Mr. Chaaminda Kumarasiri - Chairman- BAC Mr. Prasanna Premaratna Mr. B. R. A. Bandara
Board Human Resources & Remuneration Committee	Mr. Thusantha Wijemanna - Chairman - BHRRC Mr. Chandana Dissanayake Mr. Prasanna Premaratna Mr. Sarath Nandasiri
Board Selection Nomination & Governance Committee	Mr. Thusantha Wijemanna - Chairman - BSN&GC Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri Mr. Conrad Dias
Board Related Party Transactions Review Committee	Mr. Thusantha Wijemanna - Chairman - BRPTRC Mr. Chandana Dissanayake Mr. Prasanna Premaratna
Board Credit Committee	Mr. Chandana Dissanayake - Chairman - BCC Mr. Romani De Silva Mr. Thusantha Wijemanna Mr. Prasanna Premaratna
Board Strategic Planning Committee	Mr. Chandana Dissanayake - Chairman - BSPC Mr. Conrad Dias Ms. Dinithi Ratnayake Mr. B. R. A. Bandara Mr. Romani De Silva
Board Co-operative, Rural Enterprises and Livelihood Development Committee	Mr. B. R. A. Bandara - Chairman - BCRELDC Mr. Prasanna Premaratna Mr. Sarath Nandasiri Mr. Romani De Silva
Board IT Steering Committee	Mr. Conrad Dias - Chairman - BITSC Ms. Dinithi Ratnayake Mr. Chaaminda Kumarasiri
Board Sub Committee on Sustainability	Mr. Romani De Silva - Chairman - BSCS Ms. Dinithi Ratnayake Mr. Chandana Dissanayake

MEETINGS

Details of the Meetings of the Board of Directors comprising with Board Meetings, Board Credit Committee Meetings, Board Audit Committee Meetings, Board Human Resources and Remuneration Committee Meetings, Board Selection Nomination and Governance Committee Meetings, Board Strategic Planning Committee Meetings, Board Co-operative Rural Enterprise and Livelihood Development Committee Meetings, Board IT Steering Committee Meetings, Board Subcommittee on Sustainability Meetings, Board Integrated Risk Management Committee Meetings, Board Related Party Transactions Review Committee Meetings, and the attendance of Directors at these meetings are given below.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

	Board Meeting	Board Credit Committee Meeting (BCC)	Board Audit Committee Meeting (BAC)	Board Human Resource & Remuneration Committee Meeting (BHRRC)	Board Selection Nomination & Governance Committee Meeting (BSN & GC)	Board Strategic Planning Committee Meeting (BSPC)	Board Co-operative, Rural Enterprises & Livelihood Development Committee Meeting (BCRELDC)	Board IT Steering Committee Meeting (BITSC)	Board Sub Committee on Sustainability Meeting (BSCS)	Total
Ms. Dinthi Ratnayake	15/15	-	-	-	10/11	4/4	-	4/4	4/4	37/38
Prof. Sampath Amaratunge*	1/15	-	3/13	-	1/11	-	1/6	-	-	6/45
Mr. Chaaaminda Kumarasiri	13/15	-	13/13	10/10	11/11	-	-	4/4	3/4	54/57
Mr. Prasanna Premaratna	14/15	7/9	13/13	10/10	-	-	6/6	-	-	50/53
Mr. B.R.A.Bandara	15/15	-	13/13	-	-	4/4	6/6	-	-	38/38
Mr. Thusantha Wijemanna	15/15	9/9	-	10/10	11/11	-	-	-	-	45/45
Mr. Sarath Nandasiri	14/15	2/9	-	9/10	-	-	6/6	-	-	31/40
Mr. Conrad Dias	13/15	-	-	-	10/11	4/4	-	4/4	-	31/34
Mr. Naveendra Sooriyarachchi**	9/15	6/9	4/13	7/10	-	-	-	-	-	26/47
Mr. Romani De Silva	13/15	8/9	-	-	-	1/4	5/6	-	4/4	31/38
Mr. Chandana Dissanayake	13/15	6/9	-	1/10	10/11	3/4	-	-	4/4	37/53
Mr. Kapila Ariyaratne	15/15	-	-	-	-	-	-	-	-	15/15

* Prof. Sampath Amaratunge retired from the Board w.e.f.14.02.2025.
** Mr. Naveendra Sooriyarachchi ceased to hold office with effect from 12.09.2025 due to his demise.

Board Integrated Risk Management Committee Meeting

S/N	Name of the member	Dates of meetings									
		27.01.2025	25.02.2025	21.04.2025	17.06.2025	24.07.2025	20.08.2025	21.10.2025	12.12. 2025	16.12.2025	Total
1	Mr. Prasanna Premaratna (Chairman – BIRMC)	P	P	P	P	P	P	P	P	P	9/9
2	Ms. Dinithi Ratnayake	P	P	P	P	P	P	P	P	P	9/9
3	Mr. Chaaminda Kumarasiri*	P	P	P	P	P	P	P	N/A	N/A	7/9
4	Mr. Conrad Dias	P	P	P	P	EX	EX	P	P	EX	6/9
5	Mr. Chandana Dissanayake**	P	P	P	P	P	P	N/A	P	P	8/9

P - Present, Ex - Excused, N/A - Not applicable, (since not a member as at the date of the meeting)

* Mr. Chaaminda Kumarasiri resigned from the committee w.e.f 10.12.2025
** Mr. Chandana Dissanayake resigned from the committee w.e.f 21.10.2025 and re – appointed to the committee w.e.f 10.12.2025.

Board Related Party Transactions Review Committee Meeting

S / N	Name of the member	Dates of meetings				
		11.03.2025	17.06.2025	09.09.2025	02.12.2025	Total
1	Mr. Chaaminda Kumarasiri (Chairman – BRPTRC) *	P	P	P	P	4/4
2	Mr. Prasanna Premaratna	P	P	P	P	4/4
3	Mr. Thusantha Wijemanna**	P	P	P	P	4/4

P - Present, Ex - Excused, N/A - Not applicable, (since not a member as at the date of the meeting)

* Mr. Chaaminda Kumarasiri appointed as the Chairman of the committee w.e.f 01.02.2025 and Prof. Sampath Amaratunge resigned from the committee as the Chairman w.e.f. 01.02.2025.

** Mr. Thusantha Wijemanna appointed as the Chairman of the committee w.e.f. 10.12 2025 and Mr. Chaaminda Kumarasiri resigned from the committee as the Chairman w.e.f. 10.12.2025.

*** Mr. Chandana Dissanayake appointed to the Committee w.e.f.10.12.2025.

Mr. C Kumarasiri
Resigned from the BSPC w.e.f. 27.02.2025
Resigned from the BHRRC w.e.f. 10.12.2025
Appointed as the Chairman of the BRPTRC w.e.f 01.02.2025
Resigned as the Chairman of the BRPTRC w.e.f.10.12.2025
Resigned from the BSCS, BIRMC w.e.f.10.12.2025

Prof. S. Amaratunge
Retired from the Board w.e.f.14.02.2025

Mr. P Premaratna
Appointed as a member of the BCC w.e.f.27.02.2025

Mr. T Wijemanna
Appointed as the Chairman of BSN&GC w.e.f.01.02.2025
Appointed as the Chairman of BRPTRC w.e.f.10.12.2025

Mr. N Sooriyarachchi
Resigned from the BAC w.e.f.27.02.2025
Ceased to hold office as a Director w.e.f. 12.09.2025, due to his demise.

Mr. S Nandasiri
Resigned from the BCC w.e.f 27.02.2025
Appointed as a member to the BHRRC w.e.f.27.02.2025

Mr. C Dissanayake
Appointed as the Chairman to the BSPC w.e.f. 01.01.2025
Resigned from the BHRRC w.e.f. 27.02.2025
Appointed as a member of the BCC w.e.f. 27.02.2025
Appointed as the Chairman to the BCC w.e.f. 15.09.2025
Ceased to hold office as a Director w.e.f. 17.10.2025
Resigned from the BCC, BSPC, BSN&GC, BIRMC, BSCS w.e.f. 17.10.2025
Re-appointed to the Board as a Director w.e.f. 25.11.2025
Re-appointed as the Chairman of the BCC, BSPC and as a member of the BIRMC, BSCS, BHRRC, BRPTRC w.e.f.10.12.2025

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

Mr. R Silva
Appointed as a member to the BSPC w.e.f. 10.12.2025

Mr. C Dias
Appointed as the Chairman to the BSPC w.e.f. 21.10.2025

DISCLOSURE OF DIRECTORS' DEALING IN SHARES NUMBER OF SHARES

Individual Ordinary Voting Shareholdings of persons who were Directors of the Bank at any time during the financial year are as follows:

DISCLOSURE OF DIRECTORS' DEALING IN SHARES

NUMBER OF SHARES

Name of the Director	As at 31 December 2025	As at 31 December 2024
Ms. D. Ratnayake	-	-
Mr. C. Kumarasiri	-	-
Mr. P. Premaratna	1,532	1,532
Mr. B.R.A. Bandara	11,237	11,237
Mr. T. Wijemanna	-	-
Mr. S. Nandasiri	-	-
Mr. C. Dias	-	-
Mr. R. De Silva	106,907	106,907
Mr. C. Dissanayake	-	-
Mr. K. Ariyaratne	-	-

DIRECTORS' SHAREHOLDING PERCENTAGE

	As at 31 December 2025	As at 31 December 2024
Directors	0.07	0.07
Public	82.74	78.45
CEO and Related Parties	17.19	21.47

DIRECTORS' STATEMENT OF INTERNAL CONTROL

The Bank maintains a Directors' Interests Register as required under the provisions of Section 168 (1) (e) of the Companies Act No. 07 of 2007. The Directors of the Bank have disclosed their interests in contracts or proposed contracts, in terms of Section 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the Interests Register, which is available for inspection in terms of the provisions of the Companies Act. As a practice, Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Bank.

DIRECTORS' REMUNERATION

As required under Section 168 (1) (f) of the Companies Act No. 07 of 2007, Directors' Remuneration and other benefits in respect of the Bank for the financial year ended 31st December 2025 are given in Note 15 to the Financial Statements on page 247.

RELATED PARTY TRANSACTIONS

Directors have disclosed transactions if any, that could be classified as Related Party Transactions in terms of Sri Lanka Accounting Standards – LKAS 24 "Related Party Disclosures" which is adopted in preparation of the Financial Statements. Those transactions are given in Note 39 to the Financial Statements, which form an integral part of the Annual Report of the Board of Directors.

The Bank has also complied with the requirements of the Code of Best Practice issued by The Institute of Chartered Accountants of Sri Lanka, Listing Rules of Colombo Stock Exchange (CSE) and with all disclosure requirements stipulated thereunder.

DIRECTORS' AND OFFICERS' INSURANCE

The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and the Directors, Secretaries, Officers and certain employees of the Bank as defined in the Insurance Policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Bank has complied with the relevant environmental laws and regulations. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

EVENTS AFTER THE REPORTING PERIOD

No event of material significance that requires adjustments to the Financial Statements has occurred subsequent to the reporting period, other than those disclosed in Note 38 to the Financial Statements on page 273.

APPOINTMENT OF AUDITORS AND THEIR REMUNERATION

The Bank's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. Audit fees and reimbursement of expenses paid to Messrs Ernst & Young during the year under review by the Bank amounted to LKR 6,300,000 (2024: LKR 4,950,000). Further LKR 3,300,000 (2024: LKR 925,000) were paid by the Bank for audit-related and non-audit services, including reimbursement of expenses.

Details of the audit fees paid are given on Note 15.2 to the Financial Statements on page 247.

Based on the declaration provided by Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship or interest with the Bank that in our judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), applicable on the date of this Report.

In line with the requirements of the Banking (Amendment) Act No. 24 of 2024 and the Corporate Governance Directions, the Bank initiated a Request for Proposal (RFP) due process to appoint a new External Auditor KPMG for the financial year ending 31 December 2026. The selected firm will be approved at the upcoming AGM.

INFORMATION ON RATIOS, MARKET PRICES OF SHARES AND CREDIT RATINGS

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE is given in the Section on "Investor Relations" on pages 310 to 315.

RISK MANAGEMENT AND INTERNAL CONTROL

The Bank has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Bank. The Directors continuously review this process through the Board Integrated Risk Management Committee. Specific steps taken by the Bank in managing both banking and non- banking risks are detailed in the Section on "Managing our Risks" on pages 108 to 116 and in Note 45 to the Financial Statements on pages 281 to 295.

The Directors have taken reasonable steps open to them to safeguard the assets of the Bank and to prevent and detect fraud and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of Internal controls for identifying, recording, evaluating, and managing the significant risks faced by the Bank throughout the year, and it is being under regular review of the Board of Directors. This comprises internal reviews, Internal Audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect fraud and other irregularities and secure as far as practicable the accuracy and reliability of the records.

BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board has issued a report on the internal control mechanism of the Bank as per Section 9.2 (b) of Banking Act Direction No. 05 of 2024 on Corporate Governance. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report, which forms an integral part of the Annual Report of the Board of Directors, is given on pages 199 to 210.

The Board has obtained an assurance report from the External Auditors on the Directors' Statement on Internal Control, which is given on page 213 of the Annual Report.

OUTSTANDING LITIGATIONS

In the opinion of the Directors and the Bank's Lawyers, pending litigation against the Bank disclosed in Note 37.3 of the Financial Statements given on page 272 will not have a material impact on the financial position of the Bank or its future operations.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE BANK

CORPORATE GOVERNANCE

Directors' Declarations:

I. The Bank complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board's Integrated Risk Management Committee

II. The Directors have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested.

III. All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue;

IV. The business is a going concern with supporting assumptions or qualifications as necessary, and the Board of Directors has reviewed the Bank's Corporate/Business Plans and is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Bank are prepared based on the going concern assumption; and They have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence. The measures taken and the extent to which the Bank has complied with the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and the SEC, the CSE and the CBSL are given on pages 124 to 180.

ANNUAL GENERAL MEETING AND THE NOTICE OF MEETING

The 29th Annual General Meeting of the bank will be held at the Board Room of Butani Capital Tower, No.149, Kirulapone Avenue, Colombo 05, through an "online-virtual" platform by using "audio-visual" tools on 26 May 2025 at 10.00 a.m

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report

For and on behalf of the Board of Directors,



Ms. Dinithi Ratnayake
Chairperson



Ms. Amila Belpamulla
Company Secretary

4th May 2026
Colombo, Sri Lanka

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the Section 9.2 (b) of the Banking Act Direction No. 05 of 2024 and with principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Board of Directors presents this report on Internal Control Over Financial Reporting as of 31st December 2025.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at SANASA Development Bank PLC ("the Bank").

In considering such adequacy and effectiveness, the Board recognises that the business of Banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatements of financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the guidelines for Directors of Banks on the Directors' statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting considering the principles for the assessment of internal control system as given in that guideline.

The Board is of the view that the System of Internal Controls over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the policies and procedures on risk by designing and implementing suitable internal controls to mitigate risks faced by the Bank.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of the Bank's operations and that the Bank's operations are in accordance with the corporate objectives, strategies and annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Department of the Bank verifies compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis through the application of Risk Based Audit Procedures. Audits are carried out on Head office functions Including Information Security functions, regional offices and branches in accordance with the annual Risk Based Audit Plan approved by the Board Audit Committee (BAC). Onsite audits, Process Audits and Thematic Audits are carried out to provide independent and objective reports. The frequency of which is determined by the level of risk assessed. Findings of the Internal Audit Department are submitted to the BAC for review at their periodic meetings. The BAC also review and updates on the scope and the adequacy of the internal audit function against the approved audit plan.
- The BAC reviews internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities, including Key Audit Matters (KAM) given by the External Auditors and evaluates the adequacy and effectiveness of risk management and internal control systems. The minutes of the BAC meetings are forwarded to the Board on a periodic basis. Further, details of the activities undertaken by the BAC of the Bank are set out in the Board Audit Committee Report (BAC).
- The Board Integrated Risk Management Committee (BIRMC) was established to assist the Board to oversee the overall risk management of the principal areas of the Bank. The Executive Integrated Risk Management Committee (EIRMC) includes representation from all key business, operating and control units of the Bank to assist BIRMC to execute the assigned functions as per the ToR.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Bank's core areas of business operations. These committees include the Assets and Liability Management Committee, Investment Committee and the Information Technology Steering Committee etc.
- In assessing the internal control system over financial reporting, the process owners of the Bank collate all the procedures and controls to ensure that the Financial Statements of the Bank provide accurate information. These in turn were reviewed by the Internal Audit Department for suitability of the design and effectiveness on an ongoing basis, throughout the year.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The BAC continuously monitored the implementation of the Sri Lanka Accounting Standards – SLFRS 9 "Financial Instruments" issued by The Institute of Chartered Accountants of Sri Lanka and CBSL Directives No. 13 of 2021 and No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities & Other Financial Assets in Licensed Banks. To facilitate their review, the BAC considered reports from the Head of Finance and also reports from the External Auditors on the outcome of their review of the annual audit.

Comments made by the External Auditors in connection with the Internal Control System Over Financial Reporting in previous years have been reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors during the year, in connection with the Internal Control System over Financial Reporting will be dealt within future.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and Regulatory Requirements.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs. Ernst & Young have reviewed the above Directors' Statement on Internal Control over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2025 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control over Financial Reporting of the Bank. Their Report on the Statement of Internal Control over Financial Reporting is given on page 213 of this Annual Report.

By Order of the Board,



Mr. Chaaminda Kumarasiri
Chairman - Board Audit Committee (BAC)



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



Ms. Dinithi Ratnayake
Chairperson

SANASA Development Bank PLC.
4th May 2026
Colombo, Sri Lanka

INDEPENDENT ASSURANCE REPORT

EY
Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

TO THE BOARD OF DIRECTORS OF SANASA DEVELOPMENT BANK PLC

REPORT ON THE DIRECTOR'S STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of SANASA Development Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2025.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with section 9.2 (b) of the Banking Act Direction No. 05 of 2024.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

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

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

27 February 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

CHIEF EXECUTIVE OFFICER'S AND HEAD OF FINANCE RESPONSIBILITY STATEMENT

The Financial Statements of SANASA Development Bank PLC (The Bank) as of 31st December 2025 are prepared in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007 and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto;
- Banking Act No. 30 of 1988 and amendments thereto;
- Directions, Determinations, Orders, Circulars and Guidelines issued by the Central Bank of Sri Lanka (CBSL),
- Listing Rules of the Colombo Stock Exchange.
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka; and
- Section 9.2 (b) of the Banking Act Direction No. 05 of 2024 on Corporate Governance issued by the Central Bank of Sri Lanka.

The Bank presents its financial results to its shareholders on a quarterly basis

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka, which is also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard (LKAS 1) "Presentation of Financial Statements".

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained in the Notes to the Financial Statements.

We confirm that to the best of our knowledge, the Financial Statements give a true and fair view of the assets, liabilities, financial position, results of the operations and the cash flows of the Bank and the Group. We have reasonable grounds to believe that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. As such, even after considering ongoing local and global economic issues and their impact to the Bank's operations and implications on future performance, we remain confident that it is appropriate to adopt the Going Concern basis for the preparation of the financial statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis; in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal controls and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

We confirm, The Bank's Internal Controls Over Financial Reporting are adequate and effective and comply with Section 9.2(b) of the Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Banks (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka. Annual Report of the Board of Directors on the Affairs of the Bank on pages 199 to 210 has briefly covered the Bank's Internal Control over Financial Reporting. In addition, Directors' Statement on Internal Control over Financial Reporting is provided on page 211. The Bank's External Auditors, Messrs Ernst & Young, have audited the effectiveness of the Bank's Internal Controls over Financial Reporting and have given an unqualified opinion on page 213 of this Annual Report.

The Financial Statements of the Bank were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on page 216 of this Annual Report.

The Audit Committee of the Bank meets periodically with the Internal Auditors and the Independent External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss issues relating to auditing, internal controls, and financial reporting issues.

To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee report is given on page 183.

The Audit Committee approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not impair Messrs Ernst & Young's independence.

We confirm that to the best of our knowledge:

- The Bank has complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There are no material litigations that are pending against the Bank other than those disclosed in Note 37.3 to the Financial Statements in the Annual Report.



Mr. Kapila Ariyaratne
Chief Executive Officer



Mr. Sanjeeva Jayasinghe
Head of Finance

4th May 2026
Colombo, Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors in relation to the Financial Statements of the Bank prepared in accordance with the provisions of the Companies Act No. 07 of 2007 are set out in the following statement. The responsibilities of the External Auditor in relation to the Financial Statements are set out in the Report of the Auditors given on pages 216 to 219 of the Annual Report.

As per the provisions of Sections 150 (1), 151,152 and 153 (1) and (2) of the Companies Act No. 07 of 2007 the Directors are required to prepare Financial Statements that give a true and fair view of the financial position of the Bank for each financial year and place them before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at the end of the financial year, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Notes thereto.

The Financial Statements are prepared by the Head of Finance under the supervision of the Chief Executive Officer. The Directors confirm that the Financial Statements of the Bank give a true and fair view of:

1. The state of affairs of the Bank as at 31st December 2025; and
2. The financial performance of the Bank for the financial year ended 31st December 2025.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
2. Judgements and estimates have been made that are reasonable and prudent; and
3. All applicable Accounting Standards, as relevant, have been complied with.

The Directors are also required to ensure that the Bank has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Bank has maintained sufficient accounting records to disclose, with reasonable accuracy the financial position of the Bank. The Financial Statements prepared and presented in this Report are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards which came into effect from 1 January 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

In addition, these Financial Statements comply with the prescribed format issued by the Central Bank of Sri Lanka for the preparation of annual financial statements of Licensed Specialised Banks.

The Directors have also instituted effective and comprehensive systems of Internal Control for identifying, recording, evaluating and managing the significant risks faced by the Bank throughout the year and it is being under regular review of the Board of Directors. This comprises internal reviews, internal audits and the whole system of financial and other controls required to carry on the business of banking in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st December 2025 are given in pages 211 to 212 of the Annual Report, "Directors Statement on Internal Control over Financial Reporting". External Auditors' Assurance Report on the "Directors Statement on Internal Control" is given on page 213 of the Annual Report.

The Directors have taken appropriate steps to ensure that the Bank maintain proper books of accounts and reviews the financial reporting system directly at their regular meetings and also through the Board Audit Committee. The report of the said Committee is given on pages 183 to 186 in the Annual Report. The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

Directors are required to prepare the Financial Statements and to provide the Bank's External Auditor, Messrs Ernst & Young, Chartered Accountants, with every opportunity to carry out whatever reviews and sample checks on the system of internal control they may consider appropriate and necessary for expressing their independent audit opinion on the Financial Statements

The Financial Statements of the Bank have been certified by the Head of Finance of the Bank, the officer responsible for their preparation, as required by Sections 150(1) (b) and 152 (1) (b) of the Companies Act. Also the Financial Statements of the Bank have been signed by two Directors, Chief Executive Officer and Company Secretary of the Bank on page 221 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Bank as at the Statement of Financial Position date have been paid or where relevant provided for. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Ms. Amila Belpamulla
Company Secretary

4th May 2026
Colombo, Sri Lanka

INDEPENDENT AUDITORS' REPORT

Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF SANASA DEVELOPMENT BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sanasa Development Bank PLC ("the Bank"), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Bank gives a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment for expected credit losses of loans and receivables to other customers carried at amortised cost Impairment for expected credit losses of loans and receivables to other customers carried at amortised cost as stated in Note 12 & 21, respectively, is determined by management based on the accounting policies described in Note 2.12 to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and the high level of estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.	In addressing the adequacy of the Impairment for expected credit losses of loans and receivables to other customers carried at amortised cost, our audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management.

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, forward-looking macroeconomic scenarios and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.2.6.	● Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. ● Evaluated the reasonableness of credit quality assessments and related stage classifications ● In addition to the above, the following procedures were performed: For loans and advances assessed on an individual basis for impairment: ● Checked the arithmetical accuracy of the underlying individual impairment calculations. ● Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. For loans and advances assessed on a collective basis for impairment: ● Tested the key inputs and the calculations used in the allowances for expected credit losses. ● Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays in consideration of impact arising from the 'Ditwah' cyclone. ● Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Assessed the adequacy of the related financial statement disclosures set out in notes 12,21 and 45.

Key audit matter	How our audit addressed the key audit matter

Information Technology (IT) systems related internal controls over financial reporting
 	
Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.
 	
Accordingly, the design, implementation and operating effectiveness of IT systems and related internal controls over financial reporting were identified as a key audit matter.
	Our audit procedures included the following key procedures:
	
	• Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.
	• Involved our internal specialised resources and;
	  • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and
	  • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.
	  • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Bank's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

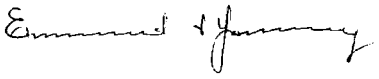
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No. 24 of 2024), we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank.

In our opinion the disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No. 05 of 2024 issued by Central Bank of Sri Lanka.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.



27 February 2026
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025	Note	2025 LKR	2024 LKR
Gross Income	6	18,403,923,767	21,062,580,699
Interest income		17,098,539,394	20,005,051,598
Less: Interest expenses		(8,865,857,751)	(12,184,587,605)
Net interest income	7	8,232,681,643	7,820,463,993
Fee and commission income		716,349,082	631,017,156
Less: Fee and commission expenses		(41,620,128)	(46,695,036)
Net fee and commission income	8	674,728,954	584,322,120
Net gain/(loss) from trading	9	(553,000)	60,116,875
Net fair value gain/(loss) of financial assets at fair value through profit or loss	10	559,066,052	444,081,680
Net other operating income	11	30,522,239	(77,686,610)
Total operating income		9,496,445,888	8,831,298,058
Less: Impairment for loans and other losses	12	(719,189,736)	(558,949,981)
Net operating income		8,777,256,152	8,272,348,077
Less: Operating expenses			
Personnel expenses	13	(4,168,995,986)	(3,964,778,179)
Depreciation and amortisation expenses	14	(702,202,634)	(610,921,460)
Other expenses	15	(2,291,814,746)	(2,245,721,885)
Operating profit before Value Added Tax (VAT) on financial services		1,614,242,786	1,450,926,553
Less: Value Added Tax (VAT) on financial services		(714,793,353)	(668,192,659)
Less: Social Security Contribution Levy		(99,276,855)	(98,470,974)
Operating profit/(loss) after VAT on financial services		800,172,578	684,262,920
Profit before tax		800,172,578	684,262,920
Less: Tax expenses	16	(395,254,032)	(274,728,675)
Profit for the year		404,918,546	409,534,246
Other Comprehensive Income			
Other Comprehensive Income/(Expenses) not to be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit plans	31.1.2	(106,466,586)	(195,633,301)
Deferred tax relating to defined benefit plans	16.2.1	31,939,976	58,689,990
Loss arising on re-measuring investments in equity instruments designated at fair value through other comprehensive income	23.1.1	(11,448,154)	-
Revaluation Surplus on Property, Plant and Equipment	25	28,375,000	69,025,000
Deferred tax relating to revaluation surplus on Property, Plant and Equipment	16.2.1	(129,412,760)	-
Other Comprehensive Income for the year net of tax		(187,012,524)	(67,918,311)
Total Comprehensive Income for the year		217,906,021	341,615,936
Earnings per share on profit			
Basic/diluted earnings per share - (LKR).	17	2.47	2.49
Dividend per share: Gross (LKR)		-	-

The Accounting Policies and Notes on pages 224 through 296 from an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025	Note	2025 LKR	2024 LKR
Assets			
Cash and balances with banks	18	7,104,305,823	2,442,293,957
Placements with banks	19	7,801,226,634	9,083,957,854
Financial assets fair value through profit or loss	20	-	6,739,200,074
Financial assets at amortised cost			
- Loans and receivables to other customers	21	109,840,875,877	95,137,106,867
- Debt and other instruments	22	16,605,322,741	26,623,135,466
Financial assets measured at fair value through other comprehensive income	23	196,697,726	208,145,880
Investment in subsidiary	24	6,163,100	6,163,100
Property, plant and equipment	25	970,550,982	1,115,086,601
Right of use assets	26	1,358,410,515	780,437,781
Intangible assets	27	659,060,912	747,453,984
Deferred tax assets	16.2	756,172,119	778,912,222
Other assets	28	1,659,310,397	1,494,056,173
Total assets		146,958,096,826	145,155,949,959
Liabilities			
Due to other customers	29	105,680,974,038	106,989,899,941
Other borrowings	30	20,616,321,069	19,075,131,562
Retirement benefit obligation	31	1,286,496,116	1,041,381,783
Current tax liabilities		892,809,195	717,274,037
Other liabilities	32	3,677,090,022	2,745,762,272
Total liabilities		132,153,690,440	130,569,449,595
Equity			
Stated capital	33	11,406,601,998	11,406,601,998
Statutory reserve fund	34	381,295,092	361,049,165
Retained earnings	35	2,698,388,993	2,388,242,984
Other reserves	36	318,120,303	430,606,217
Total equity		14,804,406,386	14,586,500,364
		14,804,406,386	14,586,500,364
Total equity and liabilities		146,958,096,826	145,155,949,959
Contingent liabilities and commitments	37	1,032,892,725	869,324,533

Certification

I certify these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Sanjeeva Jayasinghe
Head of Finance

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board by:



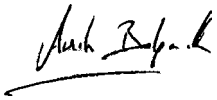
Dinithi Ratnayake
Chairperson



Chaaminda Kumarasiri
Director



Kapila Ariyaratne
Executive Director / CEO



Amila Belpamulla
Company Secretary

The Accounting Policies and Notes on pages 224 through 296 from an integral part of the Financial Statements.

27 February 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated capital	Reserves					
	Ordinary voting shares	Statutory reserve fund	Retained earnings	Available for sale reserve/ Fair value through OCI	Revaluation reserve	General reserves	Total equity
	LKR	LKR	LKR	LKR		LKR	LKR
Opening balance as at 1 January 2024	11,287,765,221	340,572,453	2,275,936,735	(19,051,624)	333,975,868	46,656,973	14,265,855,626
Profit for the year	-	-	409,534,246	-	-	-	409,534,246
Other comprehensive income (net of tax)	-	-	(136,943,311)	-	69,025,000	-	(67,918,311)
Total comprehensive income for the year			272,590,935	-	69,025,000		341,615,936
Transactions with equity holders, recognised directly in equity							
Scrip dividend - 2023	118,836,777	-	(139,807,974)	-	-	-	(20,971,199)
Transfer to statutory reserve fund	-	20,476,712	(20,476,712)	-	-	-	-
Total transaction with equity holders	118,836,777	20,476,712	(160,284,687)	-	-	-	(20,971,199)
Closing balance as at 31 December 2024	11,406,601,998	361,049,165	2,388,242,984	(19,051,624)	403,000,868	46,656,973	14,586,500,364
Opening balance as at 1 January 2025	11,406,601,998	361,049,165	2,388,242,984	(19,051,624)	403,000,868	46,656,973	14,586,500,364
Profit for the year	-	-	404,918,546	-	-	-	404,918,546
Other comprehensive income	-	-	(106,466,586)	(11,448,154)	28,375,000	-	(89,539,740)
Deferred Tax on Other Comprehensive Income	-	-	31,939,976	-	(129,412,760)	-	(97,472,785)
Total comprehensive income for the year	-	-	330,391,936	(11,448,154)	(101,037,760)	-	217,906,021
Transactions with equity holders, recognised directly in equity							
Transfer to statutory reserve fund	-	20,245,927	(20,245,927)	-	-	-	-
	-	20,245,927	(20,245,927)	-	-	-	-
Closing balance as at 31 December 2025	11,406,601,998	381,295,092	2,698,388,993	(30,499,778)	301,963,108	46,656,973	14,804,406,386

Statutory reserve fund

Every licensed specialised bank has to make a provision not less than 5% out of profit after tax to the statutory reserve fund. Such provision should be made annually as stipulated by the Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 33 of 1995 until the said Reserve Fund is equal to 50% of the Equity Capital of the Bank. Thereafter, the Bank has to make a provision not less than 2% out of profit after tax to the Statutory Reserve Fund until the said Fund is equal to the Equity Capital of the Bank.

General reserve

The general reserve is created after provisioning for a statutory reserve fund and interim dividend payments for the respective share holders, this reserve will be used by the Bank for the future capitalisation purposes of the Bank.

Available for sale/Fair value through OCI reserve

The available for sale/Fair value through OCI reserve is consist of fair value adjustment made to unquoted equity investment.

The Accounting Policies and Notes on pages 224 through 296 from an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2025	Note	2025 LKR	2024 LKR
Cash flows from /(used in) operating activities			
Interest received		19,694,745,601	20,577,268,436
Fee and commission received		848,428,986	696,809,121
Receipts from other operating activities		5,933,730	2,779,833
Interest payment		(8,567,284,078)	(14,406,824,572)
Cash payment to employees		(3,816,519,621)	(3,711,040,514)
Payments to suppliers and other operating activities		(2,142,684,860)	(2,273,559,667)
Fee and commission expenses		(41,620,128)	(46,695,036)
Operating profit before changes in operating assets		5,980,999,630	838,737,603
(Increase)/decrease in operating assets			
Funds advanced to customers		(18,176,883,288)	3,068,032,781
Net (increase)/ decrease in other short term securities		871,596,696	(1,038,710,069)
Net (increase)/ decrease in other assets		(1,138,773,246)	(353,648,817)
Increase/(decrease) in operating liabilities			
Deposits from customers		(1,574,200,032)	994,426,906
Net increase/ (decrease) in other liabilities		431,534,825	439,654,428
Net cash from operating activities before taxes		(13,605,725,415)	3,948,492,832
VAT on financial services paid		(848,908,637)	(810,714,276)
Income tax paid		(253,324,876)	(108,284,316)
Net cash from operating activities		(14,707,958,928)	3,029,494,240
Cash flows from /(used in) investing activities			
Dividend received	11	476,195	291,165
(Increase)/decrease in non dealing securities		-	(151,206,356)
(Increase)/decrease in dealing securities		7,297,713,126	(3,419,780,343)
(Increase)/decrease in treasury bonds and other investments		10,003,382,601	13,242,000,498
Proceeds from sale of property, plant and equipment		4,835,348	425,070
Purchase of property, plant and equipment	25	(91,135,973)	(429,588,159)
Purchase of intangible assets	27	(94,124,250)	(165,002,818)
Net cash from/(used in) investing activities		17,121,147,047	9,077,139,057
Cash flows from/(used in) financing activities			
Dividend paid (Withholding Tax)	35	-	(20,971,198)
Repayment of long term borrowing		(9,551,482,215)	(20,781,743,621)
Interest paid on subordinated debt		-	(550,368,079)
Increase/(decrease) in borrowing		11,097,850,277	9,524,870,672
Net cash flow from/(used in) financing activities		1,546,368,062	(11,828,212,226)
Net increase/(decrease) in cash and balances with banks		3,959,556,181	278,421,072
Cash and balances with banks at the beginning of the year	18.3	3,444,749,642	3,166,328,570
Cash and balances with banks at the end of the year	18.3	7,404,305,823	3,444,749,642

The Accounting Policies and Notes on pages 224 through 296 from an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION / REPORTING ENTITY

1.1. General

SANASA Development Bank PLC ("the Bank") is a Licensed Specialised Bank established under the Banking Act No. 30 of 1988 and its amendment there to. It is a limited liability company, incorporated and domiciled in Sri Lanka. The registered office of the Bank is located at No. 12, Edmonton Road, Colombo 6. The Bank has a primary listing on the Colombo Stock Exchange.

1.2. Principal activities

SANASA Development Bank PLC provides a comprehensive range of financial services encompassing Development Banking, Corporate Banking, Personal Banking, Corporate and Trade Finance, Leasing and other Associated Activities.

1.3. Subsidiary

Payment Services (Private) Limited is a fully-owned subsidiary of the Bank, that was acquired on 26 May 2020. It was engaged in the business of providing online payment solutions on the web and mobile platforms under the brand name "Upay". The subsidiary's assets, liabilities, equity, income, expenses and cash flows do not have a material effect on the Consolidated Financial Statements of the Group. Therefore, the subsidiary has been deemed immaterial and has not been consolidated when preparing and presenting the Financial Statements of the Group.

1.4. Parent entity and ultimate parent entity

The Bank does not have an identifiable parent of its own.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Bank which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publish annual and quarterly financial information and other disclosures in the Press and the Website in compliance with Section 6 of the aforementioned Circular.

2.2. Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements of the Bank as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

The Board of Directors acknowledges their responsibility for financial statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Directors' Responsibility for Financial Reporting" and the certification on the Statement of Financial Position.

2.3. Date of authorisation of issue

The financial statements for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Directors on 24 February 2026.

2.4. Basis of Measurement

The Financial Statements of the Bank have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets held at fair value through other comprehensive income (FVOCI) are measured at fair value (Note 23)
- Financial assets recognised through profit or loss (FVPL) are measured at fair value (Note 20)
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation less the fair value of the plan assets (Note 31)

2.5. Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates. Financial information presented in Sri Lankan Rupees unless otherwise indicated. There was no change in the Bank's presentation and functional currency during the year under review.

2.6. Presentation of Financial Statements

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 44 to the Financial Statements.

2.7. Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.8. Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation. The details of such reclassifications are presented in Note 46 to the Financial Statements

2.9. Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the direct method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), money at call and short notice, net of unfavourable local bank balances.

2.10. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Bank in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Bank are described in the respective notes.

2.11. Going Concern

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Directors have considered the impact of the current adverse macro-economic conditions on the business operations of the Bank. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Bank. Therefore, the Financial Statements continue to be prepared on the going concern basis. The management has also conducted stress tests to evaluate the robustness of the financial resources of the Bank. This has been reviewed and approved by the Board.

2.12. Impairment Losses on Loans and Advances

The measurement of impairment losses under Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under Note 3.2.6 to the Financial Statements.

In response to the adverse macro-economic conditions the Bank's

expectations of economic impacts, key assumptions used in the Bank's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.2.6.6, while the impact on changing the weightages of different macro- economic scenarios during the year are given in Note 45.2.1. (f).

A breakdown of the loans and advances of the Bank classified under stage 2 is given in Note 45.2.1.(g). Sensitivity of the individually significant loan impairment to recovery cash flows is given in Note 45.2.1.(c) while sensitivity of collective impairment provision to the staging of the loans and advances is disclosed in Note 45.2.1. (d).

2.13. Impairment of Other Financial Assets

The Bank reviews its debt securities classified as FVOCI/amortised cost at each reporting date. Objective evidence that a debt security held at FVOCI/ amortised cost is impaired/having an increased credit risk includes, among other things, significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

2.14. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in more detail in Note 3.2.10.

The Bank measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 42.

2.15. Financial Assets and Liabilities Classification

The Bank's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 41, 'Analysis of Financial Instruments by Measurement Basis'.

2.16. Taxation

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The details of deferred tax computation is given in Note 16.2 to the Financial Statements.

2.17. Defined Benefit Plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Bank.

2.18. Property, Plant and Equipment

The freehold land of the bank reflected at fair value at each reporting date, for Other asset bank applies cost model to Property, Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

The details of freehold land and buildings, including valuation are given in Note 25.1 to the Financial Statements. The Bank revalued its freehold lands and buildings as at 31st December 2025 and necessary adjustments were included in the Financial Statements

2.19. Useful Lifetime of the Property, Plant and Equipment

The Bank reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.20. Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 37.

2.21. Classification of Investment Properties

Management exercises judgment in determining whether a property qualifies as an investment property. To ensure

consistency, the Bank has established specific criteria for this assessment. A property is classified as an investment property if it is held primarily to earn rental income, for capital appreciation, or both, and generates cash flows largely independent of the Bank's other assets. Conversely, properties used for operational purposes, service delivery, or administrative functions where cash f lows are not generated independently are classified as property, plant, and equipment (PPE)

The Bank reviews the classification of its properties annually, considering their current use. As of December 31, 2025, no assets have been classified as investment properties.

2.22. SLFRS 16 – Leases

The Bank uses its judgment to determine whether an operating lease contract qualifies for recognition of right of-use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Bank cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Bank would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Bank applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

3. GENERAL ACCOUNTING POLICIES

3.1. Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other operating income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the rate of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non- monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on equity instruments classified as fair value through other comprehensive income, financial liabilities designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges are recognised in other comprehensive income.

3.2. Financial Instruments - Initial Recognition, Classification and Subsequent Measurement

3.2.1. Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank.

3.2.2. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.2.3.1(a) and 3.2.3.1 (b). Financial instruments are initially measured at their fair value.

Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3.2.2.1. 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank recognises the difference between the

transaction price and fair value ('Day 1' profit or loss) in the Statement of Profit or Loss over the tenor of the financial instrument using the effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.2.3. Measurement Categories of Financial Assets and Liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 3.2.3.1
- FVOCI as explained in Notes 3.2.3.5 and 3.2.3.6
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 3.2.3.2 and 3.2.3.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.2.3.4.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, derivative instruments or the fair value designation is applied, as explained in Notes 3.2.3.2,3.2.3.3,3.2.3.4 and 3.2.3.7.

3.2.3.1. Loans and advances to customers, debt and other securities, reverse repurchase agreements

The Bank only measures loans and advances to customers, debt and other securities and reverse repurchase agreements at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of collecting contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

3.2.3.1(a). Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.2.3.1(b). The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.2.3.2. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all two of the following characteristics:

Its value changes in response to the change in a specified interest rate,

financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank does not have any derivative instruments as at reporting date.

3.2.3.2(a). Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way, similar to a stand-alone derivative.

An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a nonfinancial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts, are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the income statement. Derivatives embedded in financial assets are no longer separated. Instead, they are classified based on the business model and SPPI assessments as outlined in Notes 3.2.3.1 (a) and 3.2.3.1.(b).

The bank does not have any embedded derivatives as of reporting date.

3.2.3.3. Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term. The Bank does not have any financial liabilities classified as held for trading as at 31st December 2025.

3.2.3.4. Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, Or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, Or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the "Own credit reserve" through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being integral parts of the instrument.

3.2.3.5. Debt instruments at FVOCI

The Bank applies this category for debt instruments when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise government securities.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The ECL calculation for debt instruments at FVOCI is explained in Note 3.2.6.5. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

3.2.3.6. Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3.7. Securities sold under repurchase agreements, due to banks, due to depositors, other borrowers and debt securities holders

After initial measurement, securities sold under repurchase agreements, due to banks, due to depositors, due to other borrowers and due to debt securities holders are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Bank does not have compound financial instruments which contains both liability and equity components and require separation as at the date of the issue.

3.2.4. Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank may acquire, dispose of, or terminates a business line (change in business model). When the Bank reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Bank did not reclassify any of its financial assets in 2025.

3.2.5. Derecognition of Financial Assets and Liabilities

3.2.5.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that,

substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.2.5.2. Derecognition other than for substantial modification

3.2.5.2(a). Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

3.2.5.2(b). Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.2.6. Impairment Allowance for Financial Assets

3.2.6.1. Overview of the ECL principles

The Bank has been recording impairment (expected credit losses) for all loans, debt & other financial instruments not held at FVPL. Equity instruments are not subject to impairment under SLFRS 9.

The ECL impairment is based on the credit losses expected to arise over the life of the asset [the lifetime expected credit loss or (LTECL)], when there is a significant increase in credit risk since origination. In all other instances, the

impairment is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3.2.6.1(b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 3.2.6.4. The details of individual assessment of ECLs are given in Note 3.2.6.3.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 3.2.6.1 (b). Based on the above process, the Bank categorises its loans into 'stage 1', 'stage 2', 'stage 3' and 'originated credit impaired', as described below:

- Stage 1: When loans are first recognised, the Bank recognises an impairment based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.
- Stage 3: Loans considered credit-impaired [as outlined in Note 3.2.6.1 (a)]. The Bank records an impairment for the LTECLs.
- Originated credit impaired: Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Bank did not have originated credit impaired loans as at 31st December 2024 and 2023.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.2.6.1(a). Definition of default and cure

The Bank considers a financial instrument as defaulted and therefore stage 3 (credit- impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

Such events include:

- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a customer/group of customers
- A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/ group of customers
- The value of collateral is significantly reduced and/or reliability of collateral is doubtful
- The borrower is subject to litigation that significantly affects the performance of the credit facility

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re- classified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 largely depends on the days past due, at the time of the cure. The corresponding reduction in ECL is recognised under "Impairment charge/reversal" in Note 12 to the financial statements.

The Bank's criterion for 'cure' for rescheduled/restructured loans is more stringent than ordinary loans and is explained in Note 3.2.6.10.

3.2.6.1(b). Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Bank also applies secondary qualitative methods for triggering a significant increase in credit risk, such as restructuring of an asset while the asset is less than 30 days past due. Further, rescheduled loans will remain in stage 2 for at least one year from the date of Rechedulment even if such loans become less than 30 days past due. In certain cases, the Bank may also consider that events explained in Note 3.2.6.1 (a) are significant increase

in credit risk as opposed to a default, for customers who are considered as individually significant.

The Bank is focused on a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 2 or stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 or next bucket based on the industry risk of the underlying borrowers. The Bank has identified industries such as tourism, imports businesses, construction (including condominiums), agriculture including agri-chemicals, transport and storing, personal other consumption needs, etc. as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2. An analysis of the loans classified under stage 2 is given in Note 45.2.1 (g).

3.2.6.2. The calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.2.6.4(a).
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.2.6.4(b).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.2.6.4(c).

3.2.6.3. Calculation of ECLs for individually significant loans

The Bank first assesses ECLs individually for financial assets that are individually significant to the Bank. In the event the Bank determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 3.2.6.1 (a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Bank takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re- assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The realisable value of security (or other credit mitigants) and likelihood of successful repossession;

3.2.6.4. Grouping financial assets measured on a collective basis

The Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

- All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.
- The treasury, trading and interbank relationships (such as Due from banks, debt and other instruments at amortised cost/FVOCI)

For all other asset classes, the Bank calculates ECL on a collective basis. The Bank categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral

3.2.6.4(a). PD estimation process

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most banks in the country at present.

Accordingly, exposures are categorised among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into adverse DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

However, for loans granted to banks, debt and other financial instruments classified as amortised cost/FVOCI, the Bank relies on external credit ratings in determining their respective PDs. Due to limited stage movements in loan portfolios under moratorium schemes, the Bank has used additional assessments of SICR as explained in Note 3.2.6.1(b) to build an allowance for overlay to better reflect the portfolio position.

3.2.6.4(b). Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a stage 1 loan, the Bank assesses the possible default events within 12 months. However, if a stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

3.2.6.4(c). Loss given default

Loss given default is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed the "Above 90 days" at-least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan. Virtually closed contracts are also be added to this data set. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

For financial investments other than loans and advances, the Bank uses the LGD rates specified by the regulator in the Basel III guidelines when calculating the ECL as per SLFRS 9.

3.2.6.5. Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

3.2.6.6. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs. The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2025, the Bank assessed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation.

To reflect these uncertainties in the calculation of expected credit losses, weightages are assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2025.

	Base case	Best case	Worst case
2025	25%	10%	65%
2024	25%	10%	65%

To ensure completeness and accuracy, the Bank obtains the above data primarily from the Central Bank of Sri Lanka (CBSL). Other third party sources such as World Bank and International Monetary Fund etc is also used when CBSL data is not available.

3.2.6.7. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible.

The collateral comes in various forms, such as cash, securities, guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

3.2.6.8. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category at the lower of the repossessed value or the carrying value of the original secured asset. The Bank did not transfer any repossessed assets to its property, plant and equipment during the years ended 31st December 2025 and 2024.

3.2.6.9. Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. For individual customers, the Bank has a policy of writing off the gross carrying amount when the financial asset is past due for many years, based on historical experience of recoveries of similar assets.

If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

3.2.6.10. Rescheduled and restructured loans

The Bank sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Bank considers a loan as rescheduled/ restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit and Risk Departments. Reschedulement/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor rescheduled/ restructured loans to ensure that future payments are likely to occur.

When the Bank reschedule/restructure a loan facility of a customer, the entire portfolio of the customer is classified as minimum stage 2 at the modification date. The Bank also considers whether such assets should be classified as stage 3. Rescheduled customers will remain in stage 3/stage 2 for at least one year even the rescheduled loan facility becomes a performing loan in terms of CBSL Directives. Restructured loans are upgraded to stage 1 by the Bank's Risk Department based on their independent evaluation of the customers. If the upgraded rescheduled/restructured loans become past due (for more than 30 days) on a later date, loss allowance reverts to being measured at an amount equal to life time expected credit losses. Details of restructured/rescheduled loans are disclosed in Note 45.2.1 (h). If modifications are substantial, the loan is derecognised, as explained in Note 3.2.5.1.

3.2.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position only when the Bank has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.2.8. Hedge Accounting

The Bank designates certain derivatives as either:

- Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- Hedges of net investments in foreign operations (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge

transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Bank did not designate any derivative as a hedging instrument during the years ended 31st December 2025 and 2024.

3.2.9. Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2.10. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.3. Leases

At inception of a contract, the Bank assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Bank has right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Bank has right to direct the use of the asset. The Bank has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either;
- The Bank has the right to operate the asset; or
- The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

3.3.1. Bank as the Lessee

The Bank recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site

on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined based on the tenor of rent agreements.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Banks' incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments such as Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Bank presents right of use assets under Note 26 to the financial statements while the corresponding lease liability is presented in Note 32, 'Other Liabilities'.

3.3.2. Short term leases and leases of low value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Bank recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.3.3. Bank as the Lessor

When the Bank acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

When the Bank is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 21.2.1, 'Loans and advances'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Bank recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

3.4. Fiduciary Assets

The Bank provides fiduciary services that result in the holding of assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Bank.

3.5. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.6. Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Bank which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.7. Impairment of Non-Financial Assets

The carrying amounts of the Bank's non- financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.8. Other Taxes

3.8.1. Value Added Tax (VAT)

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits & provisions relating to terminal benefits.

3.8.2. Social Security Contribution Levy

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from October 01, 2022, Bank is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

3.9. Regulatory Provisions

3.9.1. Deposit Insurance and Liquidity Support Scheme

All Licensed Commercial Banks were required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" in terms of the Banking Act Direction No. 5 of 2010, issued on 27th September 2010. This was subsequently replaced by the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations No. 2 of 2021, dated 06th August 2021. The Bank's total capital ratio as at 31st December 2025 exceed 14% and accordingly the Bank paid a premium of 0.1% of the eligible deposits as deposit insurance premium, during the year ended 31st December 2025.

3.9.2. Crop Insurance Levy

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No. 30 of 1988, Finance Business Act No. 42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 1st April 2013.

4. NEW ACCOUNTING STANDARDS/AMENDMENTS TO EXISTING ACCOUNTING STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

4.1. SLFRS 17 – Insurance Contracts

However, there is no impact on the financial statements of the bank by applying the above to accounting standards.

5. ACCOUNTING STANDARDS/CBSL DIRECTIVES ISSUED BUT NOT YET EFFECTIVE AS AT 31ST DECEMBER 2025

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 18 - Presentation and Disclosure in Financial Statements

The standard will be effective for annual reporting periods beginning on or after 1 January 2027. Early adoption is permitted. This amendment does not have a material impact on the Financial Statements of the Company.

SLFRS 19 - Subsidiaries without Public Accountability: Disclosures

SLFRS 19 Subsidiaries without Public Accountability: Disclosures specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other SLFRS Accounting Standards. The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Early adoption is permitted. This amendment does not have a impact on the Financial Statements of the Company.

Amendments to SLFRS 9 – Financial Instruments and SLFRS 7 –Financial Instruments: Disclosures

Amendments introduce important enhancements to the classification, measurement, derecognition, and disclosure requirements applicable to financial instruments, with the objective of strengthening transparency, improving consistency, and addressing emerging market developments such as sustainability-linked features and nature-dependent electricity contracts.

The amendments will be effective for annual reporting periods beginning on or after 1st January 2026. Early adoption is permitted.

SLFRS S1 GENERAL REQUIREMENTS FOR DISCLOSURE OF SUSTAINABILITY- RELATED FINANCIAL INFORMATION

SLFRS S1 requires entities to provide material, decision-useful sustainability-related financial disclosures covering governance, strategy, risk management, and metrics and targets, aligned with financial statements and focused on impacts on future cash flows. All listed entities in the Main Board of the Colombo Stock Exchange are required to adopt for annual periods beginning on or after 1 January 2026. Early adoption is permitted.

SLFRS S2 CLIMATE RELATED DISCLOSURES

The objective of SLFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. All listed entities in the Main Board of the Colombo Stock Exchange are required to be adopted for annual periods beginning on or after 1 January 2026. Early adoption is permitted.

The Bank has applied all relevant accounting standards which have been issued up to 31 December 2025 in the preparation of the Financial Statements for the year ended 31 December 2025.

6. GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 7 - Net Interest Income, Note 8 - Fee and Commission Income, Note 9 - Net Gain/(Loss) from Trading, Note 10 - Net Fair Value Gain/(Loss) from Financial Assets at Fair Value through Profit or Loss and Note 11 - Net Other Operating Income.

		2025	2024
	Note	LKR	LKR
Interest income	7.	17,098,539,394	20,005,051,598
Fee and commission income	8.	716,349,082	631,017,156
Net Gain/(Loss) from Trading	9.	(553,000)	60,116,875
Net Fair Value Gain/(Loss) from Financial Assets at Fair Value through Profit or Loss	10.	559,066,052	444,081,680
Net Other Operating Income	11.	30,522,239	(77,686,610)
Total		18,403,923,767	21,062,580,699

7. NET INTEREST INCOME

Accounting Policy

Recognition of Interest Income

The Bank recognises interest income for all financial instruments measured at amortised cost, interest-bearing financial assets measured at FVOCI and FVPL using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the Income Statement.

	2025	2024
	LKR	LKR
Interest income		
Cash and balances with banks	79,222,424	100,173,980
Placements with banks	892,957,873	1,128,645,949
Financial assets at amortised cost:		
- Loans and receivables to other customers	14,565,056,623	14,795,033,351
- Debt and other instruments	1,557,945,474	3,848,914,091
Financial assets - fair value through profit or loss	3,357,000	132,284,227
Total interest income	17,098,539,394	20,005,051,598

	2025	2024
	LKR	LKR
Interest expenses		
Financial liabilities at amortised cost:		
- Due to other customers	7,825,125,872	10,287,471,096
- Other borrowers	893,076,185	1,328,060,835
- Subordinated term debt	-	432,543,169
- Finance cost of lease liability	147,655,694	136,512,505
Total interest expenses	8,865,857,751	12,184,587,605
Net interest income	8,232,681,643	7,820,463,993

7.1. Interest income from Sri Lanka Government securities

	2025	2024
	LKR	LKR
Interest income from Sri Lanka Government securities	1,445,845,838	3,877,114,943
Total	1,445,845,838	3,877,114,943

8. NET FEE AND COMMISSION INCOME

Accounting Policy

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Other Fee and Commission Expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

	2025	2024
	LKR	LKR
Fee and commission income	716,349,082	631,017,156
Fee and commission expenses	(41,620,128)	(46,695,036)
Net fee and commission income	674,728,954	584,322,120

8.1. Fee and commission income earned from

	2025	2024
	LKR	LKR
Loans	242,007,639	149,505,718
Deposits	107,765,171	105,461,295
Guarantees	2,328,748	1,817,996
Commission earned from insurance	67,367,134	78,404,998
Commission earned from ATM	72,647,726	78,416,349
Others	224,232,664	217,410,800
Fee and commission income	716,349,082	631,017,156

9. NET GAIN/(LOSS) FROM TRADING

Accounting Policy

Net gain/(loss) from trading includes all the capital gain/(loss) from financial assets measured at fair value through profit or loss.

	2025	2024
	LKR	LKR
Sri Lanka Government securities - Treasury bills and treasury bonds	(553,000)	60,116,875
Total	(553,000)	60,116,875

10. NET FAIR VALUE GAIN/(LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Net fair value gain/(loss) from financial assets measured at fair value through profit or loss includes all the gains and losses from changes in fair value from financial assets measured at fair value through profit or loss.

	2025	2024
	LKR	LKR
Sri Lanka Government securities - Treasury bills and treasury bonds	(1,398,600)	(2,506,265)
Unit trust	560,464,652	446,587,945
Total	559,066,052	444,081,680

11. NET OTHER OPERATING INCOME

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Bank are recognised as other operating income, such as gains on disposal of property, plant and equipment, dividend income and foreign exchange gains/ (losses).

Gains/(losses) arising from disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Dividend income from investments in quoted and non quoted shares are recognised when the Bank's right to receive the payment is established.

Foreign exchange gain/(loss) includes gain/(loss) arising from revaluation of foreign currency assets/ liabilities.

	2025	2024
	LKR	LKR
Gain on sale of property, plant and equipment	3,686,790	78,691
Dividend income	476,195	291,165
Other income	26,359,254	(78,056,466)
Other operating income	30,522,239	(77,686,610)

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES

Accounting Policy

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.2.6 to the Financial Statements.

12.1. Balances with banks

	2025	2024
	LKR	LKR
Stage 1	773,046	(211,314)
Total	773,046	(211,314)

12.2. Placements with banks

	2025	2024
	LKR	LKR
Stage 1	(239,823)	(1,861,868)
Total	(239,823)	(1,861,868)

12.3. Financial assets at amorised cost - Loans and receivables to customers

	2025	2024
	LKR	LKR
Stage 1	339,796,329	91,112,220
Stage 2	(178,646,385)	(18,997,884)
Stage 3	556,975,308	488,879,455
Total	718,125,252	560,993,791

12.4. Debt and other instruments

	2025	2024
	LKR	LKR
Stage 1	531,261	29,372
Total	531,261	29,372
Total	719,189,736	558,949,981

13. PERSONNEL EXPENSES

Accounting Policy

Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability under 'Other liabilities' in Note 32.

The Bank contributes 3% of the salary of each employee to the Employees' Trust Fund and 14% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity and Employees' Provident Fund of the Bank was considered as the defined benefit plan as per Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Accounting Policy

Gratuity

In compliance with the Gratuity Act No. 12 of 1983, provision is made in the accounts from the first year of service, for gratuity payable to employees.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

The gratuity liability is not externally funded.

The Bank determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period.The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31st December 2025 (current service cost) has been recognised in the Statement of Profit or Loss under 'Personnel expenses' together with the net interest expense. The Bank recognises the total actuarial gain/loss that arise in calculating the Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

Employees' Provident Fund

Employees' Provident Fund is an approved private provident fund which has been set up to meet the provident fund liabilities of the Bank to which the Bank and employees contribute 14% and 8% respectively on the salary of each employee.

	2025	2024
	LKR	LKR
Salary and bonus	2,868,563,912	2,738,795,383
Contributions to defined contribution plans - EPF	361,598,352	335,829,118
- ETF	77,477,670	71,963,383
Contributions to defined benefit plans	210,968,464	168,751,769
Overtime	8,906,500	8,953,429
Staff welfare	34,268,746	39,395,375
Staff allowances	404,162,064	374,296,359
Others	203,050,278	226,793,363
Total	4,168,995,986	3,964,778,179

14. DEPRECIATION AND AMORTISATION EXPENSES

Accounting Policy

Depreciation of Property, Plant and Equipment

The Bank provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates, on a straight-line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank.

Improvements to leasehold properties are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold lands are not depreciated.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Asset category	Useful life (Years)		Depreciation Rate per Annum (%)	
	2025	2024	2025	2024
Buildings	20	20	5	5
Computer hardware	3-5	3-5	20 - 33.33	20 - 33.33
Machinery and equipment	5	5	20	20
Motor vehicles	4	4	25	25
Furniture and fitting	5	5	20	20
Digital Equipment	5	5	20	20

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Bank. The Bank assumes that there is no residual value for its intangible assets.

Asset category	Useful life (Years)		Amortization Rate per Annum (%)	
	2025	2024	2025	2024
Computer software	3-7	3-7	14 - 33.33	14 - 33.33
Core Banking System	10	10	10	10

Amortisation of Right-of-Use Assets

The right of use assets are depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as renewal of rent agreements.

Changes in Estimates

Depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31st December 2025, the Bank conducted an operational efficiency review and estimates were not changed accordingly.

	2025	2024
	LKR	LKR
Depreciation of property, plant and equipment	270,658,784	228,456,223
Amortisation of Right of use assets**	249,026,091	211,350,225
Amortisation of intangible assets	182,517,759	171,115,012
Total	702,202,634	610,921,460

** Bank has only Buildings under Right of Use Assets

15. OTHER EXPENSES

Accounting Policy

Other expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. Provisions in respect of other expenses are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	2025	2024
	LKR	LKR
Directors' emoluments	29,619,550	52,328,500
Auditors' remunerations	9,600,000	5,875,000
Professional and legal expenses	12,304,960	24,684,977
Office administration and establishment expenses	2,240,290,236	2,162,833,408
Total	2,291,814,746	2,245,721,885

15.1. Directors' emoluments include fees paid to Non-executive Directors

15.2. Auditors' remunerations

	2025	2024
	LKR	LKR
Audit fees	4,600,000	3,900,000
Audit related fees & expenses	1,700,000	1,050,000
Non-audit expenses	3,300,000	925,000
Total	9,600,000	5,875,000

16. TAX EXPENSE

Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 16.3.

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of deferred tax liabilities/(assets) is given in Note 16.2 to the Financial Statements respectively.

	2025	2024
	LKR	LKR
Current tax expense		
Income tax for the year	469,986,712	461,140,565
Deferred taxation charge /(reversal)	(74,732,680)	(186,411,890)
Total	395,254,032	274,728,675

16.1. Reconciliation of tax expenses

	2025	2024
	LKR	LKR
Profit before tax	800,172,578	684,262,920
Income tax for the period (Accounting profit at 30%)	240,051,773	205,278,876
Income exempt from tax /or not taxable	(189,811,316)	(329,336,844)
Add: Tax effect of expenses that are not deductible for tax purposes	715,990,988	870,705,936
Less: Tax effect of expenses that are deductible for tax purposes	(323,501,219)	(285,507,405)
Add: Provision for assessments	27,256,486	
Tax expense for the year	469,986,712	461,140,564
Deferred taxation charge	(74,732,680)	(245,101,880)
Amount of Deferred Tax Expense /(Income)	-	58,689,990
At the effective income tax rate of 49.40% (2024 : 40.15%)	395,254,032	274,728,674

16.2. Deferred tax assets, liabilities and income tax relates to the followings:

	Statement of financial position		Statement of comprehensive income	
	2025	2024	2025	2024
	LKR	LKR	LKR	LKR
Deferred tax liability				
Capital allowances for property, plant and equipment	(12,475,846)	(12,544,699)	68,853	(49,248,620)
Land Revaluation Surplus	129,412,760	-	129,412,760	-
	116,936,914	(12,544,699)	129,481,614	(49,248,620)
Deferred tax assets				
Defined benefit plans	385,948,835	312,414,535	(73,534,300)	(82,580,177)
Impairment allowance	476,362,373	425,734,380	(50,627,993)	(92,683,902)
Right to use assets	10,797,825	28,218,608	17,420,784	(20,589,181)
	873,109,033	766,367,523	(106,741,509)	(195,853,260)
Deferred taxation charge/(reversal)			22,740,104	(245,101,880)
Net deferred tax liability /(asset)	(756,172,119)	(778,912,222)		

16.2.1. Composition of deferred tax charge

	2025	2024
	LKR	LKR
Impact on income tax expense	(74,732,680)	(186,411,890)
Impact on other comprehensive income	97,472,785	(58,689,990)
Impact on comprehensive income	22,740,104	(245,101,880)

16.3. Income Tax Rate

The Bank applied the rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as at 31st December 2025.

17. EARNINGS PER SHARE

Accounting Policy

The Bank presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

	2025	2024
	LKR	LKR
Net profit for the year	404,918,546	409,534,246
Profit attributable to ordinary shareholders	404,918,546	409,534,246

	2025	2024
	Number	Number
Weighted average number of ordinary shares in issue	164,166,494	164,166,494
	164,166,494	164,166,494
Basic/diluted earnings per ordinary share	2.47	2.49

18. CASH AND BALANCES WITH BANKS

Accounting Policy

Cash and balances with banks comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and balances with banks are carried at amortised cost in the Statement of Financial Position. All cash and balances with banks balances held by the Bank were available for use.

For the purpose of the Statement of Cash Flows, cash and balances with banks consist of cash and short term deposits as defined above and placements with banks (less than 3 months) .

	2025	2024
	LKR	LKR
Cash in hand	404,560,619	553,989,208
Balances with banks	6,700,846,056	1,888,632,556
Less : Impairment	(1,100,852)	(327,807)
Carrying value after impairment	7,104,305,823	2,442,293,957

18.1. Analysis of cash and balances with banks based on exposure to credit risk

	Stage 1	
	2025	2024
	LKR	LKR
Cash and balances with banks	7,105,406,675	2,442,621,764
Less : Impairment	(1,100,852)	(327,807)
Carrying value after impairment	7,104,305,823	2,442,293,957

18.2. Stage wise classification of impairment allowances of cash and balances with banks

	Stage 1	
	2025	2024
	LKR	LKR
Opening balance as at 1 January	327,806	539,120
Charges/(reversal) to income statement	773,046	(211,314)
Closing balance as at 31 December	1,100,852	327,806

18.3. Cash and balances with banks for cash flow statement

	2025	2024
	LKR	LKR
Cash and balances with banks	7,104,305,823	2,442,293,957
Repurchase agreement	-	702,455,685
Fixed deposits less than 3 months	300,000,000	300,000,000
Total	7,404,305,823	3,444,749,642

19. PLACEMENTS WITH BANKS

Accounting Policy

Placements with Banks net of impairment allowance includes money at call and short term investments that are subject to an insignificant risk of changes in the fair value, and are used by the Bank in the management of its short term commitments.

	2025	2024
	LKR	LKR
Placements with banks	7,802,428,744	9,085,399,787
Less: Impairment	(1,202,110)	(1,441,933)
Carrying value after impairment	7,801,226,634	9,083,957,854

19.1. Analysis of placements with banks based on exposure to credit risk

	Stage 1	
	2025	2024
	LKR	LKR
Placements with banks	7,802,428,744	9,085,399,787
Less : Impairment allowance for placement	(1,202,110)	(1,441,933)
Carrying value after impairment	7,801,226,634	9,083,957,854

19.2. Stage wise classification of impairment allowances of placements with banks

	Stage 1	
	2025	2024
	LKR	LKR
Opening balance as at 1 January	1,441,933	3,303,801
Charges/(reversal) to income statement	(239,823)	(1,861,868)
Closing balance as at 31 December	1,202,110	1,441,933

*** Since specialised banks are not required to maintain statutory reserve requirement (SRR) at CBSL, it must instead comply with capital adequacy and liquidity requirements specific to its business model. (Refer note no 45.6)

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

The accounting policies pertaining to "Financial Assets Recognised through Profit or Loss - Measured at Fair Value" are given in Note 3.2.3.4 to the Financial Statements.

	2025	2024
	LKR	LKR
Sri Lanka Government securities - Treasury bills and Treasury bonds	-	257,985,600
Unit trust	-	6,481,214,474
Total	-	6,739,200,074

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

Accounting Policy

The key accounting policies pertaining to financial instruments including "Loans and Advances" are given in Notes 3.2 to the Financial Statements.

	2025	2024
	LKR	LKR
Gross loans and receivables (Note 21.1)	118,564,908,494	103,181,716,494
Less: Individual impairment	(4,635,080,987)	(3,648,482,252)
Collective impairment	(4,088,951,630)	(4,396,127,375)
Net loans and receivables	109,840,875,877	95,137,106,867

21.1. Analysis of loans and receivables to other customers based on exposure to credit risk

	2025			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual impairment loans				
Term loan			6,838,259,275	6,838,259,275
Leasing			874,124,690	874,124,690
Collective impairment loans				
Pawning	11,016,078,857	193,730,076	23,615,662	11,233,424,595
Cash margin	5,985,347,362	102,431,498	2,171,483	6,089,950,343
Staff loans	1,663,726,907	2,042,413	2,312,167	1,668,081,487
Term loans				
Business	676,221,922	33,885,997	233,017,584	943,125,503
Co-operative	2,221,863,305	83,806,019	37,696,268	2,343,365,592
Housing	1,523,801,834	306,300,918	375,699,932	2,205,802,684
Personal	241,322,429	18,507,645	145,917,213	405,747,287
Fixed and floating	13,777,822,981	950,100,819	2,558,540,770	17,286,464,570
SME	16,843,948,098	1,020,390,524	2,063,613,824	19,927,952,446
Upahara	38,786,298,805	173,611,065	124,460,100	39,084,369,970
Lease rentals receivables	8,160,288,714	1,294,709,207	209,242,131	9,664,240,052
Gross loans and receivables	100,896,721,214	4,179,516,181	13,488,671,099	118,564,908,494
Less : Impairment allowance	(1,018,577,440)	(608,890,494)	(7,096,564,684)	(8,724,032,618)
Net loans and receivables	99,878,143,774	3,570,625,687	6,392,106,415	109,840,875,876

	2024			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual impairment loans				
Term loans			4,895,729,636	4,895,729,636
Leasing			630,084,631	630,084,631
Collective impairment loans				
Pawning	7,514,803,817	376,473,975	42,078,732	7,933,356,524
Cash margin	6,766,468,794	265,262,719	6,081,349	7,037,812,862
Staff loans	1,708,162,412	580,301	-	1,708,742,713
Term loans				
Business	136,205,773	47,835,972	332,081,005	516,122,750
Co-operative	759,365,973	68,276,446	51,360,433	879,002,852
Housing	1,263,379,574	373,730,425	455,474,260	2,092,584,259
Personal	284,992,470	33,654,589	200,096,890	518,743,949
Fixed and floating	16,181,849,176	973,071,294	3,656,555,018	20,811,475,488
SME	7,995,535,909	1,128,859,990	3,001,608,318	12,126,004,217
Upahara	37,622,194,671	193,707,668	26,835,688	37,842,738,027
Lease rentals receivables	4,694,322,423	1,025,656,189	469,339,974	6,189,318,586
Gross loans and receivables	84,927,280,992	4,487,109,568	13,767,325,934	103,181,716,494
Less : Impairment allowance	(678,781,111)	(787,536,879)	(6,578,291,637)	(8,044,609,627)
Net loans and receivables	84,248,499,881	3,699,572,689	7,189,034,297	95,137,106,867

21.2. Gross loans and receivables analysis by product

	2025	2024
	LKR	LKR
Loans and receivables		
Pawning	11,298,991,504	7,942,303,776
Cash margin	6,220,305,255	7,037,812,862
Staff loans	1,670,502,616	1,708,742,713
Term loans		
Business	1,708,010,318	1,232,640,068
Co-operative	2,952,610,082	1,450,831,734
Housing	2,509,196,963	2,306,251,994
Personal	562,152,215	679,484,302
Fixed and floating	19,725,096,493	22,097,647,846
SME	21,883,379,729	13,609,805,956
Upahara	39,496,298,578	38,296,792,026
Lease rentals receivable (Note 21.2.1)	10,538,364,742	6,819,403,217
Gross total	118,564,908,494	103,181,716,494

21.2.1. Lease rentals receivable

	2025	2024
	LKR	LKR
Gross lease receivable within one year	2,512,491,312	1,877,007,672
Unearned income on rentals receivable	(1,230,820,149)	(802,927,198)
Gross lease receivable within one year	1,281,671,163	1,074,080,474
Gross lease receivable after one year	11,330,935,702	6,998,949,492
Unearned income on rentals receivable	(2,074,242,123)	(1,253,626,751)
Gross lease receivable after one year	9,256,693,579	5,745,322,741
Gross lease receivable total	10,538,364,742	6,819,403,215

21.3. Gross loans and receivables analysis by currency

	2025	2024
	LKR	LKR
Sri Lankan Rupee	118,564,908,494	103,181,716,494
Gross total	118,564,908,494	103,181,716,494

21.4. Gross loans and receivables analysis Industry

	2025		2024	
	LKR	%	LKR	%
Agriculture, Forestry & Fishing	16,367,419,387	13.80	17,300,969,256	16.77
Manufacturing	3,354,320,437	2.83	2,595,563,236	2.52
Tourism	1,707,380,736	1.44	1,458,771,059	1.41
Construction and Infrastructure Development	8,830,635,277	7.45	7,845,434,950	7.60
Wholesale and Retail Trade	5,514,191,318	4.65	5,971,526,905	5.79
Financial Services	10,205,281,804	8.61	4,021,290,302	3.90
Consumption	65,689,728,224	55.40	59,467,296,775	57.63
Transportation and Storage	5,301,310,407	4.47	3,032,173,651	2.94
Information Technology and Communication	50,278,483	0.04	88,390,275	0.09
Professional, Scientific and Technical Activities	429,604,277	0.36	278,129,576	0.27
Arts, Entertainment and Recreation	36,668,298	0.03	20,195,028	0.02
Education	190,034,276	0.16	179,943,061	0.17
Healthcare, Social Services and Support services	888,055,570	0.75	922,032,421	0.89
Total	118,564,908,494	100.00	103,181,716,495	100.00

21.4.1. As per the requirement of Central Bank of Sri Lanka (CBSL), a minimum of 10% of the loans and advances shall be granted to the agriculture sector. The Bank has complied with the said requirement as at 31st December 2025 and 31st December 2024.

21.5. Movement in individual and collective impairment based on exposure to credit risk

	2025	2024
	LKR	LKR
Stage 1		
Opening balance as at 1 January	678,781,111	587,668,891
Charges/(reversal) to income statement	339,796,329	91,112,220
Closing balance as at 31 December	1,018,577,440	678,781,111
Stage 2		
Opening balance as at 1 January	787,536,879	806,534,763
Charges/(reversal) to income statement	(178,646,385)	(18,997,884)
Closing balance as at 31 December	608,890,494	787,536,879
Stage 3		
Opening balance as at 1 January	6,578,291,637	6,216,716,734
Charges/(reversal) to income statement	556,975,308	488,879,455
Write - off during the year	(38,702,261)	(127,304,552)
Closing balance as at 31 December	7,096,564,684	6,578,291,637

21.6. Movement in individual and collective impairment

	Individual impairment	Collective impairment	Total impairment
	LKR	LKR	LKR
Opening balance as at 1 January 2024	3,874,068,410	3,736,851,979	7,610,920,389
Charge/(reversal) to income statement	(225,586,158)	786,579,947	560,993,790
Recovery/(write-off) during the year	-	(127,304,552)	(127,304,552)
Closing balance as at 31 December 2024	3,648,482,252	4,396,127,374	8,044,609,627
Opening balance as at 1 January 2025	3,648,482,252	4,396,127,374	8,044,609,627
Charge/(reversal) to income statement	986,598,735	(268,473,483)	718,125,252
Recovery/(write-off) during the year	-	(38,702,261)	(38,702,261)
Closing balance as at 31 December 2025	4,635,080,987	4,088,951,630	8,724,032,618

21.7. Based on the impairment model revalidation, product segmentation has been re-classified after evaluating the credit risk characteristics of loan facilities. Analysis of loans and advances, commitments, contingencies mentioned in Note 45 has disclosed the product segmentation as at 31st December 2025 and 2024, after validating the impairment model. The Bank estimated Expected Credit Loss (ECL) as at December 31, 2025, based on the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) computed as at December 31, 2025, after validating the impairment model.

22. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

Accounting Policy

The accounting policies pertaining to financial instruments including “Debt and Other Instruments” are given in Note 3.2 to the Financial Statements.

	2025	2024
	LKR	LKR
Debentures	101,277,055	101,365,915
Repurchase agreement	-	702,455,685
Treasury bill	15,314,643,470	21,787,314,036
Trust Certificates	284,510,354	-
Commercial papers	-	878,595,890
Treasury bonds	905,764,793	3,153,745,609
Less: Impairment	(872,931)	(341,669)
Carrying value after impairment	16,605,322,741	26,623,135,466

22.1. Analysis of debt and other instruments based on exposure to credit risk

	Stage 1	
	2025	2024
	LKR	LKR
Debentures	101,277,055	101,365,915
Repurchase agreement	-	702,455,685
Treasury bill	15,314,643,470	21,787,314,036
Trust Certificates	284,510,354	-
Commercial papers	-	878,595,890
Treasury bonds	905,764,793	3,153,745,609
Less : Impairment allowance	(872,931)	(341,669)
Carrying value after impairment	16,605,322,741	26,623,135,466

22.2. Stage wise classification of impairment allowances of debt and other instruments

	Stage 1	
	2025	2024
	LKR	LKR
Opening balance as at 1 January	341,670	312,298
Charges/(reversal) to income statement	531,261	29,372
Closing balance as at 31 December	872,931	341,670

22.3. Repurchase and reverse repurchase transactions in scripless treasury bonds and scripless treasury bills

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires Licensed Banks/Primary Dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

	2025		2024	
	Amortised Cost	Fair Value of Securities Received	Amortised Cost	Fair Value of Securities Received
Repurchase Agreement	-	-	702,455,685	775,551,027
Total	-	-	702,455,685	775,551,027

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

The accounting policies pertaining to "Financial Assets – Fair Value Through Other Comprehensive Income" are given in Notes 3.2.3.5 & 3.2.3.6 to the Financial Statements.

	2025	2024
	LKR	LKR
Unquoted equity securities (Note 23.1)	196,697,726	208,145,880
Financial assets measured at fair value through other comprehensive income	196,697,726	208,145,880

23.1. Unquoted equity securities

	2025		2024	
	Number of shares	Amount	Number of shares	Amount
		LKR		LKR
SANASA Life Insurance Co. PLC	7,590,494	75,830,776	7,590,494	75,830,776
Credit Information Bureau of Sri Lanka	100	10,000	100	10,000
Consorzio Etimos S.C.	2	75,194	2	75,194
National Credit Guarantee Institution(NCGI)	15,114,475	151,143,740	15,114,475	151,143,740
Loss from share valuation as at 31 December	-	(30,361,984)	-	(18,913,830)
Total		196,697,726		208,145,880

23.1.1. Movement in unquoted equity securities

	2025	2024
	LKR	LKR
Opening balance as at 1 January	208,145,880	56,939,524
Investments made during the year	-	151,206,356
Disposal during the year	-	-
Loss from mark to market valuation	(11,448,154)	-
Closing balance as at 31 December	196,697,726	208,145,880

23.1.2. Valuation of unquoted equity securities

Type	Level	Method of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Unquoted share investment	Level 3	Market approach - price to book value of comparable peer companies	Medium price to book value - liquidity discount	Positively correlated sensitivity
			Regulatory non-compliance adjustment	Positively correlated sensitivity

24. INVESTMENT IN SUBSIDIARIES

Accounting Policy

The accounting policies for " Investment in Subsidiaries" are given in Notes 1.3 to the Financial Statements.

	2025	2024
	LKR	LKR
Unquoted equity investments	6,163,100	6,163,100
Total	6,163,100	6,163,100

24.1. Investment in Subsidiary includes the investment made by the Bank in Payment Services (Private) Limited, amounting to Rs.6,163,100/- . Payment Services (Private) Limited was the operator of Upay digital solution App prior to purchase of this App by Sanasa Development Bank PLC on 10th June 2019. With this acquisition, Payment Services (Private) Limited has become a fully owned subsidiary of Sanasa Development Bank PLC, with effect from 26th May 2020. Since this investment is immaterial, The Bank do not prepare consolidated Financial Statements.

25. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant and equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable for bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

Cost Model

The Bank applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Bank and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant, machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard - LKAS 23 (Borrowing Costs). A qualifying asset is an asset which takes substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Rates of depreciation for each category of property, plant and equipment are given in Note 14, 'Depreciation and Amortisation Expenses'.

2025	Land and Buildings	Computer Hardware	Machinery and Equipment	Furniture and Fittings	Motor Vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost							
Opening balance as at 1 January	628,691,082	933,786,798	585,604,828	501,113,400	136,771,987	328,008,505	3,113,976,600
Additions	1,198,559	57,510,869	14,896,523	17,530,022	-	-	91,135,973
Surplus on revaluation of property	28,375,000	-	-	-	-	-	28,375,000
Disposals	-	(36,490,251)	(7,632,854)	(2,129,829)	(1,963,327)	(31,311,509)	(79,527,770)
Closing balance as at 31 December	658,264,641	954,807,416	592,868,497	516,513,593	134,808,660	296,696,996	3,153,959,803
Less: Accumulated depreciation							
Opening balance as at 1 January	48,669,965	612,601,570	543,750,195	435,697,060	135,559,216	222,611,993	1,998,889,999
Charge for the year	2,671,589	160,548,314	18,472,103	28,785,303	353,965	59,827,511	270,658,785
Disposals	-	(48,646,958)	(9,296,761)	(1,519,587)	(1,935,325)	(24,741,332)	(86,139,963)
Closing balance as at 31 December	51,341,554	724,502,926	552,925,537	462,962,776	133,977,856	257,698,172	2,183,408,821

2024	Land and Buildings	Computer Hardware	Machinery and Equipment	Furniture and Fittings	Motor Vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost							
Opening balance as at 1 January	559,666,082	552,170,317	578,388,974	487,868,435	136,033,057	328,008,505	2,642,135,370
Additions	-	404,639,532	10,817,209	13,392,489	738,930	-	429,588,160
Surplus on revaluation of property	69,025,000	-	-	-	-	-	69,025,000
Disposals	-	(23,023,051)	(3,601,355)	(147,524)	-	-	(26,771,930)
Closing balance as at 31 December	628,691,082	933,786,798	585,604,828	501,113,400	136,771,987	328,008,505	3,113,976,600
Less: Accumulated depreciation							
Opening balance as at 1 January	45,644,016	531,549,789	526,014,527	401,357,330	135,230,148	157,010,292	1,796,806,102
Charge for the year	3,025,949	103,757,146	21,255,106	34,487,254	329,068	65,601,701	228,456,224
Disposals	-	(22,705,365)	(3,519,438)	(147,524)	-	-	(26,372,327)
Closing balance as at 31 December	48,669,965	612,601,570	543,750,195	435,697,060	135,559,216	222,611,993	1,998,889,999

	Land and Buildings	Computer Hardware	Machinery and Equipment	Furniture and Fittings	Motor Vehicles	Digital Equipment	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Net book value as at 31 December 2025	606,923,087	230,304,490	39,942,960	53,550,817	830,804	38,998,824	970,550,982
Net book value as at 31 December 2024	580,021,117	321,185,228	41,854,633	65,416,340	1,212,771	105,396,512	1,115,086,601

25.1. Freehold land and buildings

The details of the land and buildings owned by the Bank are as follows:

Location/Address	Valuation information		Extent			As at 31 December 2025				As at 31 December 2024			
						Cost/ Fair Value				Cost/ Fair Value			
	Name of the Valuer	Date of valuation	Land (Perches)	Building (Square feet)	No of buildings	Land Fair value LKR	Land Cost LKR	Building Cost LKR	Building Carrying value LKR	Land Fair value LKR	Land Cost LKR	Building Cost LKR	Building Carrying value LKR
No. 14, Edmonton Road, Kirulapone	Mr. K.T. Nihal	2025-12-29	17.85	-	-	133,800,000	38,999,000	-	-	125,000,000	38,999,000	-	-
No. 12/01, Edmonton Road, Kirulapone	Mr. K.T. Nihal	2025-12-29	18.05	-	-	101,600,000	46,799,000	-	-	94,800,000	46,799,000	-	-
A1, SANASA Housing Project, Toppass, Nuwara Eliya	Mr. E.M.P.A.G.N.I.B. Ekanayake	2025-12-31	13	1,252	1	16,500,000	400,000	2,100,000	96,250	15,840,000	400,000	2,100,000	201,250
No. 145, Rathnapura Road, Horana	Mr. D.M.M.G. Podibanda	2026-01-12	13	7,120	1	45,500,000	20,539,000	6,500,000	1,047,330	39,000,000	20,539,000	6,500,000	1,570,834
No. 63A, Matara Road, Akuressa	Mr. D.K. Jathunga	2025-12-30	14	3,728	1	56,000,000	14,423,820	8,975,180	2,580,365	53,200,000	14,423,820	8,975,180	3,029,124
No. 255, Sunny Side Gardens, Karapitiya	Mr. D.L. Pathamasiri	2025-12-29	18.50	5,992	1	50,875,000	9,250,000	20,833,360	3,354,869	48,100,000	9,250,000	20,833,360	4,017,369
No. 342, Main Street, Kegalle	Mr. R.M.W.N.K. Chandrasekara	2026-01-25	19	7,590	1	190,000,000	34,760,400	14,118,600	2,294,273	190,000,000	34,760,400	14,118,600	3,000,203
SANASA Campus Ltd, Paragammana, Hettimulla, Kegalle	Mr. H.A.V.S. Indrajith	2025-12-25	160	3,434	1	3,275,000	1,002,912	4,568,824	-	3,235,000	1,002,912	4,568,824	-
60/64, Sahasapura Scheme, Baseline Mw. Borella	Mr. K.T. Nihal	2025-12-29	-	650	1	-	-	2,420,118	-	-	-	2,420,118	30,251
Total						597,550,000	166,174,132	59,516,082	9,373,087	569,175,000	166,174,132	59,516,082	11,849,030

*** The market approach and Level 2 fair value measurement have been used by all valuers to determine the value of the above freehold lands.

25.2. During the financial year, the Bank acquired property, plant and equipment to the aggregate value of LKR 91,135,973/- (2024 - LKR 429,588,160/-). Cash payments amounting to LKR 91,135,973/- (2024 - LKR 429,588,160/-) were made during the year for purchase of property, plant and equipment.

25.3. Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of LKR 1,813,730,639/- (2024 -LKR 1,713,073,705/-)

25.4. There were no restrictions on the title of the property, plant and equipment as at 31 December 2025.

25.5. There were no idle property, plant and equipment as at 31 December 2025.

26. RIGHT OF USE ASSETS

Accounting Policy

Right-of-use assets are presented in the statement of financial position (refer the accounting policy in Note 3.3). Right to use assets are depreciated on a straight line basis over the lease term.

	2025	2024
	LKR	LKR
Cost		
Opening balance as at 1 January	1,972,416,021	1,660,933,310
Additions and improvements during the year	826,998,824	311,482,711
Closing balance as at 31 December	2,799,414,845	1,972,416,021
Less: Accumulated amortisation		
Opening balance as at 1 January	1,191,978,239	980,628,014
Amortisation expenses for the year	249,026,091	211,350,225
Closing balance as at 31 December	1,441,004,330	1,191,978,239
Net book value as at 31 December	1,358,410,515	780,437,781

27. INTANGIBLE ASSETS

Accounting Policy

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill, if any that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred. Goodwill is measured at cost less accumulated impairment losses.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets of the Bank as at 31st December 2023 only include computer software and cost of licenses.

Rates of amortisation for computer software and licenses are given in Note 14, 'Depreciation and Amortisation Expenses'.

	2025	2024
	LKR	LKR
Cost		
Opening balance as at 1 January	1,745,043,076	1,580,040,258
Additions	94,124,250	165,002,818
Disposal	(106,500)	-
Closing balance as at 31 December	1,839,060,826	1,745,043,076
Less: Accumulated amortisation		
Opening balance as at 1 January	997,589,092	826,474,080
Charge for the year	182,517,759	171,115,012
Disposal	(106,937)	-
Closing balance as at 31 December	1,179,999,914	997,589,092
Net book value as at 31 December	659,060,912	747,453,984

27.1. There were no idle intangible assets as at 31 December 2025.

27.2. There were no restrictions on the title of the intangible assets as at 31 December 2025.

28. OTHER ASSETS

	2025	2024
	LKR	LKR
Postage legal and other charges receivable	253,601,563	122,559,573
Unamortised staff cost	976,409,803	968,754,838
Deposits, prepayments and other receivables	359,990,700	354,696,459
Inventory	69,308,331	48,045,303
Total	1,659,310,397	1,494,056,173

29. DUE TO OTHER CUSTOMERS

Accounting Policy

The accounting policies pertaining to "Due to Depositors" are given in Note 3.2.3.7 to the Financial Statements.

	2025	2024
	LKR	LKR
Total amount due to other customers	105,680,974,038	106,989,899,941
Total	105,680,974,038	106,989,899,941

29.1. Analysis of due to other customers

	2025	2024
	LKR	LKR
By product		
Savings deposits	22,008,224,706	20,926,764,822
Fixed deposits	83,672,749,332	86,063,135,119
Total	105,680,974,038	106,989,899,941

	2025	2024
	LKR	LKR
By currency		
Sri Lanka Rupee	105,680,974,038	106,989,899,941
Total	105,680,974,038	106,989,899,941

30. OTHER BORROWINGS

Accounting Policy

The accounting policies pertaining to "Other Borrowings" are given in Note 3.2.3.7 to the Financial Statements.

	2025	2024
	LKR	LKR
Term loans (Note 30.1)	16,023,420,565	15,324,827,866
Refinance borrowing (Note 30.2)	4,592,900,504	3,750,303,696
Total	20,616,321,069	19,075,131,562

30.1. Details of term loans

Institution	Fixed/Floating	Tenure (Months)	2025	2024
			LKR	LKR
Seylan Bank PLC	Floating	12	-	502,686,475
Seylan Bank PLC	Floating	1	-	1,001,868,852
HNB Bank PLC	Floating	60	37,538,014	187,653,689
HNB Bank PLC	Floating	48	-	125,274,440
HNB Bank PLC	Fixed	2	1,001,553,425	-
HNB Bank PLC	Floating	4	-	500,817,623
HNB Bank PLC	Floating	4	-	502,686,475
Bank of Ceylon	Floating	14-63	1,736,167,547	3,711,492,713
Bank of Ceylon	Fixed	1	3,001,356,164	-
Peoples Bank	Fixed	1	1,001,469,589	-
Peoples Bank	Fixed	12	1,498,814,532	-
Peoples Bank - MM	Fixed	12	501,082,466	-
United States International Development Finance Corporation (DFC)	Fixed	81	7,245,438,828	8,792,347,598
Total			16,023,420,565	15,324,827,865

30.1.1. Movement in term loans

Movement in term loans	Opening Balance As at 1 January 2025	Obtained during year/ Revaluation	Repayment	Closing Balance As at 31 December 2025
	LKR	LKR	LKR	LKR
Seylan Bank PLC	1,500,000,000	-	(1,500,000,000)	-
HNB Bank PLC	1,312,640,000	2,000,000,000	(2,275,140,000)	1,037,500,000
Bank of Ceylon	3,695,849,445	3,000,000,000	(1,968,536,000)	4,727,313,445
People's Bank	-	3,710,000,000	(713,750,000)	2,996,250,000
DFC	8,777,498,995	532,339,333	(2,076,635,666)	7,233,202,662
Interest payable	38,839,425	448,862,137	(458,547,104)	29,154,458
Total	15,324,827,865	9,691,201,470	(8,992,608,770)	16,023,420,565

The Bank complied with all borrowing covenants reported under Note 30.1 as at 31st December 2025, other than the following covenant breaches.

Covenant	Description	Limit	Frequency
Asset Quality Ratio (OCER)	"Asset Quality Ratio (Open Credit Exposures Ratio)" means, as of any date of determination, the result obtained by dividing Problem Exposures less total provisions as per SLFRS 9, by Total Capital.	<25%	within sixty (60) days after the end of each fiscal quarter
Gross Non-Performing Loan Ratio	"Gross Non-Performing Loan Ratio" means, as of any date of determination, the ratio of Gross Non-Performing Loans to the aggregate amount of customer loans and advances (excluding deposits with other banks)	<5%	

The carrying amount of the related liability is Rs.11,810,339,488 and the liability does not become payable on demand on breach of each covenant.

- The DFC NPL Ratio from March to December 2025 and the Asset Quality Ratio (OCER) for March 2025 were considered in the waiver request. The request included both ratios, and the waiver has been requested for 2 years starting from 1st April 2025 to 31st March 2027 still the waiver is in process.

The Bank holds dollar denominated FDs to mitigate the foreign currency risk, and those match the dollar repayment schedule of the lender. The bank has intimated these breaches to the relevant lenders and the consent for waivers were obtained during post balance sheet period.

30.2. Refinance borrowings

	2025	2024
	LKR	LKR
SANASA Federation (Refinance of Athwela Loans)	54,200,000	54,200,000
Borrowings under Refinance of PAMP RF	309,775,113	272,950,065
Borrowing under Saubagya	119,851,467	316,238,753
Borrowing - Refinance Smile III RF	282,203,300	288,634,600
Borrowing - Suwashakthi Loan	1,105,000	4,806,083
Borrowing - Kapruka Ayojana	16,225,035	17,312,825
Borrowing - SAPP 4P Youth Loan	1,050,000	7,624,650
Borrowing - SAPP RF Youth Loan	33,016,500	66,345,517
Borrowing - SAPP RF FI Bulk Refinance	29,058,750	550,000
Borrowing - ADB Tea Refinance	159,845,590	159,845,590
Borrowing - ADB SME LOC Refinance	1,049,411,051	897,584,100
Borrowing - CBSL DAD Refinance	17,144,827	28,551,543
Borrowing - SAPP RF Agribusiness Loan Refinance	3,541,667	404,167
Borrowing- ADB SME LOC2 Working Capital	668,763,666	910,154,382
Borrowing- RE-ENER.MSME GOVERNMENT	1,686,942,707	716,748,660
Borrowing - E-FRND II RF SOLAR	4,560,000	-
Borrowing - SMELOC2 REVOLV REFIN	141,888,327	-
Borrowing - RE-ENER.MSME GOV NPL	1,458,333	-
Interest payable	12,859,171	8,352,761
Total	4,592,900,504	3,750,303,696

Movement in refinance loans	Opening Balance As at 1 January 2025	Obtained during year/ Revaluation	Repayment	Closing Balance As at 31 December 2025
	LKR	LKR	LKR	LKR
SANASA Federation (Refinance of Athwela Loans)	54,200,000	-	-	54,200,000
Borrowings under Refinance of PAMP RF	272,950,065	224,050,000	(187,224,952)	309,775,113
Borrowing under Saubagya	316,238,753	-	(196,387,286)	119,851,467
Borrowing - Refinance SMILE III RF	288,634,600	80,650,000	(87,081,300)	282,203,300
Borrowing - Suwashakthi Loan	4,806,083	-	(3,701,083)	1,105,000
Borrowing - Kapruka Ayojana	17,312,825	5,272,000	(6,359,790)	16,225,035
Borrowing - SAPP 4P Youth Loan	7,624,650	-	(6,574,650)	1,050,000
Borrowing - SAPP RF Youth Loan	66,345,517	-	(33,329,017)	33,016,500
Borrowing - SAPP RF FI Bulk Refinance	550,000	58,695,000	(30,186,250)	29,058,750
Borrowing - ADB Tea Refinance	159,845,590	-	-	159,845,590
Borrowing - ADB SME LOC Refinance	897,584,100	151,826,951	-	1,049,411,051
Borrowing - CBSL DAD Refinance	28,551,543	-	(11,406,716)	17,144,827
Borrowing - SAPP RF Agribusiness Loan Refinance	404,167	4,250,000	(1,112,500)	3,541,667
Borrowing- ADB SME LOC2 Working Capital	910,154,382	-	(241,390,716)	668,763,666
Borrowing- RE-ENER.MSME GOVERNMENT	716,748,660	1,184,500,000	(214,305,953)	1,686,942,707
Borrowing - E-FRND II RF SOLAR	-	5,700,000	(1,140,000)	4,560,000
Borrowing - SMELOC2 REVOLV REFIN	-	141,888,327	-	141,888,327
Borrowing - RE-ENER.MSME GOV NPL	-	1,500,000	(41,667)	1,458,333
Interest payable	8,352,761	4,506,410	-	12,859,171
Total	3,750,303,696	1,862,838,688	(1,020,241,880)	4,592,900,504

30.2.1. Maturity analysis of refinance borrowings

	2025	2024
	LKR	LKR
Due within one year	1,271,586,332	980,475,716
1-5 years	1,862,586,036	1,673,640,290
After 5 years	1,458,728,136	1,096,187,690
Total	4,592,900,504	3,750,303,696

30.3. Securities and terms of borrowings

Interest rate ranging for above borrowings 4% to 11% per annum.

As of 2025 and 2024, the bank has no pledged loan portfolios.

31. RETIREMENT BENEFIT OBLIGATION

31.1. Defined benefit liability

	2025	2024
	LKR	LKR
Defined benefit liability (Note 31.1.1)	1,286,496,116	1,041,381,783
Total	1,286,496,116	1,041,381,783

31.1.1. Movement in defined benefit obligation

	2025	2024
	LKR	LKR
Opening balance as at 1 January	1,041,381,783	766,114,529
Net benefit expense (Note 31.1.2)	314,895,050	364,385,070
Benefit paid	(69,780,717)	(89,117,816)
Closing balance as at 31 December	1,286,496,116	1,041,381,783

31.1.2. Net benefit expense

	2025	2024
	LKR	LKR
Amounts recognised in profit and loss		
Interest cost	123,924,432	102,659,346
Current service cost	84,504,032	66,092,423
Amendments	-	-
	208,428,464	168,751,769
Amounts recognised in the other comprehensive income		
Experience (gain)/loss	(13,773,493)	59,016,451
(Gain) loss due to changes in assumptions	120,240,079	136,616,850
	106,466,586	195,633,301
Total expense for the year	314,895,050	364,385,070

31.1.3. The principal financial assumptions used are as follows:

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2025. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2025	2024
Long term interest rate (%)	10.90	11.90
Future salary increase rate (%)	10.00	10.00
Retirement age (years)	60	60

Mortality - GA 1983 Mortality table issued by the Institute of Actuaries London

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 11.4 years (2024: 11.2 years)

The discount rate was revised to 10.9% (vs 11.9% last year) to reflect the yield rates of the treasury Bond.

31.2. Sensitivity analysis on discounting rate and salary increment rate to statement of financial position and comprehensive income

Assumption	Rate change	2025 Impact to financial position - Increment/ (reduction) of liability	2025 Impact to comprehensive income - charged/ (reversal)	2024 Impact to financial position - Increment/ (reduction) of liability	2024 Impact to comprehensive income - Charged/ (reversal)
Discount rate	1+	(120,240,079)	(120,240,079)	(94,440,379)	(94,440,379)
Discount rate	1-	140,464,351	140,464,351	110,156,318	110,156,318
Salary increment rate	1+	136,650,874	136,650,874	108,354,707	108,354,707
Salary increment rate	1-	(119,251,891)	(119,251,891)	(94,577,681)	(94,577,681)

31.3. The expected benefit payout in the future years of retirement gratuity

	2025	2024
	LKR	LKR
Within next 12 months	69,475,049	68,130,552
Between 2 and 5 years	512,584,513	461,532,212
Beyond 5 years	949,704,906	844,187,506

32. OTHER LIABILITY

	2025	2024
	LKR	LKR
Special purpose project funds	397,252,924	397,252,924
Lease liability (Note 32.1)	1,366,635,593	765,895,546
Accruals and other payables	1,913,201,505	1,582,613,802
Total	3,677,090,022	2,745,762,272

32.1. Movement in lease liabilities

	2025	2024
	LKR	LKR
Opening balance as at 1 January/Effect of adoption of SLFRS 16 as at 1 January	765,895,546	602,933,888
Additions	717,980,650	272,209,651
Accretion of interest	147,655,694	136,512,505
Payments during the year	(264,896,297)	(245,760,497)
Closing balance as at 31 December	1,366,635,593	765,895,546

32.2. Maturity analysis of contractual undiscounted cash flows

	2025	2024
	LKR	LKR
Less than 1 year	292,319,456	228,864,770
Between 1 and 5 years	1,052,376,697	783,992,081
More than 5 years	592,126,633	203,299,879
Total lease liabilities as at 31 December	1,936,822,786	1,216,156,730

33. STATED CAPITAL

	2025	2024
	LKR	LKR
Ordinary shares - Issued and fully paid	11,406,601,998	11,406,601,998
Total	11,406,601,998	11,406,601,998

33.1. Details of ordinary shares issued and fully paid

	Value		Number of shares	
	2025	2024	2025	2024
	LKR	LKR	LKR	LKR
Opening balance as as 1 January	11,406,601,998	11,406,601,998	164,166,494	164,166,494
Total	11,406,601,998	11,406,601,998	164,166,494	164,166,494

34. STATUTORY RESERVE FUND

	2025	2024
	LKR	LKR
Opening balance as at 1 January	361,049,165	340,572,453
Transfer during the period	20,245,927	20,476,712
Closing balance as at 31 December	381,295,092	361,049,165

35. RETAINED EARNINGS

	2025	2024
	LKR	LKR
Opening balance as at 1 January	2,388,242,984	2,275,936,735
Profit for the year	404,918,546	409,534,247
Other comprehensive income, net of tax	(74,526,610)	(136,943,311)
Transfers to other reserves	(20,245,927)	(20,476,712)
Scrip dividend	-	(139,807,974)
Closing balance as at 31 December	2,698,388,993	2,388,242,984
Dividend per share	0.87	0.87

36. OTHER RESERVES

2025	Opening balance as at 1 January 2025	Movement/ transfers	Closing balance as at 31 December 2025
	LKR	LKR	LKR
General reserve	46,656,973	-	46,656,973
Revaluation reserve	403,000,868	(101,037,760)	301,963,108
Available for sale/fair value through OCI reserve	(19,051,624)	(11,448,154)	(30,499,778)
Total	430,606,217	(112,485,914)	318,120,303

2024	Opening balance as at 1 January 2024	Movement/ transfers	Closing balance as at 31 December 2024
	LKR	LKR	LKR
General reserve	46,656,973	-	46,656,973
Revaluation reserve	333,975,868	69,025,000	403,000,868
Available for sale/fair value through OCI reserve	(19,051,624)	-	(19,051,624)
Total	361,581,217	69,025,000	430,606,217

37. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting Policy

The accounting policies pertaining to "Commitments and Contingencies" are given in Note 2.20 to the Financial Statements.

37.1 Bank guarantees and Commitements

	2025	2024
	LKR	LKR
Bank guarantees	389,539,808	284,090,361
Undrawn Credit Lines	643,352,917	585,234,172
Total	1,032,892,725	869,324,533

37.2. Maturity analysis of Bank guarantees and Commitements

As at December 2024 (LKR)	On Demand	Below 03 Month	03- 06 Month	06 - 09 Month	09 - 12 Month	Above One Year	Total
Financial Guarantee	9,740,343	63,181,207	74,106,715	45,514,357	86,941,440	4,606,299	284,090,361
Undrawn Credit Lines	585,234,172	-	-	-	-	-	585,234,172
Total Commitment and Guarantees	594,974,515	63,181,207	74,106,715	45,514,357	86,941,440	4,606,299	869,324,534

As at December 2025 (LKR)	On Demand	Below 03 Month	03- 06 Month	06 - 09 Month	09 - 12 Month	Above One Year	Total
Financial Guarantee	138,762,930	55,913,614	55,701,360	90,723,000	47,662,000	776,904	389,539,808
Undrawn Credit Lines	643,352,917	-	-	-	-	-	643,352,917
Total Commitment and Guarantees	782,115,847	55,913,614	55,701,360	90,723,000	47,662,000	776,904	1,032,892,725

37.3. Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year end, the Bank had several unresolved legal claims.

Following cases are filed against the Bank

1. Cases filed against the Bank with respect to mortgaged property and title of property.	
✹ District courts	L/17/11, L/528, 218/L, MB/1935, DMB /005/16, DLM/48/22
2. Cases filed against the Bank to restraining the payment of Bank Guarantee Bonds	
✹ District Court	DMR/496/15, M/8879
3. Appeals filed by the customers against the court orders delivered favor to Bank	
✹ Supreme Court	SC/HC/LA/143/2024, SC/HC/LA/145/2024 & SC/HC/LA/22/2024
✹ High Court Civil Appeal	SP/HCCA/GA/83/2023 (FA), WP/HCCA/85/2022 (FA), WP/HCCA/COL/01/2019 (F), WP/HCCA/COL/21/2021 (RA)
4. Appeals filed by the Bank against the court orders delivered favor to customers	
✹ Supreme Court	SC/HC/LA/83/2019, SC/AP/68/2024, SC/SPL/LA/203/2024, CHC/63/25/MR
5. Cases filed by customers to obtain injunction orders to restraining the auction of property mortgaged	
✹ Commercial High Court	CHC/955/18, CHC/99/21/MR
✹ District Court	DSP/275/20, DSP/51/2021, SP/3964/22, DSP/379/2023, DSP/442/2023, L/341/23, M/5387, DSP/82/2024, DSP/18/2024
6. Cases filed against the Bank over the repossession of vehicles	
✹ District Court	SPL/2321, SPL/358, MR/2299
7. Cases filed against the Bank over the loan facilities to claiming right for the ceased assets by the guarantors	
✹ District Court	17615/M/17, 17613/M/17, 551/CL, 552/CL, 553/CL
8. Cases filed against the Bank by the employees and former directors	
✹ District Court	DMR/4015/17, DSP/430/2021
✹ Labour Tribunal	LT/JF/163/2020, LT/13/61/2020, LT/PN/25/19/2021, LT/32/RM/05/ 2022, LT/8/51/2022, LT/6R/7958/22, LT/13/46/2023
9. Cases filed against the Bank by other parties	
✹ Supreme Court	SC/CON/11/2024
✹ Court Civil Appeal	CA/WRIT/816/2024
✹ District Court	6495/SPL, M/10933/20, M/10972/20, L/191/22, L/192/22, L/193/22, L/194/22, L/195/22, DSP/09/23, DSP/10/23, DSP/11/23, DSP/15/23,

38. EVENTS OCCURRING AFTER THE REPORTING DATE

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

39. RELATED PARTY DISCLOSURE

The Bank carries out transaction in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures", the details of which are reported below: The Bank carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties who are defined as LKAS 24 "Related Party Disclosures".

39.1. Transactions with key management personnel (KMP)

Key management personnel include: the Chairman, the Board of Directors, and Chief Executive Officer, Deputy Chief Executive Officer of the Bank. Transactions with close family members of key management personnel are also taken into account in the transactions with key management personnel. The Same term, including interest/commission rates and security, as for comparable transaction with person of a similar standing or, where applicable, with the employees. The transaction did not involve more than the normal risk of repayment or present other unfavorable features.

39.1.1. Key management personnel compensation

	2025	2024
	LKR	LKR
Short term employee benefits	79,135,000	72,845,452

39.1.2. Other transactions (loans and receivables) with key management personnel - Balance outstanding

	2025	2024
	LKR	LKR
Granting	-	-
Repayments	-	-
Closing balance as at 31 December	-	-
Interest income	-	-

39.1.3. Deposits and investment from key management personnel - Balance outstanding

	2025	2024
	LKR	LKR
Deposits accepted and renewed during the period	750,000	99,702
Balance as at 31 December	324,823	119,713
Interest Expenses	18,912	1,419

39.1.4. Shareholdings by key management personnel

	2025	2024
	Number	Number
Number of shares held by KMP	119,676	119,676

A39.1.5. Term and conditions of transaction with related parties

All related party transaction are carried out in the normal course of business and transacted at normal business terms. Transaction from related parties are made on terms equivalent to those that prevail in arm's length transaction and comparable with those that would have been charged from unrelated companies. All related party outstanding balances at the year - end are secured and are to be settled in cash.

39.1.6. Recurrent and Non-recurrent Related Party Transactions

The Bank does not have any transactions where the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower.

The Bank did not have any transactions where the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross income of the Bank.

40. ASSETS PLEDGED

As of 2025 and 2024, the bank has no pledged loan portfolios.

41. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 December 2025	Amortised cost	FVTPL	FVTOCI	Total
	LKR	LKR	LKR	LKR
Financial assets				
Cash and balances with banks	7,104,305,823	-	-	7,104,305,823
Placements with banks	7,801,226,634	-	-	7,801,226,634
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at amortised cost				
- Loans and receivables to other customers	109,840,875,877	-	-	109,840,875,877
- Debt and other instruments	16,605,322,741	-	-	16,605,322,741
Financial assets measured at fair value through other comprehensive income	-	-	196,697,726	196,697,726
Total financial assets	141,351,731,075	-	196,697,726	141,548,428,801
Financial liabilities				
Due to other customers	105,680,974,038	-	-	105,680,974,038
Other borrowings	20,616,321,069	-	-	20,616,321,069
Total financial liabilities	126,297,295,107	-	-	126,297,295,107

As at 31 December 2024	Amortised cost	FVTPL	FVTOCI	Total
	LKR	LKR	LKR	LKR
Financial assets				
Cash and balances with banks	2,442,293,957	-	-	2,442,293,957
Placements with banks	9,083,957,854	-	-	9,083,957,854
Financial assets at fair value through profit or loss	-	6,739,200,074	-	6,739,200,074
Financial assets at amortised cost				
- Loans and receivables to other customers	95,137,106,867	-	-	95,137,106,867
- Debt and other instruments	26,623,135,466	-	-	26,623,135,466
Financial assets measured at fair value through other comprehensive income	-	-	208,145,880	208,145,880
Total financial assets	133,286,494,144	6,739,200,074	208,145,880	140,233,840,098
Financial liabilities				
Due to other customers	106,989,899,941	-	-	106,989,899,941
Other borrowings	19,075,131,562	-	-	19,075,131,562
Total financial liabilities	126,065,031,503	-	-	126,065,031,503

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

42.1. FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

The following is a description of how fair values are determined for financial instrument that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumption that a market participant would make when valuing the instrument.

Fair value through other comprehensive income (OCI)

Fair value through OCI valued using valuation techniques or pricing models primary consist of unquoted.

Fair value through profit and loss (FVTPL)

Quoted equities, Sri Lanka Government securities (Treasury bills and bonds) and unit trust are included in financial assets fair value through profit or loss. Government securities are measured using average yield published by Central Bank of Sri Lanka. Quoted equities are valued using market price in active markets as at the reporting date. Unit trusts are measured using market price in markets that are not active.

42.2. Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

42.2.1. Analysis of financial instruments recorded at fair value by level of fair value hierarchy

	As at 31 December 2025			
	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bonds	-	-	-	-
Unit trusts	-	-	-	-
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	196,697,726	196,697,726
Total	-	-	196,697,726	196,697,726

	As at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bonds	-	257,985,600	-	257,985,600
Unit trusts	-	6,481,214,474	-	6,481,214,474
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	208,145,880	208,145,880
Total	-	6,739,200,074	208,145,880	6,947,345,954

The following table shows the total gain/(loss) recognised in profit or loss during the year relating to assets and liabilities held at the year end.

	2025	2024
	LKR	LKR
Net gain/(loss) from trading	(553,000)	60,116,875
Net fair value gain/(loss) of financial assets at fair value through profit or loss		
Sri Lanka Government securities - Treasury bonds	(1,398,600)	(2,506,265)
Unit trusts	560,464,652	446,587,945
Total gain/(loss)	558,513,052	504,198,555

42.3. Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

		As at 31 December 2025	
	Level	Carrying value	Fair value
		LKR	LKR
Financial assets			
Cash and balances with banks	Note*	7,104,305,823	7,104,305,823
Placements with banks	Note*	7,801,226,634	7,801,226,634
Financial assets at amortised cost			
- Loans and receivables to other customers	2	109,840,875,877	108,023,575,381
- Debt and other instruments	Note*	16,605,322,741	16,605,322,741
Total financial assets		141,351,731,075	139,534,430,579
Financial liabilities			
Due to other customers	2	105,680,974,038	118,472,363,288
Other borrowings	2	20,616,321,069	20,616,321,069
Total financial liabilities		126,297,295,107	139,088,684,357

		As at 31 December 2024	
	Level	Carrying value	Fair value
		LKR	LKR
Financial assets			
Cash and balances with banks	Note*	2,442,293,957	2,442,293,957
Placements with banks	Note*	9,083,957,854	9,083,957,854
Financial assets at amortised cost			
- Loans and receivables to other customers	2	95,137,106,867	94,266,912,165
- Debt and other instruments	Note*	26,623,135,466	26,623,135,466
Total financial assets		133,286,494,144	132,416,299,443
Financial liabilities			
Due to other customers	2	106,989,899,941	116,429,001,671
Other borrowings	2	19,075,131,562	19,075,131,562
Total financial liabilities		126,065,031,503	135,504,133,233

Note*

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and advances to customers with a variable rate are also considered to be carried at fair value.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing interest rates of the Bank.

43. SEGMENT REPORTING

Accounting Policy

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Taxes are managed at an entity level and are not allocated to operating segments. Including revenue and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenue and incur expenses.

Interest income is reported net as management primarily relies on net interest income as a performance measure, not the gross income and expense.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Bank's total revenue in 2024 or 2025.

The following table presents income, profit, total assets, total liabilities & cash flows of the Bank's operating segments.

	As at 31 December 2025				
	Banking	Leasing	Treasury	Pawning	Total
	LKR	LKR	LKR	LKR	LKR
Interest income	11,820,331,402	1,520,910,845	2,533,482,771	1,223,814,376	17,098,539,394
Add: Inter-segment interest income	10,289,113,237	-	9,545,156,066	-	19,834,269,303
Total interest income	22,109,444,639	1,520,910,845	12,078,638,837	1,223,814,376	36,932,808,697
Interest expenses	(6,640,745,664)	(688,049,677)	(697,474,113)	(839,588,297)	(8,865,857,751)
Add: Inter-segment interest expense	(9,545,156,067)	-	(10,289,113,236)	-	(19,834,269,303)
Total interest expense	(16,185,901,731)	(688,049,677)	(10,986,587,349)	(839,588,297)	(28,700,127,054)
Net interest income	5,923,542,908	832,861,168	1,092,051,488	384,226,079	8,232,681,643
Fee and commission income	660,408,532	55,940,550	-	-	716,349,082
Fee and commission expenses	(37,712,703)	(3,907,425)	-	-	(41,620,128)
Net fee and commission income	622,695,829	52,033,125	-	-	674,728,954
Net gain/(loss) from trading	-	-	(553,000)	-	(553,000)
Net fair value gain/(loss) of financial assets at fair value through profit or loss	-	-	559,066,052	-	559,066,052
Net other operating income	30,046,044	-	476,195	-	30,522,239
Total operating income	6,576,284,781	884,894,293	1,651,040,735	384,226,079	9,496,445,888
Impairment for loans and other losses	(743,694,988)	29,112,000	(1,064,483)	(3,542,265)	(719,189,736)
Net operating income	5,832,589,793	914,006,293	1,649,976,252	380,683,814	8,777,256,152
Depreciation and amortisation expenses	(570,656,986)	(59,125,944)	(271,642)	(72,148,062)	(702,202,634)
Segment result	5,261,932,807	854,880,349	1,649,704,610	308,535,752	8,075,053,518

	As at 31 December 2025				
	Banking	Leasing	Treasury	Pawning	Total
	LKR	LKR	LKR	LKR	LKR
Un-allocated expenses					(6,460,810,732)
Value Added Tax (VAT) on financial services					(714,793,353)
Social Security Contribution Levy					(99,276,855)
Profit before tax					800,172,578
Tax expenses					(395,254,032)
Profit for the year					404,918,546
Other comprehensive income					
Other comprehensive income for the year net of tax					(187,012,524)
Total comprehensive income for the year					217,906,022
Segment assets	89,298,611,878	9,252,256,328	31,707,552,925	11,290,007,667	141,548,428,798
Un-allocated assets					5,409,668,027
Total assets	89,298,611,878	9,252,256,328	31,707,552,925	11,290,007,667	146,958,096,825
Segment liabilities	90,048,197,344	9,329,921,105	21,390,794,367	11,384,777,624	132,153,690,440
Total equity	-	-	-	-	14,804,406,386
Total liabilities	90,048,197,344	9,329,921,105	21,390,794,367	11,384,777,624	146,958,096,825
Addition to non-current assets	150,613,154	15,605,075	-	19,041,994	185,260,223

	As at 31 December 2024				
	Banking	Leasing	Treasury	Pawning	Total
	LKR	LKR	LKR	LKR	LKR
Interest income	12,668,940,334	985,224,393	5,210,018,248	1,140,868,623	20,005,051,598
Add: Inter-segment interest income	12,718,214,047	-	10,157,292,684	-	22,875,506,731
Total interest income	25,387,154,381	985,224,393	15,367,310,932	1,140,868,623	42,880,558,329
Interest expenses	(8,988,885,884)	(671,227,187)	(1,646,831,341)	(877,643,192)	(12,184,587,605)
Add: Inter-segment interest expense	(10,157,292,684)	-	(12,718,214,047)	-	(22,875,506,731)
Total interest expense	(19,146,178,568)	(671,227,187)	(14,365,045,388)	(877,643,192)	(35,060,094,336)
Net interest income	6,240,975,813	313,997,206	1,002,265,543	263,225,431	7,820,463,994
Fee and commission income	588,662,495	42,354,662	-	-	631,017,157
Fee and commission expenses	(43,450,460)	(3,244,577)	-	-	(46,695,036)
Net fee and commission income	545,212,035	39,110,085	-	-	584,322,119
Net gain/(loss) from trading	-	-	60,116,875	-	60,116,875
Net fair value gain/(loss) of financial assets at fair value through profit or loss	-	-	444,081,680	-	444,081,680
Net other operating income	(77,977,775)	-	291,165	-	(77,686,610)
Total operating income	6,708,210,073	353,107,291	1,506,755,263	263,225,431	8,831,298,059
Impairment for loans and other losses	(489,984,931)	(74,124,769)	2,043,811	3,115,911	(558,949,979)
Net operating income	6,218,225,142	278,982,522	1,508,799,074	266,341,342	8,272,348,080
Depreciation and amortisation expenses	(520,866,959)	(38,894,705)	(304,179)	(50,855,617)	(610,921,460)
Segment result	5,697,358,182	240,087,817	1,508,494,896	215,485,724	7,661,426,620

	As at 31 December 2024				
	Banking	Leasing	Treasury	Pawning	Total
	LKR	LKR	LKR	LKR	LKR
Un-allocated expenses					(6,210,500,064)
Value Added Tax (VAT) on financial services					(668,192,659)
Social Security Contribution Levy					(98,470,974)
Profit before tax					684,262,922
Tax expenses					(274,728,675)
Profit for the year					409,534,248
Other comprehensive income					
Other comprehensive income for the year net of tax					(67,918,311)
Total comprehensive income for the year					341,615,938
Segment assets	81,153,575,352	6,059,981,939	45,096,733,231	7,923,549,577	140,233,840,099
Un-allocated assets					4,922,109,861
Total assets	81,153,575,352	6,059,981,939	45,096,733,231	7,923,549,577	145,155,949,960
Segment liabilities	94,445,916,616	7,052,561,103	19,849,604,862	9,221,367,012	130,569,449,594
Total equity	-	-	-	-	14,586,500,364
Total liabilities	94,445,916,616	7,052,561,103	19,849,604,862	9,221,367,012	145,155,949,960
Addition to non-current assets	507,196,248	37,873,872	-	49,520,858	594,590,978

* Inter segment interest income and interest expense have been adjusted to net interest income in Treasury and Banking segments and comparative figure in this Financial Statements is amended.

44. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	As at 31 December 2025			As at 31 December 2024		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and balances with banks	7,104,305,824	-	7,104,305,824	2,442,293,957	-	2,442,293,957
Placements with banks	7,801,226,635	-	7,801,226,635	9,083,957,854	-	9,083,957,854
Financial assets fair value through profit or loss	-	-	-	6,739,200,074	-	6,739,200,074
Financial assets at amortised cost						
- Loans and receivables to other customers	33,358,243,425	76,482,632,448	109,840,875,873	24,960,637,386	70,176,469,482	95,137,106,868
- Debt and other instruments	16,363,343,807	241,978,934	16,605,322,741	25,679,512,421	943,623,046	26,623,135,466
Financial assets measured at fair value through other comprehensive income	-	196,697,726	196,697,726	-	208,145,880	208,145,880
Investment in subsidiary	-	6,163,100	6,163,100	-	6,163,100	6,163,100
Property, plant and equipment	-	970,550,981	970,550,981	-	1,115,086,601	1,115,086,601
Right of use assets	170,758,095	1,187,652,421	1,358,410,516	103,097,637	677,340,145	780,437,782
Intangible assets	-	659,060,911	659,060,911	-	747,453,984	747,453,984
Deferred tax assets	-	756,172,119	756,172,119	-	778,912,222	778,912,222
Other assets	322,909,896	1,336,400,503	1,659,310,399	539,120,857	954,935,314	1,494,056,171
Total assets	65,120,787,682	81,837,309,142	146,958,096,824	69,547,820,186	75,608,129,774	145,155,949,959

	As at 31 December 2025			As at 31 December 2024		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Liabilities						
Due to other customers	57,026,678,114	48,654,295,924	105,680,974,038	64,443,515,192	42,546,384,750	106,989,899,941
Other borrowings	16,051,705,795	4,564,615,273	20,616,321,068	14,534,302,788	4,540,828,774	19,075,131,562
Retirement benefit obligation	-	1,286,496,116	1,286,496,116	-	1,041,381,783	1,041,381,783
Current tax liabilities	892,809,195	-	892,809,195	717,274,037	-	717,274,037
Other liabilities	2,032,586,692	1,644,503,330	3,677,090,022	1,758,470,312	987,291,960	2,745,762,272
Total liabilities	76,003,779,796	56,149,910,643	132,153,690,439	81,453,562,328	49,115,887,267	130,569,449,595
Net asset/(liability)	(10,882,992,114)	25,687,398,500	14,804,406,386	(11,905,742,142)	26,492,242,507	14,586,500,364

45. RISK MANAGEMENT

45.1. Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Bank's continuous profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to Credit Risk, Liquidity Risk, Market Risk and Operational Risk which has been disclosed in this note as summarised below:

45.2. Credit Risk

45.2.1. Assessment of Expected Credit Losses

45.2.2. Risks on Credit-related Commitments

45.2.3. Collateral and Other Credit Enhancements

45.2.4. Stage-wise movement of loans & advances and commitments & contingencies

45.2.5. Analysis of Risk Concentration

45.2.5.1. Geographical Distribution

45.2.5.2. Industry Analysis

45.2.6. Commitments and Contingencies

45.3. Liquidity Risk and Funding Management

45.3.1. Loans & advances to Deposits (due to banks and due to depositors) Ratio

45.3.2. Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

45.4. Market Risk

45.4.1. Interest Rate Risk

45.4.2. Currency Risk

45.5. Operational Risk

45.6. Capital Management

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring Bank's risk management policies. The Committee comprises of Non - Executive Directors. Meetings of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor adherence to established limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Integrated Risk Management Unit

The business units (i.e. Credit Departments, Branches, Regional Offices, Treasury etc.) have primary responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the 2nd line of defense and reports to the Chief Risk Officer (CRO) who in turn directly reports to the BIRMC.

Executive Integrated Risk Management Committee (EIRMC)

EIRMC consists of executive members of the management team, including the CEO, the CRO and business lines heads, with the main role of coordinating management efforts to implement the RMF. The EIRMC shall include representatives of both the 1st and 2nd line units responsible for material risks, including management of the lending divisions/lines, Treasury, Finance, Operations, as well as Risk Management representatives.

Risk Measurement and Reporting

The Bank's risks are measured using appropriate techniques based on the type of risk and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major types of risks and the results are reported to Board Integrated Risk Management Committee (BIRMC) on a periodic basis. Monitoring and controlling risks are primarily performed based on policies, limits and thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

The Bank's risk measurement and reporting functions were further strengthened during the year subsequent to the unprecedented economic crisis experienced during the prior years. The credit underwriting standards of the Bank were strengthened as the borrowers required remedial actions through restructuring/ rescheduling which impacted the loan repayments. The regulatory restrictions on initiating legal actions for recovery of loans and advances further elevated the credit risk. Market risk was relatively at a moderate level during the year as the economy experienced a decline in the interest rates with minor volatilities. Repricing strategies were adopted in line to optimize the balance sheet mismatches. The operational risks too increased owing to potentially higher external frauds due to economic reasons.

In this back drop, the Bank took additional measures to ensure that the elevated risks caused by the macroeconomic environment are adequately managed. Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;

- Reviewed risk elevated industries in the context of Macro Economic conditions
- Special Remediation and Rehbilitation Unit has been already established and currently is fully operational.
- Used of a range of additional stress tests to assess the impact on Bank's performance and capital.
- Strengthened the remedial activities by allocating specific staff from the Branches, Central Credit Dept. to work with borrowers in providing solutions.
- Ensured that liquidity is managed at an optimum level with the engagement of ALCO, whilst maintaining the risk parameters.

- Following the severe impacts of Cyclone Ditwah in late November, the Bank promptly took necessary actions to ensure uninterrupted operations. Heightened monitoring was applied to credit portfolios, and provision requirements were reassessed and maintained at revised levels to ensure adequacy.

Risk Mitigation

As part of its overall risk management, the Bank primarily focuses on strong operating cash-flows to sustain debt obligations of the borrowers. Further, as a fallback, where the credit may appear weak, the bank obtains various types of collaterals to mitigate such risk. Details such as nature of the collateral that could be accepted, required security margin etc. are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as a fallback.

45.2. Credit Risk

Credit risk is the risk of financial loss to the Bank, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances and investments in debt securities. In addition to the credit risk from direct funding exposures, the Bank would also be exposed to indirect liabilities such as guarantees, which would carry credit risk.

The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

45.2.1. Assessment of Expected Credit Losses

45.2.1.(a). Analysis of the total amortised cost for expected credit losses

As at 31st December		2025				2024
		Stage 1	Stage 2	Stage3	Total	
	Note	LKR	LKR	LKR	LKR	LKR
Cash and balances with banks	18	7,105,406,675	-	-	7,105,406,675	2,442,621,764
Placements with banks	19	7,802,428,744	-	-	7,802,428,744	9,085,399,787
Financial assets at amortised cost						
- Loans and receivables to other customers	21	100,896,721,214	4,179,516,181	13,488,671,099	118,564,908,494	103,181,716,494
- Debt and other instruments	22	16,606,195,672	-	-	16,606,195,672	26,623,477,136
Credit related commitments & contingencies	37	1,032,892,725	-	-	1,032,892,725	869,324,533
Total allowance for expected credit losses		133,443,645,030	4,179,516,181	13,488,671,099	151,111,832,310	142,202,539,714

45.2.1.(b). Movement of the total allowance for expected credit losses during the period

Year ended 31 December 2025		2025	2024
	Note	LKR	LKR
Balance as at 1st January		8,044,609,627	7,610,920,389
Net charge for the year		718,125,252	560,993,790
Write-off during the year	21.6	(38,702,261)	(127,304,552)
Balance as at 31st December		8,724,032,618	8,044,609,627

The methodology used in the determination of expected credit losses is explained in Note 3.2.6 to the financial statements. As explained in the said note, the bank has made allowances for overlays where required to address the uncertainties arising due to customers falling in risk-elevated industries.

45.2.1.(c). Sensitivity Analysis: Impact of extending the recovery cash flows by further one year for individually significant impaired loans

Had the Bank further extended the recovery cash flows by one year, only for instances where cash flow is forecasted based on collateral realisation, the cumulative impairment provision for individually significant impaired loans would have increased by LKR 105.28 Mn (2024: LKR 44.13 Mn).

45.2.1.(d). Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank as at 31st December 2025 would have reduced by approximately 10% (2024 - 5%). The total loans and advances in stage 2 as at 31st December 2025 amounts to LKR 4.17 Bn of the Bank.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank as at 31st December 2025 would have further increased by approximately 92% (2024 - 92%). The total loans and advances in stage 1 as at 31st December 2025 amounts to LKR 118 Bn of the Bank. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

45.2.1.(e). Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in Probability Default (PDs) and Loss Given Default (LGDs)

	2025				
	Sensitivity effect on Statement on Financial Position				Sensitivity effect on Income Statement
	Increase/(Decrease) in impairment provision				
	Stage 1	Stage 2	Stage 3	Total	
	LKR	LKR	LKR	LKR	LKR
PD 1% increase across all age buckets	230,081,477	12,118,492	-	242,199,969	242,199,969
PD 1% decrease across all age buckets	(230,081,477)	(12,118,492)	-	(242,199,969)	(242,199,969)
LGD 5% increase	157,601,731	62,653,334	314,126,759	534,381,824	534,381,824
LGD 5% decrease	(157,601,731)	(62,653,334)	(314,126,759)	(534,381,824)	(534,381,824)

45.2.1.(f). Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

The Bank calculates expected credit losses based on three probability-weighted scenarios. The weightages used by the Bank as at 31st December 2025 are disclosed in Note 3.2.6.6 along with the weightages used in 2024. During the year, due to the uncertainties arise current adverse macro-economic conditions on the business operations , the Bank increased the weightage assigned to the worst case scenario by 5%, decreasing the weightage of the base case scenario by the same amount. Accordingly, the Bank's impairment provision increased by approximately LKR 34.3 Mn during the year.

A further worst case scenario increase up to 100% with a weightage on other scenario,would have increased the collective impairment provision of the Bank by approximately LKR 51 Mn as at 31st December 2025.

Following table also summarizes the key economic indicators (GDP, Unemployment) used in estimating economic factor adjustment and impact on their changes.

Key drivers	As at 31 December 2025 ECL scenario	Assigned Weightings	2025	2026	2027	2028	2029	Long term rate
		%	%	%	%	%	%	%
GDP growth	Base case	25	5.40	5.25	5.37	5.47	5.61	5.61
	Best case	10	5.40	5.69	6.04	6.42	6.82	6.82
	Worst case	65	5.40	4.89	4.74	4.78	5.03	5.03
Unemployment rate	Base case	25	4.30	5.09	5.08	5.07	5.07	5.07
	Best case	10	4.30	4.82	4.72	4.62	4.52	4.52
	Worst case	65	4.30	5.12	5.14	5.16	5.17	5.17
Inflation	Base case	25	2.40	2.42	2.35	2.32	2.33	2.33
	Best case	10	2.40	1.79	1.41	1.11	0.87	0.87
	Worst case	65	2.40	3.58	4.25	5.04	5.96	5.96
Interest Rate	Base case	25	8.94	8.94	8.80	8.70	8.61	8.15
	Best case	10	8.94	8.04	7.38	6.78	6.22	6.41
	Worst case	65	8.94	10.27	10.91	11.58	12.30	12.98

Since the beginning of the year, as the Bank has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised appropriately, given the economic forecasts. Unemployment also follow a similar trend. Central Bank base rates have also been revised downwards for the short term, as part of the governmental response. Long-term expectations remain unchanged.

45.2.1.(g). Breakdown of loans classified under stage 2

Loans classified under the stage 2 includes contractually past due loans and loans which have been shifted to stage 2 based on the criteria specified in the Note 3.2.6.1(a).

As at 31st December	2025				2024
	Not Contractually Past Due	Contractually Past Due			
	0 - 30 Days	31 - 60 Days	61- 90 Days	Total	Total
	LKR	LKR	LKR	LKR	LKR
Term Loans	472,482,644	931,790,811	1,182,329,532	2,586,602,987	2,819,136,383
Pawning	129,946,190	47,568,264	16,215,623	193,730,077	376,473,974
Cash margin	28,901,246	40,990,162	32,540,091	102,431,499	265,262,719
Staff loans	2,039,149	3,264	-	2,042,413	580,301
Lease rentals receivable	12,233,912	745,676,541	536,798,753	1,294,709,206	1,025,656,191
Total	645,603,141	1,766,029,042	1,767,883,999	4,179,516,182	4,487,109,568

45.2.1.(h). Overview of rescheduled/restructured loans & advances

	Amortised Cost			Impairment for ECL		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR	LKR	LKR
2024	722,298,917	3,810,468,260	4,532,767,177	103,218,668	1,530,347,303	1,633,565,971
2025	484,482,388	3,292,299,133	3,776,781,521	71,983,069	1,451,124,176	1,523,107,245

45.2.1.(i). Overview of rescheduled/restructured loans & advances upgraded during the year

The Bank upgrades rescheduled/restructured loans from stage 3/stage 2 to stage 1 as per the upgrading policy described in Note 3.2.6.10 of the Financial Statements. During the year the Bank upgraded LKR 75.2 Mn worth of rescheduled/restructured loans to stage 1. Due to this upgrade, the impairment provision against these loans decreased from LKR 16.2 Mn to LKR 2.7 Mn as at 31st December 2025.

45.2.1.(j). Management overlays on ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. Bank expects that post-model and other judgmental adjustments will be applied for the foreseeable future. Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December are set out in the following tables:

	As at 31 December 2025					
		LKR				
	Modelled ECL	Modelled ECL Post-model adjustments	Management overlays	Total judgements adjustments	Total ECL	Judgmental adjustments as a % of total ECL
Pawning	5,760,017	-	-	-	5,760,017	0%
Cash margin	2,429,183	-	-	-	2,429,183	0%
Term loans						
Business	821,075,726	2,256,847	870,909	3,127,756	824,203,482	0%
Co-operative	350,254,499	206,226	167,997	374,223	350,628,722	0%
Housing	297,148,753	2,326,730	1,239,989	3,566,719	300,715,472	1%
Personal	253,447,108	519,105	124,782,193	125,301,298	378,748,406	33%
Fixed and floating	3,933,878,694	(336,779)	45,916,650	45,579,871	3,979,458,565	1%
SME	1,869,490,217	12,971,093	17,195,511	30,166,604	1,899,656,821	2%
Upahara	227,939,458	(815,195)	2,725,630	1,910,435	229,849,893	1%
Lease rentals receivable	743,359,858	3,060,996	3,394,302	6,455,298	749,815,156	1%
Total	8,507,550,413	20,189,023	196,293,181	216,482,204	8,724,032,617	

The Bank is in the process of implementing internal scorecard system for analysing credit risk of financial assets starting from next financial year.

45.2.2. Risks on Credit–related Commitments

The Bank makes available to its customers, guarantees that may require the Bank to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs.

45.2.3. Collateral and Other Credit Enhancements

45.2.3.(a). Net exposure to credit risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

For commercial lending: charges over real estate properties, cash, and inventory etc.

For retail lending: mortgages over residential properties, motor vehicles, gold etc.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

There was no change in the Bank's collateral policy during the year. Further, the Bank did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The bank has provided adequate impairment provisions for ECL against financial assets secured by cash/deposits held within the bank (Note No. 19). Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills, and treasury bonds. Except for the above, the bank has recognised ECL for all other financial assets classified at amortized cost and debt instruments at FVOCI.

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

As at 31st December		2025		2024	
		Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	Note	LKR	LKR	LKR	LKR
Cash and balances with banks	18	7,104,305,823	7,104,305,823	2,442,293,957	2,442,293,957
Placements with banks	19	7,801,226,634	7,801,226,634	9,083,957,854	9,083,957,854
Financial assets fair value through profit or loss	20	-	-	6,739,200,074	6,739,200,074
Financial assets at amortised cost					
- Loans and receivables to other customers*	21	109,840,875,878	49,947,820,056	95,137,106,868	51,255,534,999
- Debt and other instruments	22	16,605,322,741	16,605,322,741	26,623,135,466	25,920,679,782
Financial assets measured at fair value through other comprehensive income	23	196,697,726	196,697,726	208,145,880	208,145,880
Other assets		5,539,080,785	5,539,080,785	4,922,109,859	4,922,109,859
Total		147,087,509,586	87,194,453,764	145,155,949,959	100,571,922,406

A portion of the loans & advances of the Bank are secured against immovable property and cash/deposits held within the Bank approximately 18.5% each.(2024: 17% each). Further 21.8% (2024: 15%) of the loans & advances are secured against other securities including movable property, gold, lease receivables, etc. Approximately 28% (2024: 28%) of stage 3 loans & advances of the Bank are secured against immovable property and cash/deposits held within the Bank.

Approximately 51% of the loan book consists of Uphara and Uthathamachara, SME and Personal loans, out of its total lending portfolio. 51% of this portfolio is salary/pensioned based. 11% of loan accounts are covered through collateral like properties. And also Upahara and Uththamachara loan portfolio is 100% backed by insurance coverage.

45.2.3.(b). Offsetting financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

45.2.3.(c). Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

45.2.4. Stage-wise movement of loans & advances and commitments & contingencies

45.2.4.(a). Stage-wise movement of gross carrying values of loans and advances

Changes in the gross carrying amount of loans and advances during the period that contributed to the changes in impairment provision is given below:

	Stage 1 Subject to 12-month ECL	Stage 2 Subject to Lifetime ECL but not Credit Impaired	Stage 3 Subject to Lifetime ECL Credit Impaired	Total
	LKR	LKR	LKR	LKR
Balance as at 1st January 2024	83,412,152,380	7,443,673,784	15,623,989,873	106,479,816,037
Current stage of new financial assets originated	23,970,370,596	970,190,810	205,580,305	25,146,141,711
Changes in the gross carrying amount				
- Transfer to stage 1	(4,854,427,492)	(779,340,932)	(435,247,407)	(6,069,015,831)
- Transfer to stage 2	86,471,318	(476,674,689)	555,478,259	165,274,888
- Transfer to stage 3	41,462,550	(822,196,636)	(606,042,903)	(1,386,776,989)
Financial assets that have been derecognised	(17,728,748,360)	(1,848,542,770)	(1,449,127,641)	(21,026,418,771)
Write-off during the year	-	-	(127,304,552)	(127,304,552)
Changes to contractual cash flows due to modifications				-
Balance as at 31st December 2024	84,927,280,992	4,487,109,568	13,767,325,934	103,181,716,494
Balance as at 1st January 2025	84,927,280,992	4,487,109,568	13,767,325,934	103,181,716,494
Current stage of new financial assets originated	56,823,058,335	1,184,939,227	874,302,323	58,882,299,885
Changes in the gross carrying amount				
- Transfer to stage 1	(5,596,203,000)	623,657,230	370,828,362	(4,601,717,408)
- Transfer to stage 2	(1,171,827,782)	(341,646,795)	321,816,408	(1,191,658,169)
- Transfer to stage 3	(665,749,989)	(486,630,073)	(516,649,513)	(1,669,029,575)
Financial assets that have been derecognised	(33,419,837,343)	(1,287,912,975)	(1,290,250,155)	(35,998,000,473)
Write-off during the year	-	-	(38,702,261)	(38,702,261)
Changes to contractual cash flows due to modifications				-
Balance as at 31st December 2025	100,896,721,213	4,179,516,182	13,488,671,096	118,564,908,492

45.2.4.(b). Stage-wise movement of impairment for loans and advances

More information about the significant changes in the impairment for loans and advances during the period is provided in the tables below

	Stage 1 Subject to 12-month ECL	Stage 2 Subject to Lifetime ECL but not Credit Impaired	Stage 3 Subject to Lifetime ECL Credit Impaired	Total
	LKR	LKR	LKR	LKR
Balance as at 1st January 2024	587,668,892	806,534,764	6,216,716,734	7,610,920,390
Net impairment charge for the year due to:				
New financial assets originated	140,847,544	271,563,291	34,308,218	446,719,053
Changes in the impairment amount				
- Transfer to stage 1	10,128,668	(40,182,936)	11,436,012	(18,618,256)
- Transfer to stage 2	8,269,627	(37,073,143)	236,856,327	208,052,811
- Transfer to stage 3	4,853,759	(126,643,421)	545,974,751	424,185,089
Financial assets that have been derecognised	(72,987,379)	(86,661,674)	(339,695,853)	(499,344,906)
Write-off during the year	-	-	(127,304,552)	(127,304,552)
Balance as at 31st December 2024	678,781,111	787,536,879	6,578,291,637	8,044,609,628
Balance as at 1st January 2025	678,781,111	787,536,879	6,578,291,637	8,044,609,628
Net impairment charge for the year due to:				
New financial assets originated	406,402,541	35,773,753	98,419,647	540,595,941
Changes in the impairment amount				
- Transfer to stage 1	99,403,569	(28,580,400)	83,248,271	154,071,440
- Transfer to stage 2	(25,260,506)	(41,066,602)	142,474,682	76,147,574
- Transfer to stage 3	(10,799,660)	(85,554,856)	641,671,435	545,316,919
Financial assets that have been derecognised	(129,949,616)	(59,218,280)	(408,838,727)	(598,006,623)
Write-off during the year	-	-	(38,702,261)	(38,702,261)
Interest accrued on impaired loans and advances	-	-	-	-
Other movements	-	-	-	-
Balance as at 31st December 2025	1,018,577,439	608,890,494	7,096,564,684	8,724,032,617

45.2.4.(c). Stage-wise movement of gross carrying values of other financial assets

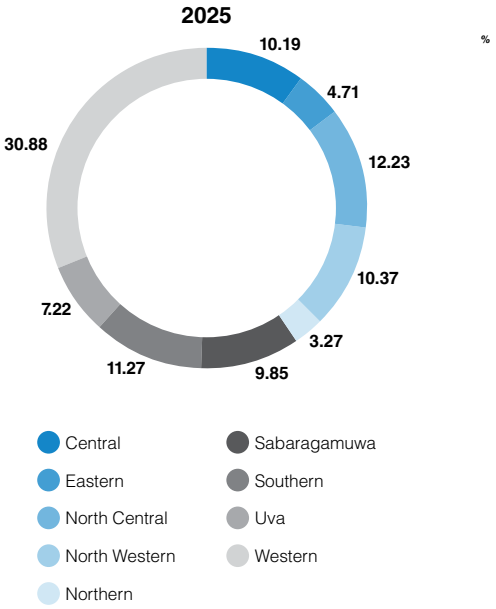
The Bank did not obverse any significant stage movements in other financial assets, which includes cash and balances with banks, placements with banks, debt and other instruments at amortised cost and debt instruments at fair value through other comprehensive income.

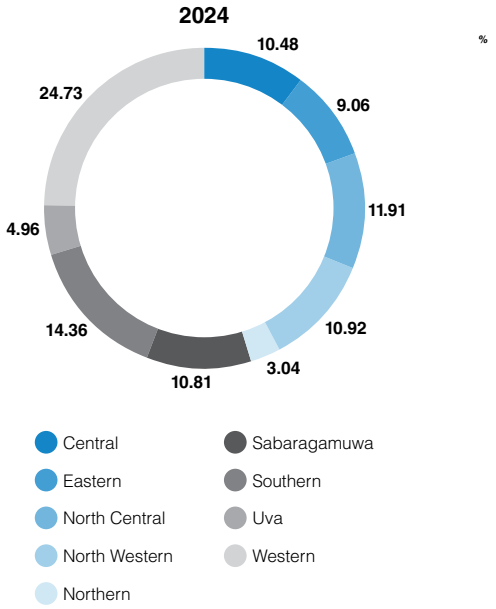
45.2.5. Analysis of Risk Concentration

The following tables/charts show the exposure to credit risk for the Financial Assets, including geography of counterparty and industry.

45.2.5.1. Geographical Distribution

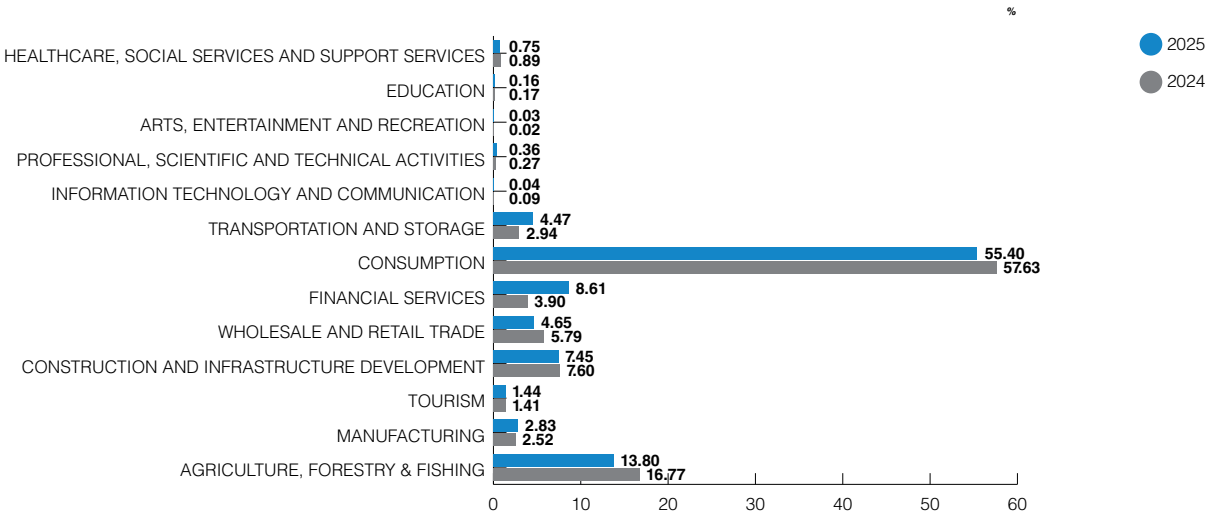
GROSS ADVANCE PORTFOLIO - GEOGRAPHICAL WISE





45.2.5.2. Industry Analysis

GROSS ADVANCE PORTFOLIO- INDUSTRY WISE ANALYSIS



45.2.6. Commitments and Contingencies

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank should have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the Statement of Financial Position. The Bank's maximum credit risk exposure for commitments and contingencies are disclosed in the Note No. 37.

Bank does not recognize a loss allowance for financial guarantee contracts as these contracts are fully backed by a Bank deposit (Savings or fixed deposit)

45.3. Liquidity Risk and Funding Management

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow. The Bank also has committed lines of credit that could be utilised to meet liquidity needs.
In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Bank. The key regulatory requirements are to maintain the Liquidity Coverage Ratio and the Net Stable Funding Ratio at the regulatory minimum of 100%. The Position of the bank for the year end are as follows.

	2025	2024
Liquidity Coverage Ratio (LCR)	151.86	279.65
Net Stable Funding Ratio (NSFR)	144.82	173.02

45.3.1. Loans & advances to Deposits (due to banks and due to depositors) Ratio

The Bank is aware of the importance of deposits as a source of funds for its lending operations. This is monitored using the following ratio, which compares loans & advances to deposits.

Loans & advances to deposits ratio as at 31st December 2025: 114.71% (2024: 96.45%)

45.3.2. Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The tables below summarise the maturity profile of the expected undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2025. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Financial Liabilities

	As at 31 December 2025							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and balances with banks	7,104,305,823	-	-	-	-	-	-	7,104,305,823
Investments	1,525,854,695	5,526,495,836	9,637,383,026	7,474,836,884	241,978,934	214,308,980	-	24,620,858,355
Loans and receivables to other customers	1,540,514,110	4,473,514,342	9,175,261,471	22,593,109,279	22,646,122,872	19,248,231,164	39,328,132,193	119,004,885,431
Total financial assets	10,170,674,628	10,000,010,178	18,812,644,497	30,067,946,163	22,888,101,806	19,462,540,144	39,328,132,193	150,730,049,609
Financial liabilities								
Due to other customers	2,709,384,102	6,350,981,936	18,730,716,770	31,745,804,501	28,069,583,060	15,218,550,370	5,441,166,823	108,266,187,562
Other borrowings	-	1,782,997,161	5,025,214,062	4,585,869,735	7,359,644,971	1,423,745,229	1,459,259,412	21,636,730,570
Total financial liabilities	2,709,384,102	8,133,979,097	23,755,930,832	36,331,674,236	35,429,228,031	16,642,295,599	6,900,426,235	129,902,918,132
Net financial assets/(liabilities)	7,461,290,526	1,866,031,081	(4,943,286,335)	(6,263,728,073)	(12,541,126,225)	2,820,244,545	32,427,705,958	20,827,131,477

	As at 31 December 2024							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and balances with banks	2,442,293,957	-	-	-	-	-	-	2,442,293,957
Investments	1,253,960,045	13,134,151,966	19,144,616,546	3,756,205,845	5,779,813,021	1,352,859,893	-	44,421,607,316
Loans and receivables to other customers	2,013,709,186	3,552,696,157	4,872,965,851	17,963,338,087	15,449,389,688	12,470,350,005	45,406,460,805	101,728,909,779
Total financial assets	5,709,963,188	16,686,848,123	24,017,582,397	21,719,543,932	21,229,202,709	13,823,209,898	45,406,460,805	148,592,811,052
Financial liabilities								
Due to other customers	3,596,921,049	7,579,883,969	21,307,418,818	37,919,889,999	28,326,199,984	10,775,562,220	5,428,984,030	114,934,860,069
Other borrowings	-	2,292,921,353	1,572,104,500	14,132,624,258	8,890,023,238	3,443,618,830	1,139,241,407	31,470,533,586
Total financial liabilities	3,596,921,049	9,872,805,322	22,879,523,318	52,052,514,257	37,216,223,222	14,219,181,050	6,568,225,438	146,405,393,655
Net financial assets/(liabilities)	2,113,042,139	6,814,042,801	1,138,059,079	(30,332,970,325)	(15,987,020,513)	(395,971,152)	38,838,235,368	2,187,417,397

45.4. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Bank classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately.

Market risk limits are set and continuously reviewed by the risk department and treasury department of the Bank. As a part of its established market risk management process, the risk department and treasury department also monitors early signs of possible changes in market conditions such as : anticipated and actual changes to interest rates; socio economic factors driving mortgage prepayment behaviors; and economic and geopolitical factors driving currency and equity price movement. Those two departments take adequate actions to mange market risk when necessary.

45.4.1. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's policy is to continuously monitor positions on a monthly basis and use periodic interest re-pricing strategies to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the Bank's Statement of Profit or Loss for the year ended 31st December 2025 and 31st December 2024 to a reasonable possible change in interest rates, with all other variables held constant.

The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

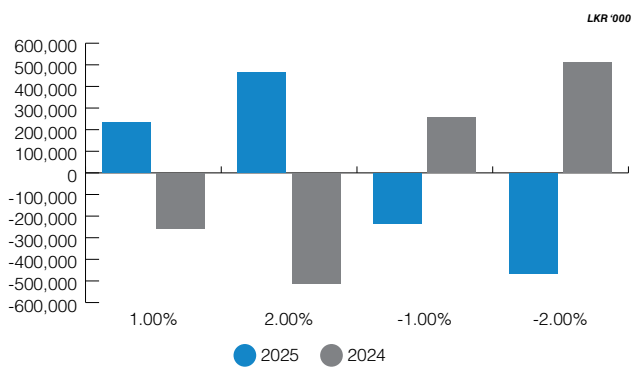
Rate Sensitive Assets (RSA) & Rate Sensitive Liabilities (RSL)

	2025	2024
	LKR	LKR
Rate Sensitive Assets (RSA)	52,817,313,110	75,484,700,913
Rate Sensitive Liabilities (RSL)	90,699,453,509	101,149,125,845
GAP (RSA - RSL)	(37,882,140,399)	(25,664,424,932)

Impact on Statement of Profit or Loss due to Interest Rate Shocks

	2025	2024
	LKR	LKR
Interest Rate Shock		
1.00%	233,017,297	(256,644,249)
2.00%	466,034,594	(513,288,499)
-1.00%	(233,017,297)	256,644,249
-2.00%	(466,034,594)	513,288,499

Impact on Statement of Profit or Loss due to interest rate shocks



Interest Rate Sensitivity Analysis

The tables below analyse the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

	Interest rate sensitivity assets and liabilities as at 31 December 2025						
Asset or liability	**Carrying amount**	**On demand**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest sensitive**	**Total**
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cash and balances with banks	7,104,305,823	7,104,305,824	-	-	-	-	7,104,305,824
Placements with banks	7,801,226,634	69,541,889	1,286,548,199	6,445,136,547	-	-	7,801,226,635
Financial assets fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to other customers	109,840,875,877	5,309,811,692	8,100,877,978	19,947,553,755	71,711,683,866	4,770,948,583	109,840,875,874
Debt and other instruments	16,605,322,741	6,982,808,643	8,350,834,827	1,029,700,337	241,978,934	-	16,605,322,741
Interest bearing assets	141,351,731,075	19,466,468,048	17,738,261,004	27,422,390,639	71,953,662,800	4,770,948,583	141,351,731,074
Due to other customers	105,680,974,038	8,676,122,807	17,939,908,199	30,410,647,107	46,449,633,178	2,204,662,746	105,680,974,038
Other borrowings	20,616,321,069	1,705,560,204	4,944,387,173	9,401,758,418	4,564,615,274	-	20,616,321,067
Interest bearing liabilities	126,297,295,107	10,381,683,011	22,884,295,372	39,812,405,525	51,014,248,452	2,204,662,746	126,297,295,106
Interest rate sensitivity gap	15,054,435,968	9,084,785,037	(5,146,034,368)	(12,390,014,886)	20,939,414,348	2,566,285,837	15,054,435,968

	Interest rate sensitivity assets and liabilities as at 31 December 2024						
Asset or liability	**Carrying amount**	**On demand**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest sensitive**	**Total**
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cash and balances with banks	2,442,293,957	2,439,669,796	-	-	-	2,624,161	2,442,293,957
Placements with banks	9,083,957,854	-	2,832,427,998	6,251,529,856	-	-	9,083,957,854
Financial assets fair value through profit or loss	6,739,200,074	2,106,429,218	4,632,770,856	-	-	-	6,739,200,074
Loans and receivables to other customers	95,137,106,867	4,891,750,890	4,282,420,117	15,786,394,311	69,937,685,707	238,855,842	95,137,106,867
Debt and other instruments	26,623,135,466	661,593,315	23,042,952,411	1,974,966,695	943,623,045	-	26,623,135,466
Interest bearing assets	140,025,694,218	10,099,443,219	34,790,571,382	24,012,890,862	70,881,308,752	241,480,003	140,025,694,219
Due to other customers	106,989,899,941	10,227,148,645	19,511,709,656	34,704,336,230	40,569,595,174	1,977,110,236	106,989,899,941
Other borrowings	19,075,131,562	2,241,677,700	976,483,169	11,316,141,918	4,540,828,775	-	19,075,131,562
Interest bearing liabilities	126,065,031,503	12,468,826,345	20,488,192,825	46,020,478,148	45,110,423,949	1,977,110,236	126,065,031,503
Interest rate sensitivity gap	13,960,662,715	(2,369,383,126)	14,302,378,557	(22,007,587,286)	25,770,884,803	(1,735,630,233)	13,960,662,716

45.4.2. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Bank doesn't have material currency risk.

The Bank has dollar denominated borrowing, granted by The United States International Development Finance Corporation (DFC) , USD 23.33 Mn as at 31st December 2025. This borrowing is placed as dollar denominated deposits with the Bank of Ceylon matching the capital repayment schedules of the loans.

DFC loan will be matured in June 2028 and the dollar fixed deposits hedged against this loan will mature at each installment repayment date.

45.5. Operational Risk

Operational risk is the risk of losses arising from inadequate or failed internal processes, human errors, systems failures, or external events. It also encompasses legal risk. However, strategic risk and reputational risk are explicitly excluded from the scope of operational risk. When controls fail to perform, operational risks can lead to financial loss, regulatory or legal consequences, and may indirectly affect reputation.

Operational risks of the Bank are mitigated and managed through a Board-approved Operational Risk Management Policy and Control Framework. This framework includes key controls and procedures such as segregation of duties, access and authorisation protocols, reconciliation processes, staff training and assessment mechanisms, and Business Continuity Planning. The Operational Risk Management Unit reports to the Chief Risk Officer, who in turn reports to the Board Integrated Risk Management Committee (BIRMC), which exercises overall supervision of the Bank's operational risk management.

45.6. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ ratios) and adopted by the Central Bank of Sri Lanka.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and that the Bank endevours to enhance credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or monitor the credit growth carefully.

Regulatory capital	Actual 2025	Required 2025	Actual 2024	Required 2024
	LKR	LKR	LKR	LKR
Common Equity Tier 1 Capital	13,389,173,361	7,071,746,493	13,060,134,160	5,676,873,415
Total Tier 1 Capital	13,389,173,361	8,014,646,026	13,060,134,160	7,423,603,697
Tier 2 Capital Instruments	982,964,918	806,237,630	1,195,277,067	912,978,727
Total Capita1	14,372,138,279	8,820,883,656	14,255,411,227	8,336,582,424
Total Risk Weighted Assets	94,290,364,084		87,085,817,208	
Common Equity Tier 1 Capital Ratio %	14.20	7.50	15.00	6.50
Total Tier 1 Capital Ratio %	14.20	8.50	15.00	8.50
Total Capital Ratio %	15.24	12.50	16.37	12.50

46. COMPARATIVE INFORMATION

The comparative information has been reclassified wherever necessary to confirm to the current year's presentation and details are given below.

46.1. Statement of Profit or Loss

There were no reclassifications during the year.

46.2. Statement of Financial Position

There were no reclassifications during the year.

46.3. Statement of Cash Flow

There were no reclassifications during the year.



Supplementary Information



STATEMENT OF COMPREHENSIVE INCOME

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Interest income	17,098,539	20,005,052	29,904,604	23,101,048	14,792,068	15,442,003	15,079,324	13,146,787	10,829,333	8,177,187
Interest expenses	(8,865,858)	(12,184,588)	(21,402,708)	(16,261,995)	(8,018,419)	(9,314,576)	(9,382,529)	(8,423,758)	(6,941,841)	(4,846,840)
Net interest income	8,232,682	7,820,464	8,501,896	6,839,054	6,773,649	6,127,426	5,696,795	4,723,029	3,887,493	3,330,347
Fee and commission income	716,349	631,017	466,073	504,650	413,675	390,619	237,656	196,762	278,770	212,540
Fee and commission expenses	(41,620)	(46,695)	(36,170)	(26,706)	(23,327)	(14,334)	(6,507)	(4,397)	(3,511)	(9,596)
Net fee and commission income	674,729	584,322	429,903	477,944	390,347	376,285	231,150	192,365	275,258	202,944
Net gains/(losses) from trading	(553)	60,117	1,258	(1,078)	4,144	5,228	1,265	-	-	-
Net gains/(losses) from financial instruments at fair value through profit or loss	559,066	444,082	476,058	166,509	234,934	268,710	114,889	280,172	211,759	17,351
Other operating income	30,522	(77,687)	(55,262)	263,007	32,775	55,227	90,969	20,811	50,845	40,046
Total operating income	9,496,446	8,831,298	9,353,853	7,745,435	7,435,849	6,832,877	6,135,068	5,216,378	4,425,356	3,590,687
Impairment for loans and other losses	(719,190)	(558,950)	(1,819,895)	(1,898,476)	(643,708)	(417,039)	(917,434)	(525,844)	(293,537)	(125,044)
Net operating income	8,777,256	8,272,348	7,533,958	5,846,959	6,792,141	6,415,838	5,217,634	4,690,534	4,131,819	3,465,643
Personnel expenses	(4,168,996)	(3,964,778)	(3,304,439)	(2,940,243)	(2,542,695)	(2,576,773)	(2,116,348)	(1,827,073)	(1,474,146)	(1,266,115)
Depreciation and amortisation expenses	(702,203)	(610,921)	(532,735)	(488,515)	(528,447)	(454,569)	(431,193)	(224,260)	(191,577)	(176,032)
Other expenses	(2,291,815)	(2,245,722)	(2,216,704)	(1,936,942)	(1,848,265)	(1,400,539)	(1,420,073)	(1,526,132)	(1,364,051)	(1,113,816)
Operating profit before taxes	1,614,243	1,450,927	1,480,080	481,259	1,872,734	1,983,957	1,250,021	1,113,068	1,102,045	909,680
Value added tax (VAT) on financial services*	(714,793)	(668,193)	(634,125)	(384,302)	(542,926)	(571,027)	(386,522)	(362,941)	(300,962)	(292,254)
Nation Building Tax (NBT) on financial services/ Social Security Contribution Levy (SSCL)	(99,277)	(98,471)	(74,029)	-	-	-	(51,106)	(52,703)	(48,482)	-
Debt repayment levy (DRL) on financial services	-		-	-	-	-	(226,565)	(53,282)	-	-
Operating profit after taxes	800,173	684,263	771,926	96,957	1,329,808	1,412,930	585,827	644,142	752,601	617,425
Profit before income tax	800,173	684,263	771,926	96,957	1,329,808	1,412,930	585,827	644,142	752,601	617,425
Income tax expense	(395,254)	(274,729)	(305,104)	(35,791)	(446,530)	(576,643)	(332,422)	(287,192)	(244,778)	(213,704)
Profit for the year	404,919	409,534	466,822	61,166	883,278	836,287	253,405	356,950	507,824	403,722
Other comprehensive income										
Actuarial gains/(losses) on defined benefit plans	(106,467)	(195,633)	92,685	(39,668)	34,301	(1,855)	(41,588)	(45,995)	2,885	(49,639)
Deferred tax relating to defined benefit plans	31,940	58,690	(27,805)	11,645	(8,232)	519	11,645	12,879	(808)	13,899
Gains/(losses) on re-measuring financial assets measured at fair value through other comprehensive income	(11,448)		-	-	-	-	(3,210)	(3,388)	-	(12,454)
Revaluation Surplus on Property, Plant and Equipment	28,375	69,025	74,939	259,037						
Deferred tax relating to revaluation surplus on Property, Plant and Equipment	(129,413)									
Other comprehensive income for the year net of tax	(187,013)	(67,918)	139,819	231,013	26,069	(1,336)	(33,153)	(36,505)	2,077	(48,194)
Total comprehensive income for the year	217,906	341,616	606,641	292,180	909,347	834,952	220,252	320,445	509,901	355,528
Basic earnings per share on profit (LKR)	2.47	2.49	2.84	0.38	7.63	11.05	4.50	6.34	9.87	9.60

* NBT on financial services expense is included in VAT on financial services expense up to the year 2016 and it is separately recorded after the year 2017 onwards.

STATEMENT OF FINANCIAL POSITION

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Assets										
Cash and cash equivalents	7,104,306	2,442,294	2,916,329	3,072,845	3,117,485	9,640,916	2,429,791	4,171,939	1,190,390	1,044,725
Placements with banks	7,801,227	9,083,958	15,387,770	18,205,196	15,108,410	2,823,628	5,628,095	9,528,426	6,014,704	6,919,027
Financial assets fair value through profit or loss	-	6,739,200	2,815,221	1,905,738	727,787	4,600,458	3,527,310	146,103	4,473,806	244,911
Other financial asset classified under loans and receivable	-	-	-	-	-	-	-	-	1,479,950	1,503,539
Financial assets at amortised cost - loans and receivables to other customers	109,840,876	95,137,107	98,868,896	110,525,450	111,891,256	102,662,269	85,823,335	77,507,021	66,687,416	53,632,539
Financial assets at amortised cost - debt and other instruments	16,605,323	26,623,135	32,436,341	19,819,736	12,031,302	5,244,005	6,998,925	3,405,600	-	-
Financial assets measured at fair value through other comprehensive income	196,698	208,146	56,940	56,939	56,939	56,939	56,939	60,148	-	-
Financial investments - available-for-sale	-	-	-	-	-	-	-	-	63,536	566,935
Financial investments - held-to-maturity	-	-	-	-	-	-	-	-	599,551	492,268
Investments in subsidiaries	6,163	6,163	6,163	6,163	6,163	6,163	-	-	-	-
Asset classified as held for sale	-	-	-	43,566	-	-	-	-	37,175	37,175
Property, plant and equipment	970,551	1,115,087	845,329	1,093,191	565,477	661,695	645,231	704,738	726,473	637,263
Right of use assets	1,358,411	780,438	680,305	609,201	952,104	689,646	651,271	-	-	-
Investment properties	-	-	-	-	19,167	20,223	21,279	22,335	23,391	24,447
Intangible assets	659,061	747,454	753,566	538,831	338,933	395,123	308,445	3,728	8,148	16,938
Deferred tax assets	756,172	778,912	533,810	600,628	299,448	231,673	232,482	69,415	-	-
Other assets	1,659,310	1,494,056	1,656,730	3,043,547	2,704,446	2,026,987	1,460,524	1,198,314	1,070,175	913,030
Total assets	146,958,097	145,155,950	156,957,400	159,521,032	147,818,916	129,059,724	107,783,624	96,817,767	82,374,713	66,032,799
Liabilities										
Due to other customers	105,680,974	106,989,900	108,118,122	107,533,002	93,902,939	93,271,727	72,431,923	67,474,822	59,904,734	45,691,758
Other borrowings	20,616,321	19,075,132	26,593,632	30,704,548	33,569,838	18,090,500	20,299,718	15,420,968	8,827,610	9,482,950
Debt securities issued	-	-	-	-	-	1,013,899	1,014,034	4,198,548	4,189,812	4,182,653
Subordinated term debts	-	-	4,460,248	5,055,590	3,752,578	4,052,630	4,210,566	1,008,028	1,004,355	-
Retirement benefit obligation	1,286,496	1,041,382	766,115	714,077	571,665	571,382	479,575	354,854	257,476	212,494
Current tax liabilities	892,809	717,274	375,862	182,245	293,250	274,215	187,070	143,988	32,153	23,110
Deferred tax liabilities	-	-	-	-	-	-	-	-	58,000	46,629
Other liabilities	3,677,090	2,745,762	2,377,566	1,672,355	1,598,949	1,869,195	1,491,759	767,833	769,413	873,924
Total liabilities	132,153,690	130,569,450	142,691,545	145,861,817	133,689,220	119,143,548	100,114,645	89,369,040	75,043,553	60,513,519
Equity										
Stated capital	11,406,602	11,406,602	11,287,765	11,287,765	11,287,765	7,727,941	5,921,538	5,921,538	5,758,689	4,062,962
Statutory reserve fund	381,295	361,049	340,572	317,231	314,173	270,009	228,282	215,611	197,764	172,373
Retained earnings	2,698,389	2,388,243	2,275,937	1,767,576	2,500,153	1,890,621	1,491,554	1,280,762	1,340,504	1,249,742
Other reserves	318,120	430,606	361,581	286,642	27,605	27,605	27,605	30,815	34,203	34,203
Total equity	14,804,406	14,586,500	14,265,855	13,659,215	14,129,697	9,916,176	7,668,979	7,448,727	7,331,160	5,519,280
Total equity and liabilities	146,958,097	145,155,950	156,957,400	159,521,032	147,818,916	129,059,724	107,783,624	96,817,767	82,374,713	66,032,799
Contingent liabilities and commitments	1,032,893	869,325	814,262	728,285	910,137	194,554	177,752	182,986	166,260	148,030
Other information										
Number of accounts (CIF numbers)	1,653,805	1,629,383	1,604,568	1,574,030	1,527,665	1,442,788	1,384,175	1,310,198	1,230,406	1,131,355
Number of branches	94	94	94	94	94	94	94	94	91	88
Number of employees	1,263	1,298	1295	1381	1433	1490	1,475	1,504	1,363	1,248

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 1

Key regulatory ratios - capital and liquidity

Item	As at 31 December 2025	As at 31 December 2024
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	13,389,173	13,060,134
Tier 1 capital	13,389,173	13,060,134
Total capital	14,372,138	14,255,411
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (Minimum requirement - 2025: 7.00 2024: 7.00%)	14.20	15.00
Tier 1 Capital Ratio (Minimum requirement - 2025: 8.50 2024: 8.50%)	14.20	15.00
Total capital ratio (Minimum requirement - 2025: 12.50%, 2024: 12.50%)	15.24	16.37
Leverage ratio (%)		
Minimum requirement - 3%	9.13	9.07
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	Revoked	Revoked
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)		
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	16,670,992	27,708,715
Liquidity coverage ratio (%) (Minimum requirement - 2025: 100%, 2024 - 100%)		
Rupee (%)	151.20	279.07
All currency (%)	151.86	279.65
Net stable funding ratio (%) (Minimum requirement - 100%)	144.82	173.02

TEMPLATE 2

Basel III computation of capital ratios

Item	As at 31 December 2025	As at 31 December 2024
Common Equity Tier 1 (CET1) capital after adjustments	13,400,250	13,060,134
Common Equity Tier 1 (CET1) capital	14,944,896	14,586,500
Equity capital (stated capital) /assigned capital	11,406,602	11,406,602
Reserve fund	381,295	361,049
Published retained earnings/(accumulated retained losses)	2,698,389	2,388,243
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	318,120	430,606
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
Total adjustments to CET1 capital	1,544,646	1,526,366
Goodwill (net)	-	-
Intangible assets (net)	659,061	747,454
Deferred tax assets (net)	756,172	778,912
Investments in the capital of banking and financial institutions	-	-
Additional Tier 1 (AT1) capital after adjustments	-	-
Additional Tier 1 (AT1) capital	-	-
Qualifying additional Tier 1 capital Instruments	-	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
Total adjustments to AT1 capital	-	-
Investment in own shares	-	-
Others	-	-
Tier 2 capital after adjustments	982,965	1,195,277
Tier 2 capital	1,033,535	1,195,277
Qualifying Tier 2 capital instruments	-	-
Revaluation gains	-	-
Loan loss provisions	1,033,535	1,195,277
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
Total adjustments to Tier 2	50,570	-
Investment in own shares	-	-
Investments in the capital of banking and financial institutions	50,570	-
CET 1 capital	13,389,173	13,060,134
Total Tier 1 capital	13,389,173	13,060,134
Total capital	14,372,138	14,255,411
Total risk weighted assets (RWA)	94,290,364	87,085,817
RWAs for credit risk (Template 7 and 8)	82,682,826	76,498,459
RWAs for market risk (Template 9)	558,925	236,499
RWAs for operational risk (Template 10)	11,048,613	10,350,859
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	14.20	15.00
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	14.20	15.00
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.24	16.37
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 3

Computation of leverage ratio

Item	Amount (LKR' 000) As at 31 December 2025	Amount (LKR' 000) As at 31 December 2024
Tier 1 capital	13,389,173	13,060,134
Total exposures	146,575,757	144,068,908
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	145,542,864	143,629,584
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	1,032,893	869,325
Basel III leverage ratio (%) (Tier 1/total exposure)	9.13	9.07

TEMPLATE 4

Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 31 December 2025		As at 31 December 2024	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	16,670,992	16,670,992	27,944,531	27,708,714
Total adjusted level 1 assets	16,670,992	16,670,992	25,869,580	25,869,580
Level 1 assets	16,670,992	16,670,992	25,869,580	25,869,580
Total adjusted level 2A assets	-	-	2,074,951	1,763,708
Level 2A assets	-	-	2,074,951	1,763,708
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	110,213,306	21,359,909	108,304,900	17,350,825
Deposits	67,103,367	6,710,337	69,196,990	6,919,699
Unsecured wholesale funding	38,804,221	11,335,806	37,926,692	10,081,044
Secured funding transactions	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	4,305,718	3,313,766	1,181,218	350,082
Additional requirements	-	-	-	-
Total cash inflows	13,875,302	10,381,845	14,059,525	7,442,426
Maturing secured lending transactions backed by collateral		-	700,124	-
Committed facilities		-	3,850,000	-
Other inflows by counterparty which are maturing within 30 days	13,875,302	10,381,845	7,306,003	5,239,028
Operational deposits	-	-	-	-
Other cash inflows		-	2,203,398	2,203,398
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		151.86		279.65

TEMPLATE 5

Main features of regulatory capital instruments

Description of the capital instrument	Stated capital
Issuer	Sanasa Development Bank PLC
Unique identifier	LK0412N00003
Governing Law of the instrument	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations
Original date of issuance (agreement signed date for subordinated term debts)	May 2012
Par value of instrument (LKR)	100
Perpetual or dated	Perpetual
Original maturity date, if applicable	N/A
Amount recognised in regulatory capital (in LKR '000 as at 31st December 2025)	11,406,602
Accounting classification (equity/liability)	Equity
Issuer call subject to prior supervisory approval	
Optional call date, contingent call dates and redemption amount (LKR '000)	N/A
Subsequent call dates, if applicable	N/A
Coupons/Dividends	
Fixed or floating dividend/coupon	Floating dividend
Coupon rate and any related index (%)	N/A
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, mandatory or optional	N/A
If convertible, conversion rate	N/A

N/A - not applicable

TEMPLATE 6

Summary discussion on adequacy/meeting current and future capital requirements

Overview	These should include
A proper "capital management process" is vital in ensuring the long-term stability of the business, the capital adequacy ratio is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses arising from various risks during the course of the business. Therefore, it acts as a layer of cushion in absorbing potential losses arising from the course of the business and safeguarding the depositors' funds. At present, capital adequacy position of the banks are computed based on banking Act Direction No. 01 of 2016 and subsequent amendments thereto issued by Central Bank of Sri Lanka. SANASA Development Bank has continued to maintain capital adequacy ratios at healthy levels by keeping a significant margin over and above the regulatory minimum requirements.	Provide qualitative information on capital planning to meet current and future capital requirements including: (a) Overview of capital planning and assessment process; (b) Material risk exposures in line with strategic plan; (c) Current and future capital needs, anticipated capital expenditure and desirable capital level; (d) Discussion on possible internal and external capital sources; (e) Assessment of the adequacy of bank's capital commensurate with all material risks and other capital needs in relation to its current and future activities; General contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

Overview	These should include
Capital management process In order to comply with the new Basel III guidelines, SANASA Development Bank's capital management process is under supervision of Board Strategic Planning Committee. The three year (2023-2025) capital management plan rolled out has been integrated with the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Bank's Strategic Plan. Efforts have taken to comply with the Basel III regulations saw the Bank increases its capital levels by issuing Basel III compliant Tier - II debt instruments. Steps were also taken to optimize the capital ratios by rebalancing the risk weighted assets (RWA).	
Moving forward Moving forward with the capital management plan, the Bank will execute specific medium term and long term strategies to raise both Tier I and Tier II capital in line with Basel III minimum regulatory requirements. In addition, timely actions have been identified and will be executed during the coming years to optimize the risk weighted assets for the purpose of improving the capital allocation of the Bank.	

TEMPLATE 7

Credit risk under standardized approach - credit risk exposures and credit risk mitigation (CRM) effects

Asset class	Amount (LKR' 000) as at 31st Decemebr 2025					
	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On- balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
Claims on Central Government and CBSL	16,219,535	-	16,219,535	-	-	-
Claims on foreign sovereigns and their Central Banks	-	-	-	-	-	-
Claims on public sector entities	-	-	-	-	-	-
Claims on official entities and multilateral development banks	-	-	-	-	-	-
Claims on banks exposures	14,501,105	-	14,501,105	-	2,900,221	20
Claims on financial institutions	4,781,716	-	4,781,716	-	4,781,716	100
Claims on corporates	4,400,158	-	4,400,158	-	4,400,158	100
Retail claims	95,661,353		95,661,353	-	60,512,774	63
Exposure Guranteed by the NCGIL	151,145		151,145	-	30,229	20
Claims secured by residential property	3,066,056	-	3,066,056	-	1,218,323	40
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	4,473,193	-	4,473,193	-	4,451,549	100
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	4,392,736	1,032,893	4,392,736	399,584	4,387,856	92
Total	147,646,998.37	1,032,893	147,646,998	399,584	82,682,826	56

Note:

(i) NPAs - as per Banking Act Directions on classification of loans and advances, income recognition and provisioning.

(ii) RWA density – Total RWA/exposures post CCF and CRM.

TEMPLATE 8

Credit risk under standardized approach - exposures by asset classes and risk weights

Description / Asset classes \ Risk weight	Amount (LKR' 000) as at 31st December 2025 (Post CCF & CRM)									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total credit exposures amount
Claims on Central Government and CBSL	16,219,535	-	-	-	-	-	-	-	-	16,219,535
Claims on foreign sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-
Claims on public sector entities	-	-	-	-	-	-	-	-	-	-
Claims on official entities and multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on banks exposures	-	14,501,105	-	-	-	-	-	-	-	14,501,105
Claims on financial institutions	-	-	-	-	-	-	4,781,716	-	-	4,781,716
Claims on corporates	-	-	-	-	-	-	4,400,158	-	-	4,400,158
Retail claims	11,278,869	655	-	-	696,959	68,767,707	8,518,687			89,262,877
Claims secured by residential property	-	-	2,842,666	-	-	-	223,390	-	-	3,066,056
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Exposure Guranteed by the NCGIL		151,145								151,145
Non-performing assets (NPAs)		-	-	236,415	-	-	4,043,654	193,125	-	4,473,193
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Cash items and other assets	404,464	-	-		-		4,387,856			4,792,321
Total	27,902,869	14,652,905	2,842,666	236,415	696,959	68,767,707	26,355,462	193,125	-	141,648,107

DISCLOSURES AS PER PILLAR III OF BANKING ACT NO. 1 OF 2016, CAPITAL REQUIREMENTS UNDER BASEL III

TEMPLATE 9

Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 31 December 2025
(a) RWA for interest rate risk	-
General interest rate risk	-
(i) Net long or short position	-
(ii) Horizontal disallowance	-
(iii) Vertical disallowance	-
(iv) Options	-
Specific interest rate risk	-
(b) RWA for equity	-
(i) General equity risk	-
(ii) Specific equity risk	-
(c) RWA for foreign exchange and gold	69,866
Capital charge for market risk {(a) +(b) + (c) } * CAR	558,925

TEMPLATE 10

Operational risk under basic indicator approach

Business lines	Capital charge factor	Gross income (LKR' 000) as at 31 December 2025			Amount (LKR' 000)
		1st Year	2nd Year	3rd Year	
The basic indicator approach	15%	9,525,772	8,877,897	9,217,863	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,381,077
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					11,048,613

TEMPLATE 11

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories

Item	Amount (LKR '000 as at 31st December 2025)				
	a	b	c	d	e
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and cash equivalents	7,104,306	7,104,306	7,104,306	-	-
Placements with banks	7,801,227	7,801,227	7,801,227		-
Financial assets fair value through profit or loss	-	-	-	-	
Financial assets at amortised cost					
- Loans and receivables to other customers	109,840,876	109,840,876	109,840,876	-	1,323,023
- Debt and other instruments	16,605,323	16,605,323	16,605,323	-	-
Financial assets measured at fair value through other comprehensive income	196,698	196,698	196,698	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	970,551	970,551	970,551	-	-
Right of use assets	1,358,411	1,358,411	1,358,411	-	-
Investment properties	-	-	-	-	-
Intangible assets	659,061	659,061	-		659,061
Differed tax assets	756,172	756,172	-	-	756,172
Other assets	1,659,310	1,659,310	1,659,310	-	
Total assets	146,958,097	146,958,097	145,542,864	-	2,738,256
Liabilities					
Due to banks					
Due to other customers	105,680,974	105,680,974	-	-	-
Other borrowings	20,616,321	20,616,321	-	-	-
Subordinated term debts	-	-	-	-	-
Retirement benefit obligations	1,286,496	1,286,496	-	-	-
Current tax liabilities	892,809	892,809	-	-	-
Other liabilities	3,677,090	3,677,090	-	-	-
Total liabilities	132,153,690	132,153,690	-	-	-
			-	-	-
Off–balance sheet liabilities					
Guarantees	389,540	389,540	389,540		
Undrawn loan commitments	-	643,353	643,353	-	-
	-			-	-
Shareholders' equity					
Equity capital (stated capital)/ assigned capital	11,406,602	11,406,602			
of which amount eligible for CET 1	11,406,602	11,406,602	-	-	-
of which amount eligible for AT 1	-	-	-	-	-
Retained earnings	2,698,389	2,698,389	-	-	-
Accumulated other comprehensive income	(30,500)	-	-	-	-
Other reserves	729,915	699,415	-	-	-
Total shareholders' equity	14,804,406	14,804,406	-	-	-

SOURCES AND UTILISATION OF INCOME

For the year ended 31 December	Sources of income LKR'000 2025	2024	2023	2022	2021	2020	2019
Interest	14,565,057	14,795,033	22,257,612	18,427,843	13,601,108	14,485,392	13,839,972
Investments	2,533,483	5,210,018	7,646,992	4,673,206	1,190,961	956,610	1,239,352
Commission and other	1,263,764	1,010,834	851,956	906,382	662,200	705,450	438,273
Total	18,362,304	21,015,886	30,756,561	24,007,430	15,454,269	16,147,453	15,517,597

For the year ended 31 December	Utilisation of income LKR'000 2025	2024	2023	2022	2021	2020	2019
Employees							
Salaries and other payments to staff	4,168,996	3,964,778	3,304,439	2,940,243	2,542,695	2,576,773	2,116,348
Suppliers							
Interest paid	8,865,858	12,184,588	21,402,708	16,261,995	8,018,419	9,314,576	9,382,529
Other expenses	3,713,207	3,415,593	4,569,334	4,323,933	3,020,420	2,272,146	2,768,699
	12,579,065	15,600,181	25,972,042	20,585,928	11,038,840	11,586,722	12,151,228
Net income before government taxes	1,614,243	1,450,927	1,480,080	481,259	1,872,734	1,983,957	1,250,021
Government							
Income tax, VAT on FS, NBT and debt repayment levy	1,209,324	1,041,392	1,013,258	420,093	989,455	1,147,670	996,616
Shareholders							
Dividends	-	-	-	-	241,050	206,046	114,020
Retained Profit	404,919	409,534	466,822	61,166	642,228	630,241	139,385
	404,919	409,534	466,822	61,166	883,278	836,287	253,405
Total	18,362,304	21,015,886	30,756,561	24,007,430	15,454,269	16,147,453	15,517,597

QUARTERLY PERFORMANCE OF THE BANK

	2025				2024			
	31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
Regulatory capital adequacy ratio								
Common equity Tier 1 capital ratio (%)	14.20	13.54	13.98	15.01	15.00	15.14	15.03	14.93
Tier 1 capital ratio (%)	14.20	13.54	13.98	15.01	15.00	15.14	15.03	14.93
Total capital ratio (%)	15.24	14.90	15.26	16.40	16.37	16.57	16.53	16.43
Leverage ratio (%)	9.13	9.15	9.18	9.23	9.07	8.68	8.64	8.48
Regulatory liquidity								
Total stock of high quality liquid assets (LKR Mn)	16,671	10,762	12,167	20,749	27,709	32,454	28,779	32,490
Liquidity coverage ratio (%)	151.86	148.65	281.52	234.15	279.65	291.57	306.77	287.15
Net stable funding ratio (%)	144.82	149.84	157.19	167.54	173.02	185.25	183.98	204.68
Asset quality								
Gross non-performing advances ratio (%)	8.85	9.68	10.51	10.12	11.11	11.85	12.07	11.85
Impaired Loans (Stage 3)Total Loan Ratio (%)	5.36	5.72	6.50	6.41	6.93	8.04	7.94	8.59
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	52.61	52.28	49.84	49.72	47.78	46.07	44.57	41.49
Profitability								
Interest margin (%)	5.37	5.36	5.64	5.60	5.18	5.66	5.55	5.44
Return on assets (%)	1.11	0.98	0.88	0.82	0.96	1.13	1.02	0.93
Return on equity (%)	2.76	2.30	2.13	1.53	2.84	3.73	3.37	3.18
Share information								
Last Traded Price per Share (LKR)	58.10	47.20	38.80	36.20	45.90	30.50	31.00	32.50
Highest price per share for the period (LKR)	69.40	51.10	39.70	48.20	46.80	33.00	36.20	33.00
Lowest price per share for the period (LKR)	33.10	37.20	33.10	34.20	29.70	28.70	30.90	31.00

INVESTOR RELATIONS

SDB bank's investor relations strategy is guided by the clear objective of supporting sustainable value creation for shareholders through transparent, timely and credible engagement with the investment community. By providing accurate and meaningful information to existing and prospective investors, the Bank enables well-informed investment decisions while reinforcing confidence in its governance, financial strength and long-term strategy. Through structured disclosures, proactive communication and targeted investor engagement initiatives, SDB bank strengthens market trust and enhances its ability to create enduring value for all stakeholders.

A key pillar of SDB bank's investor strategy is the cultivation of strategic relationships with select international investors, funding agencies and institutions that share the Bank's commitment to sustainable development and inclusive growth. The Bank maintains direct and consistent lines of communication with these potential partners, enabling meaningful dialogue and long-term collaboration. To date, SDB bank has established several mutually beneficial international partnerships, facilitating knowledge exchange and providing access to international funding that supports its development mandate.

COMMUNICATIONS

The Bank's regular investor relations activities focus on the timely dissemination of financial and non-financial information to shareholders, potential investors and the wider financial community, including stockbrokers and regulators. All disclosures are made in compliance with the requirements of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka.

These communications include quarterly and annual financial statements, together with any disclosures required under CSE Listing Rules. The Bank also publishes an integrated annual report that provides comprehensive insights into its governance framework, risk management systems, sustainable business practices, resource management, financial performance and strategic outlook.

In addition, the Bank issues press releases through mainstream media and its own digital platforms to keep the market informed of significant developments and initiatives throughout the year. The Bank encourages two-way communication by actively responding to investor inquiries and feedback. Insights gathered from such interactions are analysed to better understand market sentiment and investor expectations, thereby strengthening the effectiveness of the investor relations function.

ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting (AGM) serves as the principal forum for direct engagement between the Bank's senior management and its shareholders. It provides shareholders with the opportunity to raise questions, seek clarifications and engage in constructive dialogue on the Bank's performance, strategy and governance.

INVESTOR EVENTS

SDB bank also conducts one-on-one meetings and targeted discussions with key investors as required, ensuring personalised engagement and a deeper understanding of the Bank's strategic direction and performance. The Bank places high importance on ethical, accountable and transparent engagement with the investor community. All interactions are guided by sound corporate governance principles and regulatory compliance.

The Bank's investor relations programme is designed to achieve the following objectives:

- Sustain a competitive market price for the Bank's shares
- Maintain healthy trading volumes on the stock exchange
- Facilitate efficient and cost-effective access to capital in the future
- Reduce share price volatility by cultivating a stable and loyal investor base

SDB SECURITIES

- Quoted ordinary shares

LISTING DETAILS FOR QUOTED ORDINARY SHARES:

- Listed exchange: Colombo Stock Exchange (CSE) Main Board
- Sector: Banks' Finance and Insurance
- Quoted date: 31 May 2012
- Code-ISIN: LK0412N00003
- Stock symbol: SDB.N0000

SHARES AND SHAREHOLDERS' ANALYSIS

Table 1

Share Ownership Composition

Share range	31 December 2025				31 December 2024			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 - 1,000	36,769	93.63	4,985,283	3.04	36,328	93.46	4,850,937	2.95
1,001 - 10,000	1,856	4.73	6,016,527	3.66	1,891	4.86	5,803,990	3.54
10,001 - 100,000	543	1.38	17,152,765	10.45	555	1.43	17,080,778	10.41
100,001 - 1,000,000	85	0.22	20,521,213	12.50	79	0.20	17,504,585	10.66
1,000,001 - and above	15	0.04	115,490,706	70.35	18	0.05	118,926,204	72.44
Total	39,268	100.00	164,166,494	100.00	38,871	100.00	164,166,494	100.00

ANALYSIS OF SHAREHOLDERS

Table 2

Resident/Non Resident

	31 December 2025				31 December 2024			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	39,251	99.96	146,436,837	89.20	38,851	99.95	120,708,276	73.53
Non-Resident	17	0.04	17,729,657	10.80	20	0.05	43,458,218	26.47
Total	39,268	100.00	164,166,494	100.00	38,871	100.00	164,166,494	100.00

Table 3

Individual/Institutional

	31 December 2025				31 December 2024			
	No. of Shareholder	%	No. of Shares	%	No. of Shareholder	%	No. of Shares	%
Individual	35,632	90.74	40,960,891	24.95	35,242	90.66	37,079,035	22.59
Institutional	3,636	9.26	123,205,603	75.05	3,629	9.34	127,087,459	77.41
Total	39,268	100.00	164,166,494	100.00	38,871	100.00	164,166,494	100.00

Table 4

Institutional Sub Analysis

	31 December 2025				31 December 2024			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Foreign	1	0.003	16,416,564	10.00	3	0.008	37,350,366	22.75
Local and other Institutions	74	0.188	84,925,601	51.73	62	0.160	67,579,467	41.17
SANASA Federation								
ACC 1	1	0.003	797,822	0.49	1	0.003	797,822	0.49
ACC 2			31,511	0.02			31,511	0.02
SANASA Societies	3,390	8.633	9,930,846	6.05	3,399	8.744	10,249,218	6.24
SANASA Union	39	0.099	3,551,456	2.16	35	0.090	3,527,611	2.15
MPCCS	26	0.066	1,269,878	0.77	24	0.062	1,269,539	0.77
Trust Companies	105	0.267	6,281,925	3.83	105	0.270	6,281,925	3.83
Total	3,636	9.259	123,205,603	75.05	3,629	9.337	127,087,459	77.42

Table 5

Top Twenty Shareholders (Amalgamated Shareholdings)

		31 December 2025		31 December 2024	
No.	Name of the Shareholder	No of Shares	%	No of Shares	%
1	SENTHILVERL HOLDINGS (PVT) LTD	24,624,974	15.0000	21,019,383	12.8037
2	LOLC INVESTMENT HOLDINGS ONE (PRIVATE) LIMITED	24,624,948	15.0000	24,624,948	15.0000
3	FINCO HOLDINGS (PRIVATE) LIMITED	24,622,810	14.9987	-	-
4	BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES SA/NV	16,416,564	9.9999	16,416,564	9.9999
5	MR. D.G. WIJEMANNA	7,000,000	4.2640	-	-
6	ALLIANCE FINANCE COMPANY PLC	3,592,187	2.1881	3,592,187	2.1881
7	PEOPLE'S LEASING AND FINANCE PLC/L.P.HAPANGAMA	3,406,664	2.0751	3,279,555	1.9977
8	PEOPLE'S LEASING & FINANCE PLC	2,320,270	1.4134	2,320,270	1.4134
9	BANK OF CEYLON A/C CEYBANK UNIT TRUST	1,573,477	0.9585	1,573,477	0.9585
10	PEOPLES LEASING & FINANCE PLC/MR.A.M. INDURUWAGE	1,500,000	0.9137	-	-
11	HATTON NATIONAL BANK PLC/SARRAVANAN NEELAKANDAN	1,471,083	0.8961	1,471,083	0.8961
12	KEGALLE SANASA SHARE HOLDERS TRUST COMPANY LIMITED	1,287,440	0.7842	1,287,440	0.7842
13	POLGAHAWELA SANASA SOCIETIES UNION LTD	1,035,980	0.6311	1,035,980	0.6311
14	NIKAWARATIYA THRIFT AND CREDIT CO-OPERATIVE SOCIETY UNION LIMITED	1,014,273	0.6178	1,014,273	0.6178
15	HETTIGODA CITY (PVT) LTD	1,000,036	0.6092	-	-
16	BINGIRIYA MULTI-PURPOSE COOPERATIVE SOCIETY LTD	991,850	0.6042	991,850	0.6042
17	SANASA FEDERATION LIMITED	829,333	0.5052	829,333	0.5052
18	MR. R. GAUTAM	800,500	0.4876	-	-
19	DFCC BANK PLC/N.G.N.MADURANGA	662,403	0.4035	-	-
20	COMMERCIAL BANK OF CEYLON PLC/W. JINADASA	600,000	0.3655	-	-
	Total	119,374,792	72.7158	79,456,343	48.3999

* Note: This table contains the amalgamated total shareholding of each shareholder.

Table 6

	31 December 2025		31 December 2024	
	No. of Shares	%	No. of Shares	%
Total number of Shares registered	155,663,060	94.82	155,634,876	94.80
Total number of Shares unregistered	8,503,434	5.18	8,531,618	5.20
Total number of shares issued	164,166,494	100.00	164,166,494	100.00
Shares held by Directors and CEO	119,676	0.08	119,676	0.08
Shares held by institutions	123,205,603	75.05	127,087,459	77.41
Balance held by the public	40,841,215	24.87	36,959,359	22.51
Total number of shares issued	164,166,494	100.00	164,166,494	100.00
Shares held by the public	135,829,683	82.74	128,795,571	78.45
Shares held by Directors, CEO and related parties	28,336,811	17.26	35,370,923	21.55
Total number of shares issued	164,166,494	100.00	164,166,494	100.00

MARKET CAPITALISATION AND MINIMUM PUBLIC HOLDING

	31 December 2025
Market capitalisation (LKR)	9,538,073,301
Public holding percentage	82.74%
Float adjusted market capitalisation	7,891,704,582
Number of shares representing public holding	135,829,683
Required minimum public holding percentage under option 2 of rule 7.13.1 (a) of the Listing Rules of the CSE	5%

Table 7

Directors' and CEO's Shareholding

	31 December 2025		31 December 2024	
Mr Prasanna Premaratna (Director)	1,532	0.0009	1,532	0.0009
Mr B R A Bandara (Director)	11,237	0.0068	11,237	0.0068
Mr Romani De Silva (Director)	106,907	0.0651	106,907	0.0651
Total	119,676	0.073	119,676	0.073

SHARE TRADING DETAILS

Market Share Trading

	2025	2024	2023	2022	2021
Number of transactions	7,492,995	3,524,067	3,618,960	6,057,233	8,131,508
Number of shares traded (Mn)	46,646	23,250	16,988	29,047	59,772
Annual turnover (LKR Mn)	1,232,649	537,635	410,629	686,602	1,173,157
Average daily turnover (LKR Mn)	5,179.19	2,240.10	1,696.82	2,972.00	4,888.15

SDB bank share trading

	2025	2024	2023	2022	2021
Number of transactions	34,382	10,144	7,186	7,400	18,546
Number of shares traded	128,425,906	41,391,081	11,522,669	12,814,093	32,484,591
Value of shares traded (LKR Mn)	6,243	1,566	384.07	369.96	1,700.43
Average daily turnover (LKR Mn)	26.12	6.66	1.60	1.61	7.08

MARKET CAPITALISATION DETAILS

CSE and the Banking Industry Market Capitalisation

	2025	2024	2023	2022	2021
CSE market capitalisation (LKR Bn)	8,068.62	5,695.56	4,248.93	3,847.15	5,489.16
S & P SL20 (31/12)	6,157.38	4,862.10	3,068.38	2,635.63	4,233.25
All share price index (31/12)	22,624.31	15,944.61	10,654.16	8,489.66	12,226.01

SDB bank Capitalisation

	2025	2024	2023	2022	2021
CSE market capitalisation (LKR Bn)	22,624.31	5,695.56	4,248.93	3,847.15	5,489.16
SDB bank market capitalisation (LKR Bn)	9.5	7.5	5.06	3.43	6.91
Increase/decrease in market capitalisation of SDB bank (%)	27	49	48	(50)	29
SDB bank market capitalisation as a % of CSE market capitalisation (%)	0.12	0.13	0.12	0.09	0.13
Market capitalisation rank of SDB bank	133	113	127	155	115

SDB bank Share Price Movement

	2025	2024	2023	2022	2021
Highest Price (LKR)	69.40	46.80	38.90	47.00	68.50
Lowest Price (LKR)	33.10	28.70	20.00	18.50	42.00
Last Traded Price as at 31 December (LKR)	58.10	45.90	31.50	21.40	43.00

DIVIDENDS

A dividend is a distribution of reward, from a portion of the Bank's earnings, and is paid to the ordinary shareholders annually. The amount declared and paid each year varies in relation to the earnings of the Bank. It strikes a balance between a fair return to the shareholders for their investment and the business requirements to maintain the sustainability of the Bank.

Dividends are decided and managed by the Bank's Board of Directors, and they are approved by the shareholders through the exercise of their voting rights.

Year	Profit for the year	Total Cash dividend paid	Total Dividend per share	Dividend payout ratio	Dividend yield
	(LKR Mn)	(LKR Mn)	(LKR)	(%)	(%)
2021	909.35	241.05	1.5	19.66	3.49
2022	292.18	-	-	-	-
2023	606.64	-	-	-	-
2024	341.61	-	-	-	-
2025	217.90	-	-	-	-

VALUE CREATION FOR SHAREHOLDERS

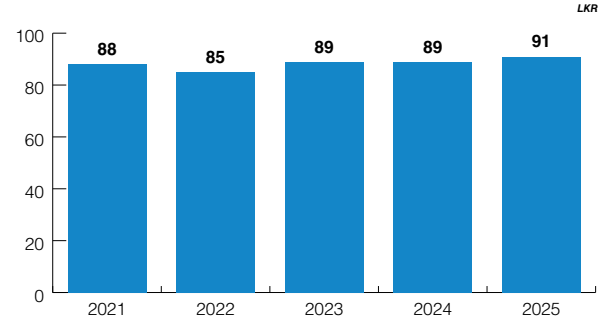
CSE Market

	2025	2024	2023	2022	2021
Market price-earnings ratio (PER) (Times)	10.73	8.89	11.1	5.0	13.63
Market price to book value (PBV) (Times)	0.64	0.52	0.93	0.9	1.67

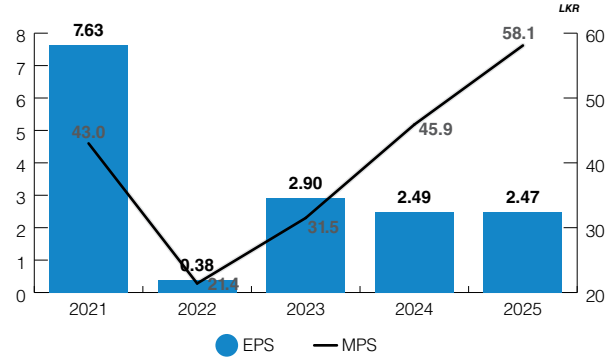
SDB bank

	2025	2024	2023	2022	2021
Net asset value per share (LKR)	90.18	88.85	88.77	85	87.93
Basic earnings per share (LKR)	2.47	2.49	2.90	0.38	7.63
Dividend per share (LKR)	-	-	-	-	1.5
Market price per share as at 31 December (LKR)	58.10	45.90	31.50	21.40	43
Price-earnings ratio (PER) (Times)	23.52	18.40	10.86	56.31	5.63
Price to book value (PBV) (Times)	0.64	0.52	0.35	0.25	0.49
Dividend yield (DY) (%)	-	-	-	-	3.49
Dividend payout (%)	-	-	-	-	19.66
Number of shares (No. Mn)	164.16	164.16	160.69	160.69	160.69
Number of shareholders (Public)	39,263	38,865	38,764	38,980	38,986
Total equity (LKR Mn)	14,804.40	14,586.50	14,265.85	13,659.21	14,129.70
Stated capital (LKR Mn)	11,406.60	11,406.60	11,287.76	11,287.76	11,287.76
Debt to equity (Times)	8.53	8.64	9.76	10.49	9.28
Interest cover (Times)	2.81	1.82	1.35	1.09	1.84
Return on equity (%)	2.74	2.84	3.34	0.44	7.35

NET ASSET VALUE PER SHARE



EARNINGS & MARKET PRICE PER SHARE



ABBREVIATIONS

&	and
°C	Celsius
12mECL	12 Months Expected Credit Loss

A

AC	Air Conditioner
ACA	Chartered Accountant
ADB	Asian Development Bank
AFS	Available for Sale
AGM	Assistant General Manager/Annual General Meeting (as appropriate)
AI	Artificial Intelligence
ALCO	Assets and Liability Management Committee
AML	Anti-Money Laundering
AT I	Additional Tier I
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWCMR	Average Weighted Call Money Rate
AWPLR	Average Weighted Prime Lending Rate
AWDR	Average Weighted Deposit Rate
AWFDR	Average Weighted Fixed Deposit Rate

B

BAC	Board Audit Committee
BIB	Business Internet Banking
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlements
BIO	Belgian Investment Company for Developing Countries NV/SA
Bn.	Billions
BNO	Bank Notes Operation
BOD	Board of Directors
BRPTRC	Board Related Party Transaction Review Committee
BRC	Business Registration Certificate
BSS	Baseline Standard
BHRRC	Board Human Resources and Remuneration Committee
BSN&GC	Board Selection Nomination and Governance Committee
BCC	Board Credit Committee
BSPC	Board Strategic Planning Committee

C

CAR	Capital Adequacy Ratio
CASL	Chartered Accountants of Sri Lanka (CA Sri Lanka)
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CEO	Chief Executive Officer
CET 1	Common Equity Tier I
CFO	Chief Financial Officer
CHRO	Chief Human Resource Officer
CO2e	Carbon Dioxide Equivalent, is a standard unit for measuring carbon footprints
CRIB	Credit Information Bureau of Sri Lanka
CRMU	Credit Risk Management Unit
CRRF	Credit Risk Review Function
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
CA Sri Lanka/ ICASL	Institute of Chartered Accountants of Sri Lanka
CAGR	Compound Annual Growth Rate

D

DCS	Department of Census and Statistics
DFI	Development Financial Institutions
DGM	Deputy General Manager
DMS	Document Management System/ Delinquency Monitoring System
DPS	Dividend per Share
DPD	Days Past Due
DRP	Disaster Recovery Plan
DGGF	Dutch Good Growth Fund (Stichting foundsbeheer DGGF lokaal MKB)
DRL	Debt Repayment Levy
DFC	US International Development Finance Corporation
D-SIB	Domestic systematically important Banks

E

EAR	Earnings at Risk
EIR	Effective Interest Rate
EOSD	European Organization for Sustainable Development
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERM	Enterprise Risk Management
E&S	Environmental and Social
ESC	Economic Service Charges
ESOP	Employee Share Option Plan
ESG	Environmental, Social, and Governance
ETF	Employees' Trust Fund
EUR	Euro
EVA	Economic Value Addition
EWS	Early Warning Signals

F

FA	Financial Analysis
FCRD	Financial Consumer Relations Department
FD	Fixed Deposit
FSVAT	Financial Services Value Added Tax
FMO	Financierings – Maatschappij Voor Ontwikkelingslanden N.V.
FCP	Financial Consumer Protection

G

GDP	Gross Domestic Product
GHG	Green House Gas
GL	General Ledger
GRI	Global Reporting Initiative
GOR	Gross Official Reserves

H

HO	Head Office
HQLA	High Quality Liquid Assets
HR	Human Resources
HRD	Human Resources Development
HTM	Held to Maturity

I

IBSL	Institute of Bankers of Sri Lanka
ICAAP	Internal Capital Adequacy Assessment Process
ICASL	Institute of Chartered Accountants of Sri Lanka
ICC	International Chamber of Commerce
ICOFR	Internal Control Over Financial Reporting
ICT	Information and Communications Technology
IFA	Investment Fund Account
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund

IND	Independent Director IRMC Integrated Risk Management Committee
IRMU	Integrated Risk Management Unit ISMS Information Security Management System
ISO	International Organisation for Standardization
IT	Information Technology

K

kg	Kilograms
km	Kilometre
KMP	Key Management Personnel
KPI	Key Performance Indicator
KRI	Key Risk Indicators
kWh	Kilowatt-hour
KYC	Know Your Customer

L

LCB	Local Commercial Bank
LCR	Liquidity Coverage Ratio
LED	Light Emitting Diode
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LTV	Ratio Loan to Value Ratio
LIBOR	London Inter Bank offered Rate

M

m3	Cubic meter
MIS	Management Information Systems
MoM	Month on Month
Mn.	Millions
MSME	Micro, Small and Medium Scale Entrepreneur
MW	Megawatt

N

N/A	Not Applicable
NBT	Nation Building Tax
NED	Non-Executive Director
NIC	National Identity Card
NID	Non-Independent Director
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Assets
NPL	Non-Performing Loans

O

OBS	Off-Balance Sheet
OCI	Other Comprehensive Income
OECD	Organisation for Economic Cooperation and Development
ORMU	Operational Risk Management Unit
OTC	Over-the-Counter

P

p.a.	Per Annum
P/E	Price Earnings Ratio
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
POS	Point of Sale

Q

Q&A	Question and Answer

R

RCSA	Risk and Control Self Assessments
RFI	Rapid Financing Instrument
RMU	Risk Management Unit
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transaction
RPTRC	Related Party Transactions Review Committee
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
RPA	Robotic Process Automation

S

SAFA	South Asian Federation of Accountants
SBI	Sustainable Banking Initiative
SBU	Strategic Business Unit
SDF	Standing Deposit Facility
SEA	Sustainable Energy Authority
SEC	Securities and Exchange Commission of Sri Lanka
SIF	Sustainable and Inclusive Finance
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standards
SLDB	Sri Lanka Development Bonds
SLF	Standing Lending Facility
SLFRS	Sri Lanka Financial Reporting Standards
SLIBOR	Sri Lanka Inter Bank Offered Rate
SLIPS	Sri Lanka Interbank Payments System
SME	Small and Medium Enterprises
SMS	Short Message Service
SPM	Strategic Performance Management
SPI	Sustainable Process Index
SREP	Supervisory Review Process
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SBCP	Specialised Board Subcommittee Capital Planning
SDFR	Standing Deposit Facility Rate
SLFR	Standing Lending Facility Rate
SRR	Statutory reserve ratio
SDGs	Sustainable Development Goals
SSCI	Sustainability Standards & Certification Initiative
SLBA	Sri Lanka Banks' Association
SEO	Search Engine Optimization

T

Tn.	Trillion
ToR	Terms of Reference
TRWCR	Total Risk Weighted Capital Ratio
TT	Telegraphic Transfer

U

UPI	Unified Payments Interface

V

VAR	Value at Risk
VAT	Value Added Tax
VCF	Value Chain Finance

W

WHT	Withholding Tax

Y

YoY	Year on Year

GLOSSARY OF TERMS

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACTUARIAL ASSUMPTIONS

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

ACCRUAL BASIS

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AMORTISED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

ASSET AND LIABILITY COMMITTEE (ALCO)

A Risk Management Committee in a bank that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance sheet allocations.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest-bearing deposits of commercial banks and the corresponding interest rates.

AVERAGE WEIGHTED PRIME LENDING RATE (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks lending rates offered to their prime customers during the week.

B

BASEL II

The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in the form of the "International Convergence of Capital Measurement and Capital Standards".

BASEL III

The BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. BASIS POINT (BP) One hundredth of a percentage point, i.e. 100bp equals 1%, used in quoting movements in interest rates, security yields, etc.

C

CAPITAL ADEQUACY RATIO

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash flows are inflows and outflows of cash and cash equivalents.

CASH GENERATING UNIT (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

COLLECTIVELY ASSESSED LOAN IMPAIRMENT PROVISIONS

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the consumer banking business are assessed on a portfolio basis.

COMMITMENT TO EXTEND CREDIT

Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing or through off- balance sheet products such as guarantees.

COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date.

CONTINGENCIES

A condition or situation, the ultimate outcome of which (gain or loss) will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTRACTUAL MATURITY

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

CONTROL

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

COST TO INCOME RATIO

Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income

CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment debt securities

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAX

Sum set aside in the financial statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERIVATIVES

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

DIVIDEND YIELD

Dividend earned per share as a percentage of its market value.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

ECONOMIC VALUE ADDED (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

EFFECTIVE TAX RATE (ETR)

Provision for taxation excluding deferred tax divided by the profit before taxation.

EQUITY INSTRUMENT

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

EQUITY METHOD

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post- acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue

EXPECTED LOSS (EL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

EXPECTED CREDIT LOSSES (ECLs)

ECLs are probability-weighted estimate

of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes

F

FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

FINANCE LEASE

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as "at fair value through profit or loss".

FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL INSTRUMENT

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL RISK

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to the party to the contract.

FIRM COMMITMENT

A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

FOREIGN EXCHANGE INCOME

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

G

GLOBAL REPORTING INITIATIVE (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

GOING CONCERN

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

GROSS DIVIDENDS

The portion of profit inclusive of tax withheld distributed to shareholders.

GROUP

A Group is a parent and all its subsidiaries.

GUARANTEES

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer cannot meet his/her financial obligations to third parties. Certain other guarantees represent nonfinancial undertakings such as bid and performance bonds.

H

HEDGING

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, Prices and Commodities, etc.

HELD-TO-MATURITY INVESTMENTS

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

HIGH QUALITY LIQUID ASSETS (HQLA)

HQLA are assets that can be easily and immediately converted into cash at little or no loss of value, that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

I

IMPAIRED LOANS

Loans where the Bank does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

IMPAIRMENT ALLOWANCES

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio) respectively.

IMPAIRMENT PROVISIONS

Impairment provisions are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

INDIVIDUALLY SIGNIFICANT LOANS

Exposures which are above a certain threshold decided by the Bank's Management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

INDIVIDUALLY SIGNIFICANT LOAN IMPAIRMENT PROVISIONS

Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group.

Typically assets within the corporate banking business of the Group are assessed individually.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

INTEREST MARGIN

Net interest income as a percentage of average interest earning assets.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

INTEREST SPREAD

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

INVESTMENT PROPERTIES

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

K

KEY MANAGEMENT PERSONNEL

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills.

LEVERAGE RATIO

The leverage ratio measures a bank's core capital (Capital measure) to its total assets (Exposure measure). The ratio uses capital to judge how leveraged a bank is in relation to its consolidated assets.

LIQUIDITY COVERAGE RATIO (LCR)

Banks are required to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet their liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. LCR is computed by dividing the stock of HQLA by the total net cash outflows over the next 30 calendar days.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

LOSS GIVEN DEFAULT (LGD)

LGD is the percentage of an exposure that a lender expects to loose in the event of obligor default.

M

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of each share at the year end.

MARKET RISK

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

N

NET ASSET VALUE PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue.

GLOSSARY OF TERMS

NET-INTEREST INCOME

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter bank borrowings.

NET STABLE FUNDING RATIO

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

NON-CONTROLLING INTEREST

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

O

OPERATIONAL RISK

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

POWER

The Power is the existing rights that give the current ability to direct the relevant activities.

PRICE EARNINGS RATIO (P/E RATIO)

The current market price of the share is divided by the earnings per share of the Bank.

PROBABILITY OF DEFAULT (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

PRUDENCE

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

RELEVANT ACTIVITIES

Relevant activities are activities of the investee that significantly affect the investee's returns.

REPURCHASE AGREEMENT

This is a contract to sell and subsequently repurchase Government Securities at a given price on a specified future date.

RETURN ON AVERAGE ASSETS (ROAA)

Profit after tax expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra- industry performance comparison.

RETURN ON AVERAGE EQUITY (ROAE)

Profit after tax less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE

Reserves set aside for future distribution and investment.

REVERSE REPURCHASE AGREEMENT

Transaction involving the purchase of Government Securities by a bank or dealer and resale back to the seller at a given price on a specific future date.

RIGHTS ISSUE

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

RISK-WEIGHTED ASSETS

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per rupee among all types of assets. The risk inherent in off-balance sheet instruments is also recognised, first by adjusting notional values to balance sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

S

SEGMENT REPORTING

Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealings, property and insurance.

SEGMENTAL ANALYSIS

Analysis of financial information by segments of an enterprise specifically- the different industries and the different geographical areas in which it operates.

SHAREHOLDERS' FUNDS

Shareholders' funds consist of stated capital, statutory reserves, capital and revenue reserves.

SINGLE BORROWER LIMIT

30% of Tier II Capital.

SPECIFIC IMPAIRMENT PROVISIONS

Impairment is measured individually for loans that are individually significant to the Bank.

STATUTORY RESERVE FUND

Reserve created as per the provisions of the Banking Act No. 30 of 1988.

SUBSTANCE OVER FORM

The consideration that the accounting treatment and the presentation in

financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T

TIER I CAPITAL

Consists of the sum total of paid up ordinary shares, non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

TIER II CAPITAL

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

TRANSACTION COSTS

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

TOTAL CAPITAL

Total capital is the sum of Tier I capital and Tier II capital.

U

UNIT TRUST

An undertaking formed to invest in securities under the terms of a trust deed.

USEFUL LIFE

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

VALUE ADDED

Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

YIELD TO MATURITY

Discount rate which the present value of future cash flows would equal the security's current price.

29TH ANNUAL GENERAL MEETING - NOTICE OF MEETING

Notice is hereby given that the 29th Annual General Meeting of SANASA Development Bank PLC ("SDB" or "the Bank") will be held as a Virtual Meeting on May 26, 2026 at 10.00 a.m. at "Board Room", Butani Capital Tower, No.149, Kirulapone Avenue, Colombo 05 and business brought before the Meeting will be as follows;

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Bank for the year ended December 31, 2025 together with Auditors Report thereon.
2. To re-elect Director Mr. Conrad Dias, who retires by rotation at the 29th AGM in terms of Article 6(4)(i) of the Articles of Association of the Bank, and who represents LOLC Investment Holdings One (Private) Limited.
3. To re-appoint Director Mr. Chandana Dissanayake at the 29th AGM, who was appointed to the Board on 25th November 2025 in terms of Article 6(4)(ii) of the Articles of Association of the Bank.
4. To appoint Messrs. KPMG - Sri Lanka, Chartered Accountants as Auditors for the Financial Year 2026 and to authorise the Board to determine their remuneration.
5. To authorise the Directors to determine donations for the year 2026.

By Order of the Board

SANASA DEVELOPMENT BANK PLC

Ms. Amila Belpamulla
Company Secretary

4th May 2026
Colombo, Sri Lanka

CORPORATE INFORMATION

NAME OF COMPANY

SANASA Development Bank PLC

LEGAL FORM

A Public Quoted Company with Limited Liability incorporated under the Companies Act No.17 of 1982 on 6 August 1997 and re-registered under Companies Act No.07 of 2007 and registered as a Licensed Specialised Bank by Central Bank of Sri Lanka under the Banking Act No 30 of 1988 (as amended by the Banking Amendment Act of 1995) and approved Credit Agency under the Mortgage (Amendment) Act No 53 of 1949 and Trust Receipt Ordinance No 12 of 1947

DATE OF INCORPORATION

06 August 1997

COMPANY REGISTRATION NUMBER

PB 62 PQ

CENTRAL BANK REGISTRATION NUMBER

Central Bank License No 6 (Under Banking Act No 30 of 1988 on 21 August 1997)

ACCOUNTING YEAR END

31 December

VAT REGISTRATION NUMBER

134007125-7000

TAXPAYER IDENTIFICATION NUMBER (TIN)

134007125

CREDIT RATING

Fitch Ratings Lanka Ltd. BB+(lka)
Lanka Rating Agency BBB-

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Address : No 12, Edmonton Road, Kirulapone, Colombo 06.
Tele : + 94 11 407 9500
E mail : comsec@sdb.lk
Web Page : www.sdb.lk

SWIFT CODE

SDBL LK LX

COLOMBO STOCK EXCHANGE LISTING

The Ordinary Voting Shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 31 May 2012

BANKERS

People's Bank
Bank of Ceylon
NDB Bank PLC
Nations Trust Bank PLC
Hatton National Bank PLC
Sampath Bank PLC

MEMBERSHIP IN ASSOCIATIONS

The Global Alliance for Banking on Values (GABV)
Leasing Association of Sri Lanka
Association of Professional Bankers of Sri Lanka
The Ceylon Chamber of Commerce
Employers' Federation of Ceylon
The Association of Banking Sector Risk Professionals in Sri Lanka
Association of Compliance Officers of Banks in Sri Lanka
Sri Lanka Banks' Association (Guarantee) Limited
The Financial Ombudsman Sri Lanka (Guarantee) Limited

AUDITORS

M/S Ernst & Young Chartered Accountants,
No 109, Galle Road, P.O.Box 101, Colombo 03, Sri Lanka

CHIEF EXECUTIVE OFFICER

Mr Kapila Ariyaratne

CHIEF COMPLIANCE OFFICER

Mr Bhanu Wijayaratne

COMPANY SECRETARY

Ms Amila Belpamulla

BOARD OF DIRECTORS

Ms Dinithi Ratnayake (Chairperson)
Mr Kapila Ariyaratne (Executive Director/CEO)
Mr Chaaminda Kumarasiri (Director)
Mr Prasanna Premaratna (Director)
Mr Thusantha Wijemanna (Director)
Mr Sarath Nandasiri (Director)
Mr Conrad Dias (Director)
Mr Romani De Silva (Director)
Mr Chandana Dissanayake (Director)

BOARD SUB COMMITTEE DIRECTORS

Board Audit Committee

Mr Chaaminda Kumarasiri (Chairman – BAC)
Mr Prasanna Premaratna (Director)
Mr Thusantha Wijemanna (Director)

Board Human Resources and Remuneration Committee

Mr Thusantha Wijemanna (Chairman –BHRRC)
Mr Chandana Dissanayake (Director)
Mr Prasanna Premaratna (Director)
Mr Sarath Nandasiri (Director)

Board Credit Committee

Mr Chandana Dissanayake (Chairman – BCC)
Mr Romani De Silva (Director)
Mr Thusantha Wijemanna (Director)
Mr Prasanna Premaratna (Director)

Board Selection Nomination and Governance Committee

Mr Thusantha Wijemanna (Chairman – BSN&GC)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)
Mr Conrad Dias (Director)

Board Integrated Risk Management Committee

Mr.Prasanna Premaratna (Chairman – BIRMC)
Mr Chandana Dissanayake (Director)
Ms Dinithi Ratnayake (Chairperson)
Mr Conrad Dias (Director)

Board Related Party Transactions Review Committee

Mr Thusantha Wijemanna (Chairman - BRPTRC)
Mr Chandana Dissanayake (Director)
Mr Prasanna Premaratna (Director)

Board Strategic Planning Committee

Mr Chandana Dissanayake (Chairman - BSPC)
Mr Conrad Dias (Director)
Ms Dinithi Ratnayake (Chairperson)
Mr Romani De Silva (Director)

Board Co-operative, Rural Enterprise and Livelihood Development Committee

Mr Sarath Nandasiri (Chairman-BCRELDC)
Mr Prasanna Premaratna (Director)
Mr Romani De Silva (Director)

Board Sub-Committee on Sustainability

Mr Romani De Silva (Chairman – BSCS)
Ms Dinithi Ratnayake (Chairperson)
Mr Chandana Dissanayake (Director)

Board IT Steering Committee

Mr Conrad Dias (Chairman – BITSC)
Ms Dinithi Ratnayake (Chairperson)
Mr Chaaminda Kumarasiri (Director)

Designed & Produced by
mediaWIZE® Annual Reports

