EMPOWERING VILLAGES

SARVODAYA DEVELOPMENT FINANCE

SARVODAYA DEVELOPMENT FINANCE PLC

ANNUAL REPORT 2025/26

EMPOWERING VILLAGES

Across Sri Lanka, in backyards, fields, and small workshops ambition is being shaped by resilience, and ideas are nurtured by necessity. For Sarvodaya Development Finance, these beginnings are not small; they are powerful starting points in a larger journey of value creation.

It is a journey that recognises the inherent potential within every village, and the ability of all individuals; from farmers, youth entrepreneurs and women-led industries, to shape their own futures when given the right support.

Over the past year, Sarvodaya Development Finance has deepened its commitment to empowering entrepreneurs at the heart of rural communities. By providing accessible financial solutions, tailored advisory services, and a deep understanding of local contexts, we have enabled micro and small enterprises to move beyond subsistence.

As these village enterprises grow, so too does their impact. They generate employment, uplift families, and contribute to a more balanced and resilient national economy. In connecting villages to broader value chains, we are helping redefine the role of rural enterprise not as peripheral, but as central to Sri Lanka's progress.

We believe in a philosophy that honours the journey from humble beginnings to meaningful impact, as **we empower villages across the nation.**

SARVODAYA
DEVELOPMENT FINANCE

Contents

Navigating SDF

About this Report 6
How to Read this Report 8
Reporting Frameworks, Compliance and Assurance 12

About SDF

Vision, Mission and Values 15
About SDF and the Sarvodaya Heritage 16
Our Journey 20
Value Creation Model 22
Financial Highlights 24
Non-Financial and Impact Highlights 26
Awards and Accolades 27

Leadership Insights

Chairman's Message 31
Chief Executive Officer's Review 34
Board of Directors 38
Management Team 42
Product Heads 44
Regional Managers 45
Branch Managers 47

Strategy and Value Creation

Operating Environment 50
Stakeholder Engagement 60
Materiality and Double Materiality Assessment 67
Our Strategic Priorities and Action 76

Integrated Sustainability and Climate

Sustainability Governance and Approach 88
SLFRS S1 and S2 Adoption Roadmap 96
Sri Lanka's First Sustainable Bond 100
Contribution to the UN Sustainable Development Goals 104
Sustainability Targets and Progress Scorecard 108

Management Discussion & Analysis

Financial Capital 116
Manufactured Capital 134
Intellectual Capital 144
Human Capital 152
Social and Relationship Capital 164
Natural Capital 108

Business Review

Business Model Performance by Segment 186
Product Portfolio Review 189

EMPOWERING VILLAGES

Page 31 Chairman's Message

Page 34 Chief Executive Officer's Review







Governance and Risk Management

Governance and Compliance	206
Report of the Senior Independent Director	216
Report of the Board Audit Committee	218
Report of the Board Nomination and Governance Committee	222
Report of the Board Human Resources and Remuneration Committee	224
Report of the Related Party Transactions Review Committee	226
Report of the Board Integrated Risk Management Committee	228
Report of the Board Information Technology and Information Security Committee	232
Report of the Board Credit Committee	234
Report of the Board of Directors on the Affairs of the Company	236
Directors' Responsibility Statement	246
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	248
Directors' Statement on Internal Control Over Financial Reporting	250
Integrated Risk Management Report	252
Independent Assurance Reports	280
Independent Assurance Report on the Directors' Statement on Internal Control	282

Financial Reports

Financial Calendar	286
Independent Auditor's Report	288
Statement of Profit or Loss and Other Comprehensive Income	292
Statement of Financial Position	293
Statement of Changes in Equity	294
Statement of Cash Flows	295
Notes to the Financial Statements	296

Supplementary Information

Decade at a Glance	368
Quarterly Financial Statements - Income Statement	370
Quarterly Financial Statements - Statement of Financial Position	371
Statement of Profit or Loss and Other Comprehensive Income in USD	372
Statement of Financial Position in USD	373
Corporate Governance Compliance Annexure	374
GRI Content Index	412
Glossary of Terms	419
List of Abbreviations	423
Theme Song of SDF	425
Notice of Meeting	426
Form of Proxy	427
Corporate Information	Inner Back Cover

Page 88
Sustainability Governance and Approach

Page 116
Financial Capital

Page 206
Governance and Compliance

Page 293
Statement of Financial Position







Monaragala

EMPOWERING VILLAGE ENTERPRISE BUILDERS

I STARTED AT THE GRASS ROOTS. TODAY MY YOGHURT REACHES EVERY CORNER OF UVA.

I built this business from nothing, one small batch at a time. For the last five years Sarvodaya Development Finance has grown with me, standing by me through seven loans as the business found its feet and then its stride.

I manufacture dairy products, yoghurt, milk drinks and packeted milk, and what began at the grass roots is now a proper operation. Ten people work with me in the factory, and another six manage sales across the region in three lorries that carry our products out every day. My yoghurt now reaches families right across the Uva province.

I am proud not only of how far the business has come, but of the jobs it has created in my own community. When a local enterprise grows, the whole village feels it, and that is the kind of growth I set out to build.

SDF Support: a five-year relationship across seven loans, the most recent Rs. 11.0 million; 16 jobs created across the factory and a three-lorry sales fleet.
Customer Name: R B Hansa Amali



About this Report

We are pleased to present the fifth Integrated Annual Report of Sarvodaya Development Finance PLC (SDF), for the year ended 31 March 2026. This report offers a concise, connected and credible account of how SDF creates and preserves value for its stakeholders balancing financial growth with environmental stewardship and social impact, in keeping with our founding "grassroots-upwards" philosophy.

Its primary purpose is to meet the information needs of investors and providers of financial capital, while also addressing the legitimate interests of our wider stakeholder community including customers, employees, Sarvodaya members, business partners, regulators, international investors and the communities we serve.

Financial Reporting Boundary

Defined by control and significant influence, and limited to Sarvodaya Development Finance PLC. All entities in this report are included in the audited financial statements presented herein.

Integrated and Sustainability Reporting Boundary

Extends beyond the financial boundary to capture the resources, relationships, risks and opportunities that affect our ability to create value — including our engagement with the Sarvodaya Movement and the Sarvodaya Shramadana Societies that serve as our channel to rural communities.

Scope and Reporting Boundary

This report covers the 12-month period from 1 April 2025 to 31 March 2026. SDF reports on an annual cycle; the previous report covered the year ended 31 March 2025. We distinguish two reporting boundaries:

There were no significant changes to SDF's business activities, business relationships or reporting boundary during the reporting period.

The frameworks, standards and assurance underpinning this report are described in Reporting Frameworks, Compliance and Assurance on page 12.

Our Approach to Materiality

The material matters addressed in this report were identified through a structured, Company-wide process informed by our operating environment and ongoing stakeholder engagement. For FY2025/26 we apply a double materiality lens considering both the matters that influence stakeholders' assessment of SDF's financial performance, position and prospects, and the significance of SDF's own impacts on the economy, society and the environment, regardless of whether those impacts are financially material to the Company.

Our material matters shape our strategy, our risk management process and the evolution of our value creation model. They are discussed in full in the Materiality section on page 67.

How We Create and Preserve Value

Value creation, preservation and at times erosion result from how we deploy and transform our six capitals in setting and executing strategy. Integrated thinking allows us to manage the trade-offs between capitals and to remain accountable to all stakeholders, consistent with our purpose of being a catalyst in creating an economically progressive society living in dignity. Our complete Value Creation Model is presented on page 22.

Evolving Our Report in 2025/26

Corporate reporting at SDF is a continuing journey. The most significant enhancements introduced this year are:

- First-year voluntary adoption of SLFRS S1 and SLFRS S2, on a transitional basis, ahead of expected full adoption in FY2026/27;

Five-time TAGS Gold Award winner, demonstrating our continued commitment to corporate reporting excellence.



- A restructured report, with a dedicated reader's navigation guide and a connectivity-coding system that links our capitals, strategic priorities, material themes, stakeholders, and risks and opportunities;
- An explicit double materiality assessment and a clearer distinction between our financial and our integrated reporting boundaries;
- A standalone Business Review, presenting performance by business segment and product portfolio;
- A new forward-looking section setting out our outlook and capital-wise targets for the year ahead;
- Expanded climate-related and natural capital disclosures; and
- GRI, Integrated Reporting Framework and SLFRS S1 and S2 content indices, for easier navigation.

Recognition

SDF's excellence in corporate reporting has been recognised with four Gold Awards for its Annual Report at the TAGS Awards organised by CA Sri Lanka — affirming our commitment to Transparency, Accountability, Governance and Sustainability. Our awards and accolades are presented in full in Awards and Accolades on page 27.

Feedback and Contact

This report can be downloaded from our website, ***www.sarvodayafinance.lk***, which is also mobile-enabled, or accessed by scanning the QR code provided. We welcome feedback on this report.

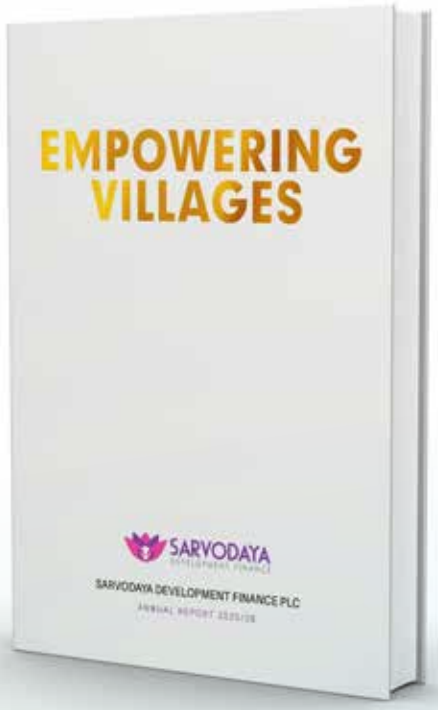
Head of Strategic Planning
Sarvodaya Development Finance PLC
No. 155/A,
Dr. Danister De Silva Mawatha,
Colombo 08,
Sri Lanka.
Tel: +94 115 444 666

Organisational Details and GRI General Disclosures

The following table sets out SDF's organisational details and general disclosures in accordance with the GRI Standards 2021.

GRI Disclosure	Response
GRI 2-1 Organisational details	**Legal name:** Sarvodaya Development Finance PLC. A public quoted company incorporated in Sri Lanka under the Companies Act No. 7 of 2007; a Licensed Finance Company under the Finance Business Act No. 42 of 2011; and a registered Finance Leasing Establishment under the Finance Leasing Act No. 56 of 2000. Admitted to the Official List of the Colombo Stock Exchange on 14 December 2021. Headquarters: No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka. Country of operation: Sri Lanka.
GRI 2-2 Entities included in sustainability reporting	All entities in this report are included in the audited financial statements presented herein. The report also discusses the Sarvodaya Movement in relation to SDF's sustainability footprint and community impact.
GRI 2-3 Reporting period, frequency and contact point	This report covers the 12-month period from 1 April 2025 to 31 March 2026 and is published as an annual reporting activity. Feedback may be directed to the Head of Strategic Planning (see Feedback and Contact).
GRI 2-4 Restatements of information	There was no requirement for restatement of any information from the previous Annual Report.
GRI 2-5 External assurance	The sustainability reporting component of this report has received external assurance from Messrs. Deloitte Associates (Chartered Accountants), with reasonable assurance on financial performance information and limited assurance on other information prepared in accordance with the GRI Standards 2021. The assurance engagement is an independent engagement as defined by the Sri Lanka Standard on Assurance Engagements.
GRI 2-6 Activities, value chain and business relationships	SDF is active in the non-bank financial services sector as a Licensed Finance Company. Principal activities comprise lending and accepting deposits. Lending products include Microfinance Loans, SME Loans, Leasing, Housing Loans, Society Bulk Loans, Gold Loans and other related credit facilities. Key business relationships: Sarvodaya Shramadana Societies (lending channel and deposit mobilisation); equipment supply partners DIMO, Hayleys Agriculture and Browns Agri Solutions (Pvt) Ltd; and EDFI Management Company, Belgium, in respect of the EU-funded impact fund for sustainable agriculture. Established new collaborations with two international impact investors during the year.

How to Read this Report



This is the fifth Integrated Annual Report of Sarvodaya Development Finance PLC. It has been prepared to give all our stakeholders a clear, connected and balanced account of how we create value financial, social and environmentalover the short, medium and long-term.

Integrated reporting is, above all, about connectivity: showing how our operating environment, strategy, resources, risks and relationships link together to produce outcomes. This page introduces the structure of the report and the navigation tools and connectivity codes we use throughout, so that you can move through it with ease and follow any single theme across every section.

Annual Report
PDF Web Version

1 Navigating SDF
About this report, this reading guide, our reporting innovations, and the frameworks and assurance applied.

2 About SDF
Who we are, our Sarvodaya heritage, journey, value creation model and the year's key highlights.

3 Leadership Insights
The Chairman's, the CEO's and our leadership team's perspectives on the year.

4 Strategy & Value Creation
Our operating environment, stakeholders, material matters, strategic priorities and risk landscape.

5 Integrated Sustainability & Climate
Our sustainability approach, SLFRS S1 & S2 readiness, climate disclosures and impact-finance highlights.

6 MD&A — Capital Reports
How each of our six capitals performed and the value created through them.

7 Business Review
Performance by business segment, product portfolio and inclusion outreach.

8 Beyond the Year
Our outlook and the forward targets we are setting ourselves.

9 Governance & Risk Management
Our governance framework, Board committee reports and integrated risk management.

10 Financial Reports
The Independent Auditor's Report, primary statements and notes.

11 Supplementary Information
Ten-year data, content indices, glossary and shareholder information.

Navigating the Pages

This report is designed for both print and an enhanced digital experience. The navigation tools below appear at the top of each page. The digital edition adds interactive controls that let you move quickly between sections

Flip Book PDF



Moving through the Report
(Digital Edition)

CONT	Contents	Returns you to the main contents page.
HOME	Home	Returns you to the cover of the report.
PREV	Previous Page	Moves one page back.
NEXT	Next Page	Moves one page forward.
FIND	Search	Searches the digital report for a word or phrase.
PRINT	Print	Prints the current page or section.

Content Markers

Wherever further or related information is available, one of the following markers appears in the margin or alongside the text.

CROSS-REFERENCE
Directs you to related information elsewhere in this report, with the page number.

INTERACTIVE
Marks an interactive chart, table or feature in the digital edition.

GRI
Identifies a disclosure mapped to a specific GRI Standard; full detail is in the GRI Content Index.

SDG
Identifies the UN Sustainable Development Goal advanced by an initiative or outcome.

Our Connectivity Codes

To make the report genuinely integrated, we use five families of connectivity codes. They allow you to trace a single theme a capital, a strategic priority, a material matter, a stakeholder group or a risk across every section of the report. The codes appear on chapter openers and beside relevant content throughout.

The Six Capitals

the Resources We Use and Create

FC	MC	IC	HC	SRC	NC
Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social & Relationship Capital	Natural Capital

FC	Our capital base, deposits and funding, including the Sustainable Bond and impact funding.
MC	Our branch network, physical infrastructure and technology platforms.
IC	Our brand, systems, data, process knowledge and the Sarvodaya association.
HC	The skills, experience, wellbeing and culture of the SDF team.
SRC	Our village-society network, customers, communities and the Sarvodaya Movement.
NC	The environmental resources we draw on and our climate and emissions footprint.

How to Read this Report

Our Strategic Priorities

Where We Focus Our Effort

Code	Element	What it represents
SP1	Inclusive Growth & Outreach	Expanding access to finance in underserved and rural markets.
SP2	Sustainable & Impact Finance	Green and social lending, the Sustainable Bond and impact funding.
SP3	Digital & Operational Excellence	Digital channels, automation and service efficiency.
SP4	Financial Resilience & Asset Quality	Funding stability, margin management and portfolio quality.
SP5	People & Culture	Talent, capability building, wellbeing and a future-fit workforce.
SP6	Governance, Risk & Trust	Sound governance, integrated risk management and stakeholder trust.

Our Material Themes

The Matters that Most Affect Value

Code	Element	What it represents
MT1	Sustainable Business Growth	Profitable, well-funded and resilient growth.
MT2	Financial Inclusion & Community Impact	Our reach, our impact and the Sarvodaya development mission.
MT3	Digital Transformation & Innovation	Technology, data and the digital customer experience.
MT4	Responsible Governance & Risk Management	Ethics, compliance, governance and risk.
MT5	Talent & a Future-Fit Workforce	Attracting, developing and retaining our people.
MT6	Climate & Environmental Stewardship	Climate-related risk, emissions and environmental responsibility.

Our Stakeholders

those we create value with and for Six stakeholder groups are represented by an icon on chapter openers and throughout the stakeholder engagement section.



Customers



Shareholders & Investors



Employees



Regulators



Business Partners & Suppliers



Community & Environment

Risks & Opportunities

what could affect our value creation

Code	Element	What it represents
CRRO	Climate-Related Risks & Opportunities	Physical and transition climate effects, and the green-finance opportunities they create.
SRRO	Sustainability-Related Risks & Opportunities	Broader social, governance and inclusion-related risks and opportunities.
BR	Principal Business Risks	Credit, market, liquidity, operational, IT and cyber, strategic, compliance and reputational risk.

Reading a Chapter Opener

Every chapter in the Management Discussion & Analysis opens with a connectivity strip that summarises, at a glance, what the chapter connects to. The example below shows how the strip would read for the Financial Capital chapter.

Capital	Strategic priorities	Material themes	Stakeholders	Risks & opportunities
FC Financial Capital	SP2 Sustainable & Impact Finance SP4 Financial Resilience & Asset Quality	MT1 Sustainable Business Growth	Customers Regulators Shareholders & Investors	CRRO Climate-Related BR BR Principal Business Risks

How to read it. From this single strip you can see that the Financial Capital chapter advances two of our six strategic priorities, speaks most directly to the material theme of sustainable business growth, matters most to three stakeholder groups, and is shaped by climate-related and principal business risks. To follow any one of these threads, simply look for the same code in other chapters.

Accessing this Report

This report is available in print and online. The digital edition offers an enhanced, interactive experience and is the most accessible way to navigate the connectivity codes described above.

Online report micro-site
An interactive version of the full report, optimised for reading on any device.

Downloadable PDF
The complete report is available to download from our corporate website.

QR access
A QR code on the inside cover links directly to the online report.

Mobile-friendly
Our website and the report micro-site are designed for comfortable viewing on mobile devices.

Reporting Frameworks, Compliance and Assurance

Reporting Frameworks Applied

This report has been prepared in accordance with, and guided by, the following frameworks and standards, grouped by reporting domain.

Reporting domain	Framework / standard applied	Basis of application
Financial reporting	Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs), issued by CA Sri Lanka Companies Act No. 7 of 2007 Finance Business Act No. 42 of 2011	Mandatory. Applied in full in the preparation of the audited financial statements.
Integrated and sustainability reporting	The Integrated Reporting Framework (2021) GRI Standards 2021 SLFRS S1 and SLFRS S2 the SLFRS Sustainability Disclosure Standards, in which SLFRS S2 carries forward the four-pillar structure of the TCFD recommendations United Nations Sustainable Development Goals	The Integrated Reporting Framework guides the structure of this report. GRI is applied with reference to the Standards. SLFRS S1 and S2 are voluntarily adopted on a transitional basis (see below). SDG reporting is voluntary.
Corporate governance	Finance Business Act Direction No. 5 of 2021 on Corporate Governance, issued by the Central Bank of Sri Lanka Listing Rules of the Colombo Stock Exchange Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments	Mandatory provisions applied in full; the voluntary Code of Best Practice applied on a comply-or-explain basis.
Assurance	Sri Lanka Auditing Standards (SLAuSs) Sri Lanka Standard on Assurance Engagements (SLSAE) 3000 — Assurance Engagements other than Audits or Reviews of Historical Financial Information	Applied by our external auditor and assurance provider (see Our Reporting and Assurance Process).

Statement of Compliance

The financial statements contained in this report have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011.

The integrated management commentary has been prepared in line with the Integrated Reporting Framework (2021). The sustainability information has been prepared with reference to the GRI Standards 2021. The corporate governance disclosures comply with the mandatory requirements of the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission, and address the Code of Best Practice on Corporate Governance 2023 on a comply-or-explain basis.

To the best of the Board's knowledge and belief, this report complies, in all material respects, with the frameworks and standards set out above. Any specific departures, where they arise, are identified and explained in the relevant sections of the report.

Adoption of SLFRS S1 and SLFRS S2

In a deliberate step towards elevating the transparency and comparability of our corporate reporting, SDF has voluntarily begun reporting in line with the SLFRS Sustainability Disclosure Standards SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures) for the financial year 2025/26. As this is our first year of application, the disclosures presented are based on the information currently available to the Company and make use of the transitional reliefs permitted under the standards during initial implementation.

Accordingly, our SLFRS S1 and S2 disclosures for this reporting period focus on building the governance, strategy, risk management, and metrics and targets foundations required by the standards the same four pillars carried forward from the TCFD recommendations rather than constituting a complete first-year application. Full adoption of SLFRS S1 and S2 is expected in the next financial year (FY2026/27), by which time SDF intends to have strengthened its data systems, climate-related scenario analysis and assessment of sustainability-related financial impacts.

Our Reporting and Assurance Process

The preparation of this report is delegated by the Board of Directors to Executive Management, supported by business and functional heads. The integrated report is compiled by the Strategic Planning function, reviewed by the Board Audit Committee, subjected to internal and external assurance, and approved by the Board of Directors, which validates the integrity and completeness of the report.

Our Transition Pathway

Our full SLFRS S1 and S2 Adoption Roadmap is set out on page 96. Through this phased approach, we reaffirm our commitment to providing stakeholders with high-quality, decision-useful sustainability and climate-related information, including the progressive development of a comprehensive Scope 3 inventory covering financed emissions.

SDF applies a combined assurance model so that the Board and our stakeholders can rely on the integrity of the information reported. The model draws on three complementary lines of defence:

- **First line** — operational management, which owns and manages risks and controls in the course of day-to-day business;
- **Second line** — the risk management and compliance functions, which set policy, monitor and challenge; and
- **Third line** — independent internal audit, together with external audit and external assurance, reporting through the Board Audit Committee.

Within this framework, the specific external assurance obtained over the contents of this report is summarised below.

Subject Matter	Assurance Provider	Standard / Criteria	Level of Assurance
Financial Statements	External Auditor Messrs. Deloitte Associates, Chartered Accountants	Sri Lanka Auditing Standards (SLAuSs)	Reasonable assurance
Directors' Statement on Internal Control	Messrs. Deloitte Associates, Chartered Accountants	SLSAE 3000	Independent assurance
Financial performance information within the sustainability report	Messrs. Deloitte Associates, Chartered Accountants	SLSAE 3000	Reasonable assurance
Other sustainability information, presented with reference to the GRI Standards	Messrs. Deloitte Associates, Chartered Accountants	SLSAE 3000; GRI Standards 2021	Limited assurance
Risk, control and process oversight	Internal Audit function, reporting to the Board Audit Committee	SDF internal audit methodology	Internal assurance

The independent assurance reports are reproduced in full within the Financial Reports and Governance sections of this report. The external auditor and the assurance provider have confirmed their independence and have complied with the Code of Ethics for Professional Accountants issued by CA Sri Lanka.

Reporting Frameworks, Compliance and Assurance

Comparability and Restatements

Information is presented for the year under review together with comparative figures for prior years, to support comparability. There was no requirement for the restatement of any information from the previous Annual Report. Where, in future, a figure is restated or a measurement or presentation basis is changed, this will be clearly identified and explained in the relevant note or section, together with the reason for the change.

Precautionary Principle

SDF applies the precautionary principle, as articulated in Principle 15 of the Rio Declaration. Where an activity carries a risk of serious or irreversible harm to people or the environment, a lack of full scientific certainty is not used as a reason to postpone reasonable and cost-effective preventive measures. This principle informs our credit assessment, our environmental and social risk management, and our broader approach to sustainability.

Forward-Looking Statements

This report contains forward-looking statements relating to SDF's strategy, plans, targets, expectations and prospects. These statements reflect the current views of the Board and management, and are based on assumptions and information available at the date of this report.

By their nature, forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond SDF's control. Actual results, performance and outcomes may differ materially from those expressed or implied. Readers are accordingly cautioned not to place undue reliance on these statements. Except as required by applicable law or regulation, SDF undertakes no obligation to update or revise any forward-looking statement.

Statement of Responsibility and Approval

The Board of Directors of Sarvodaya Development Finance PLC takes full responsibility for the integrity and completeness of this Integrated Annual Report for the financial year 2025/26. In addition to describing our value creation process and the status of our capitals during the reporting period, we have applied the GRI Standards to guide the identification of our most material topics and the description of our stakeholder engagement process, plans and strategies.

To the best of its knowledge, the Board confirms that this report has been prepared in accordance with the frameworks set out above, complies with the Integrated Reporting Framework (2021), and presents a fair, balanced and understandable account of the Company's performance, governance and prospects.

This report was reviewed and approved by the Board of Directors and authorised for issue on.



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director

Colombo

27 May 2026

SARVODAYA
DEVELOPMENT FINANCE

Our Vision

To be a Catalyst in Creating an Economically Progressive Society, Living in Dignity

Our Mission

To Foster Sustainable Development Through the Provision of Ethical Financial Services and Fulfil the Expectations of all Stakeholders.

Our Values

- Purity in Service
- Diligent and Caring
- Transparent and Honest
- Passionately Committed



About SDF and the Sarvodaya Heritage

About Us

GRI 2-1 · <IR> 4A

Our Profile

Sarvodaya Development Finance PLC (SDF) is one of Sri Lanka's most distinctive Non-Bank Financial Institutions a purpose-built development financier that pairs commercial discipline with a six-decade community-development heritage. Through a nationwide, deliberately decentralised branch network and a deep partnership with the Sarvodaya Movement's village societies, SDF channels finance and support services to the Micro, Small, and Medium Enterprises (MSMEs), rural entrepreneurs, and underserved communities that anchor Sri Lanka's grassroots economy.

SDF is a publicly listed company incorporated in Sri Lanka under the Companies Act No. 7 of 2007. It operates as a licensed finance company under the Finance Business Act No. 42 of 2011 and as a registered finance leasing establishment under the Finance Leasing Act No. 56 of 2000. The Company was listed on the Colombo Stock Exchange on 14 December 2021.

FY2025/26 was a landmark year for the Company. SDF issued Sri Lanka's first-ever Sustainable Bond, raising LKR 2 billion, and secured a further USD 9 million in impact-focused foreign funding milestones that affirm its position as one of the country's leading purpose-driven financiers. SDF enters the year ahead from its strongest financial and operational position to date, against a domestic backdrop of a second consecutive year of macroeconomic recovery and an NBFI sector transitioning into an execution-led growth phase.

SDF at a Glance

Indicator	FY2025/26	FY2024/25
Total Assets	LKR 37.3 Bn (+66.7%)	LKR 22.0 Bn (+51.3%)
Gross Loan Portfolio	LKR 30.4 Bn	LKR 19,981 Mn
Profit After Tax (PAT)	LKR 815 Mn	LKR 474 Mn
Branch Network	56 branches across 11 regions	56 branches across 11 regions
Branches Outside Western Province	82%	82%
Team Strength	652 employees	603 employees
Corporate Reporting Recognition	5 Gold Awards – CA Sri Lanka TAGS Awards	4 Gold Awards – CA Sri Lanka TAGS Awards

Our Heritage

Rooted in the Sarvodaya Movement

Incorporated in 2010, SDF was founded with a vision rooted in nation-building and community development, inspired by the "grassroots upwards" philosophy of the Sarvodaya Movement. Within a relatively short period, SDF has grown into a leading financial institution offering innovative, technology-enabled financial services through a diverse product portfolio tailored to the evolving needs of its customers.

The Sarvodaya Movement, established in 1958, is one of Sri Lanka's oldest and most respected non-governmental organisations, committed to uplifting and empowering rural communities for more than six decades. Leveraging Sarvodaya's strong brand, community trust, and extensive network of village-based societies, SDF has expanded its reach to underserved populations particularly MSMEs across the island. This heritage is not incidental to the business; it is the foundation of SDF's competitive positioning and its purpose.

What We Do

A core sector of focus for SDF is agriculture. The Company provides targeted financial solutions that help village-based customers strengthen their agri-businesses, modernise practices, raise productivity, and improve rural livelihoods contributing to broader economic and social development. Beyond agriculture, SDF's lending spans microfinance, SME loans, leasing, housing loans, gold loans, and society bulk loans.

True to its values of sustainable development and responsible finance, SDF delivers value-added services alongside its core financial offerings, including technical training, financial literacy programmes, and market development initiatives designed to build MSME capacity and improve access to market opportunities most of them provided at no cost to the customer. In doing so, SDF drives inclusive economic growth by channelling financial resources and support into sustainable, environmentally responsible business models that both protect the environment and uplift quality of life in the communities it serves.

Where We Operate

A distinguishing characteristic of SDF is its strategically decentralised branch network, with the large majority of branches located outside the Western Province. The North Central, Eastern, and Southern Provinces represent the Company's strongest areas of business activity, reflecting a deep-rooted presence in underserved and emerging regions. SDF has deliberately established branches in some of Sri Lanka's most remote communities including Kataragama, Monaragala, Thambuttegama, Parakramapura, Kebithigollewa, Dehiaththakandiya, and Kethsirigama — extending formal finance where it is needed most.

Recognition and Partnerships

SDF's excellence in corporate reporting has been recognised with four Gold Awards for its Annual Report at the TAGS Awards organised by CA Sri Lanka, reflecting the Company's commitment to Transparency, Accountability, Governance, and Sustainability.

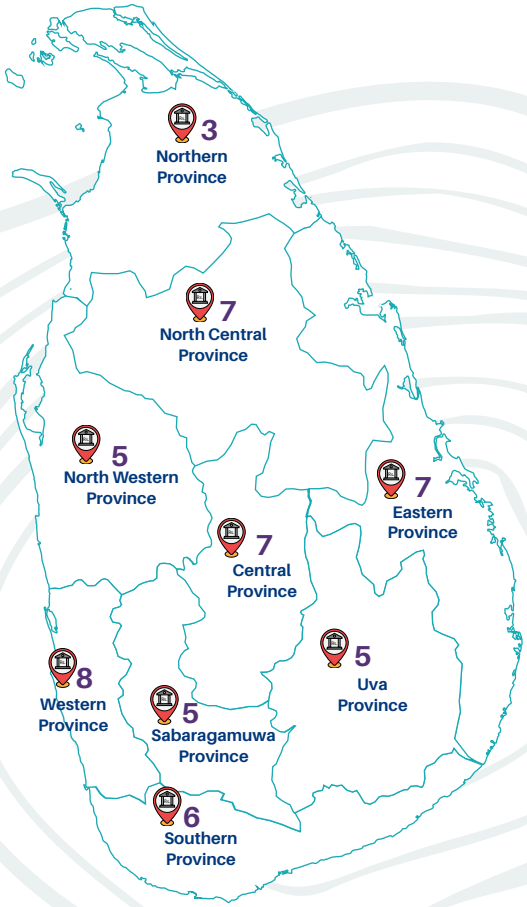
During the year, SDF reinforced its sustainable-finance leadership by issuing Sri Lanka's first-ever Sustainable Bond, raising LKR 2 billion to fund environmentally and socially responsible lending a market first that underscores the Company's purpose-driven positioning. SDF also continues to leverage international partnerships to amplify its impact: building on its first impact fund from the European Union, the Company secured a further USD 9 million in impact-focused foreign funding during the year. SDF is also the only finance company in Sri Lanka to hold membership of the Global Alliance for Banking on Values (GABV), affirming its commitment to purpose-driven finance.

Why We Are Unique

- **Inclusive Reach.** Serves non-bankable communities through 1,200+ Sarvodaya Shramadana Societies that invest in and partner with SDF.
- **Purpose-Driven Ownership.** 54.6% owned by a social-development institution, with an equal share of dividends reinvested into community development rather than individual gain.
- **Sustainable Finance Ethos.** Guided by the founder's philosophy, promoting ethical, people-centred financial solutions.
- **Global Recognition.** The only Sri Lankan non bank finance company to have obtained membership of the Global Alliance for Banking on Values.

Ownership Structure

Sarvodaya-related entities hold a 54.6% ownership stake in SDF, fully dedicating their returns to social-empowerment initiatives aligned with the Sarvodaya philosophy. This unique structure ensures that a majority share of dividends directly supports community development reflecting the visionary model established by the late Dr. A.T. Ariyaratne, aimed at awakening and uplifting society as a whole. Principal shareholders include SEEDS Guarantee Ltd, Lanka Jathika Sarvodaya Shramadana Sangamaya, and 1,279 Sarvodaya Shramadana Societies, alongside other shareholders.



Tissamaharama

EMPOWERING VILLAGE SUSTAINABLE FARMERS

IN THE DRY ZONE, I GROW WATERMELON ON SUNLIGHT AND A CAREFUL DROP OF WATER.

People say the dry zone is hard land to farm, and they are not wrong. But with the right methods, even this soil can be generous. I cultivate watermelon, and alongside it a range of vegetables, on a farm that is built to respect every drop of water.

With a loan from Sarvodaya Development Finance, I set up drip irrigation so the water goes exactly where the roots need it, and I pump that water using solar power. Nothing is wasted, and the sun that beats down on the dry zone has become the very thing that runs my farm.

I wanted to show that a rural farmer can lead with sustainable practices and still bring in a strong, reliable harvest. Today my fields prove it. The land that others overlook is feeding families, and it is doing so in a way the next generation can carry on.

SDF Support: loan of Rs. 5.0 million enabling drip irrigation and solar-powered water pumping.
Customer Name: N T K Amanda Thathsarani



Our Journey

A legacy of empowering communities

Our journey is one of purpose-driven growth, shaped by an unwavering commitment to uplifting Sri Lanka's grassroots communities and translating the philosophy of the Sarvodaya Movement into modern, inclusive finance. From our beginnings as a small development finance company in 2010, we have grown into a publicly listed, internationally recognised institution that stands today as the only finance company in Sri Lanka with full membership of the Global Alliance for Banking on Values (GABV), and the issuer of Sri Lanka's first Sustainable Bond.

Across fifteen years, every milestone has reflected a single intent — to channel finance towards dignity, opportunity, and sustainable prosperity for every Sri Lankan we serve. The five phases below trace that journey.

2010 → 2015
Foundation

- Incorporated as Deshodaya Development Finance Company Limited (2010)
- Received the finance business licence from the Central Bank of Sri Lanka (2013)
- Re-branded as Sarvodaya Development Finance Limited (2015)

2016 → 2019
Building Capability

- Launched a fully integrated, centralised, real-time core banking system (2016)
- Diversified from microfinance into asset-backed lending — Leasing and SME Loans (2017)
- Head Office relocated to Colombo and first owned ATM installed (2019)

2020 → 2022
Listing and Scale

- Won first CA Sri Lanka Gold Award; crossed the LKR 100 Mn profit milestone (2020)
- Recognised as the Fastest Growing Development Finance Company in Sri Lanka (2021)
- Raised LKR 1 Bn through IPO; listed on the Colombo Stock Exchange (2022)

2023 → 2025
Recognition

- Credit rating upgraded to BB Stable (2023)
- Highest-ever asset growth of 51.3%, total assets crossing LKR 22 Bn (2025)
- Fourth TAGS Gold Award; full membership of the Global Alliance for Banking on Values — the only finance company in Sri Lanka to hold this distinction (2025)

2026
Sustainable Leadership

- Issued Sri Lanka's first ever Sustainable Bond — valued at LKR 2 Bn
- Secured new impact foreign funding of USD 9 Mn
- Updated credit rating to BBB- (Stable Outlook)

Milestones in Detail

Phase 1 | 2010 - 2015 : Foundation

- **2010** — Incorporated as a public limited company under the name Deshodaya Development Finance Company Limited, founded on the grassroots upwards philosophy of the Sarvodaya Movement.
- **2013** — Received the finance business licence from the Central Bank of Sri Lanka to commence formal finance operations.
- **2014** — Acquired the assets and liabilities of the microfinance division of the parent organisation, deepening our roots in rural lending.
- **2015** — Acquired a 75.54% stake in George Steuart Finance PLC under the Central Bank's Financial Sector Consolidation Programme; re-branded as Sarvodaya Development Finance Limited; strengthened share capital by LKR 340 Mn; received the CA Sri Lanka Certificate of Compliance for our maiden Annual Report.

Phase 2 | 2016 - 2019 : Building capability and digital roots

- **2016** — Rolled out a fully integrated, centralised, real-time core banking system across all branches.
- **2017** — Diversified the business model from pure microfinance into asset-backed lending by introducing Leasing and SME Loans; launched Western Union money transfer services and mCash for loan collections.
- **2018** — Connected to over 4,000 ATMs island-wide by joining the LankaPay platform through LankaClear; received our first CA Sri Lanka Annual Report Award Silver.
- **2019** — Relocated the Head Office to Colombo for greater visibility and brand positioning; installed our first owned ATM and launched digital content marketing.

Phase 3 | 2020 - 2022 : Recognition, listing and scale

- **2020** — Achieved a landmark profit milestone of LKR 100 Mn; won the first Gold Award at the CA Sri Lanka Annual Report Awards; introduced Smart PoS machines and a new integrated workflow management system.
- **2021** — Recognised as the Fastest Growing Development Finance Company in Sri Lanka 2021 by Global Banking and Finance Review - UK; raised LKR 806 Mn in new share capital through a private placement; rationalised the branch network through re-branding and relocation.
- **2022** — Raised LKR 1 Bn through the company's IPO on 23 November 2021 and listed on the Main Board of the Colombo Stock Exchange on 14 December 2021; converted 21 Customer Service Centres into full-service branches; crossed a staff strength of 500; introduced ESG reporting under GRI Standards; integrated with the Common Electronic Fund Transfer Switch (CEFTS).

Phase 4 | 2023 - 2025 : Excellence and global affirmation

- **2023** — Won the Gold Award at TAGS 2022 — CA Sri Lanka; credit rating upgraded to BB Stable.
- **2024** — Won the Gold Award at TAGS 2023 for the third time and second consecutive year; opened five new branches.
- **2025** — Achieved the highest ever asset growth of 51.3%, with total assets crossing LKR 22 Bn; won the Gold Award at TAGS 2024 for the fourth time, affirming sustained excellence in Transparency, Accountability, Governance and Sustainability; received permanent (full) membership of the Global Alliance for Banking on Values (GABV) the only finance company in Sri Lanka to hold this distinction; secured our first international impact fund from the European Union through EDFI Management Company, supporting sustainable agriculture (AgriFI).

Phase 5 | 2026 : Pioneering sustainable finance and breaking own records

Issued Sri Lanka's first ever Sustainable Bond, valued at LKR 2 Bn a landmark for the country's capital markets and a defining step in mainstreaming sustainable finance in Sri Lanka.

- Secured new impact foreign funding of USD 9 Mn, strengthening our long-term funding base and channelling concessional capital to women entrepreneurs, sustainable agriculture and underserved housing.
- Upgraded credit rating to BBB- (Stable Outlook)
- Reported record-breaking total assets growth of 66%, the highest growth percentage in the NBFI sector

Value Creation Model

Empowering Villages: how we create, preserve and share value

Value at SDF is created, preserved and, where trade-offs are unavoidable, consciously balanced through the way we apply our six capitals against our strategy and the Sarvodaya Artha Dharma philosophy. This model traces that journey from the resources we draw in, through the activities of the Company, to the outputs we generate, the outcomes for each stakeholder group, and the wider impact on the village economy: growth that reaches further than the balance sheet.

01 INPUTS: The Capitals We Draw In (Opening Position, Fy 2025/26)

Financial Capital

Equity, deposits and funding deployed into credit and returns.

- Shareholder capital: LKR 2,696 Mn
- Borrowings & deposits: LKR 29,026 Mn
- Retained profits: LKR 1,468 Mn

Manufactured Capital

Branch and digital network reaching beyond the Western Province.

- Branches: 56
- ATMs: 8
- Land & property: LKR 312 Mn
- Equipment, IT, furniture: LKR 304 Mn

Intellectual Capital

Sarvodaya brand, 60+ years of rural know-how, systems and accreditations.

Software investment: LKR 63 Mn

Sarvodaya brand, GABV methodology, ISO 27001, EU AgriFI knowledge base

Human Capital

A skilled, values-led team serving the village economy.

- Employees 652
- Investment in training LKR 6.3 Mn

Social & Relationship Capital

Customers, the Sarvodaya Societies network and impact funders.

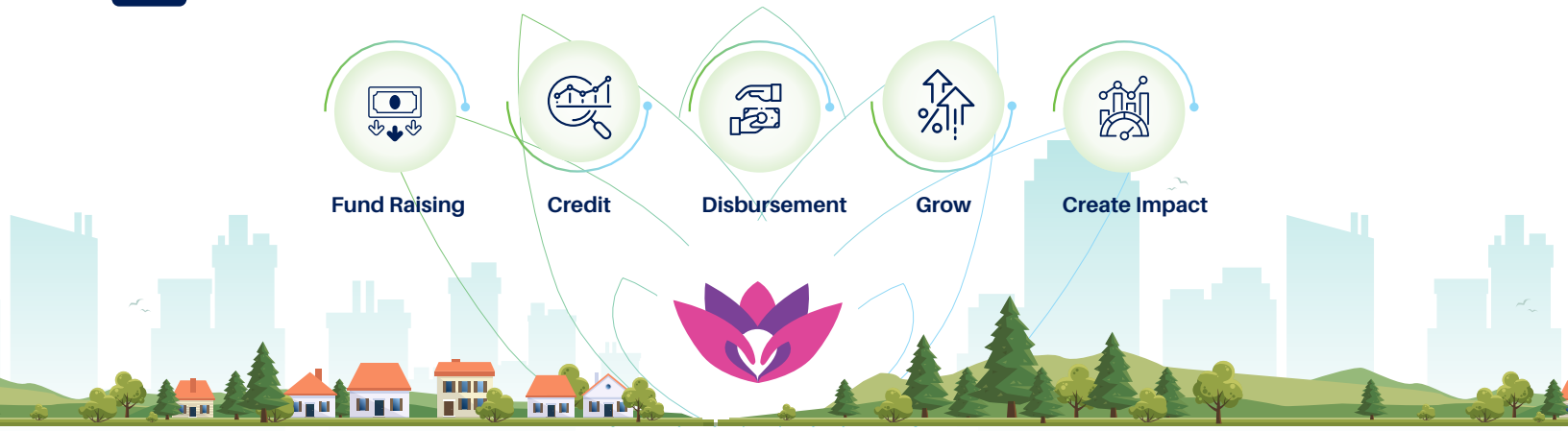
- Customer base 165,401
- Impact fund (opening) USD 3 Mn

Natural Capital

Energy, water and the environment our lending touches.

- Energy consumption 735,139 kWh
- Water consumption 9.46 ML
- Green initiatives LKR 313 Mn

01 Our Business Activities



Credit | Recoveries | Finance & Treasury | Risk & Compliance | Operations & Administration

Human Resources | Internal Audit | Legal | Marketing | IT

Vision, Mission & Values

Macro Environment
Business Ethics, Code of Conduct

Micro Environment
Risk Management

Internal Environment
Corporate Governance, Internal Audit

03 OUTPUTS: What We Generated

Financial Capital
- Profit after tax : LKR 820 Mn +73.1%
- Profit before tax: LKR 1,359 Mn
- Total assets: LKR 37,362 Mn +65.8%
- Return on equity: 19.60%
- EPS / NAV per share: 5.48 / 29.57
- Cost-to-income ; 42.99%

Manufactured Capital
- Branches (82% outside WP) 56
- ATMs 8
- Capital expenditure LKR 167.58 Mn

Intellectual Capital
- Software investment: LKR 63 Mn

Human Capital
- FY2024/25 ref: training; 16,284 hrs
- FY2024/25 ref: female; 46.1%

Social & Relationship Capital
- New impact foreign funding: USD 9 Mn
- Sustainable Bond raised: LKR 2.0 Bn

Natural Capital
- Green proceeds (Bond) LKR 500 Mn
- FY 2025/26 ref: carbon 964 tCO2e

05 Outcomes: Value Delivered to Each Stakeholder

Shareholders & Investors
- Consistent financial return with a clear dual bottom line
- Impact-investment opportunities and stronger ESG transparency
- Future-focused, disciplined resource allocation

Customers
- Access to innovative, tailored financial products
- Competitive rates and fees; greater financial awareness
- Repayment terms aligned to rural and agricultural cycles

Employees
- Skill enhancement and career progression
- Competitive compensation, reward and recognition
- Spiritual development through the Sarvodaya concept

Regulators
- A stable financial system and consumer protection
- Strong governance, control and compliance
- Reliable, transparent service delivery

Business Partners
- Shared commitment to responsible practices
- Operational efficiency through streamlined processes
- Opportunity to invest in a proven impact model

Sarvodaya Societies (SSS) Members
- Accessible financial services through a trusted network
- Protection from exploitative informal lenders
- Advisory support and rural digital inclusion

06 Impact: Empowering Villages Across the Nation

Economic Impact
- Grow and develop rural economies
- Develop export-oriented village industries
- Enhance national GDP

Social Impact
- Grow and develop rural economies
- Develop export-oriented village industries
- Enhance national GDP

Governance Impact
- Grow and develop rural economies
- Develop export-oriented village industries
- Enhance national GDP

04 Value Created, Preserved and Balanced

Value Created
- Total assets past LKR 37 Bn (+65.7%); PAT up 73.1%
- Sri Lanka's First Sustainable Bond Issuance LKR 2 Bn
- USD 9 Mn new impact funding widening rural credit access

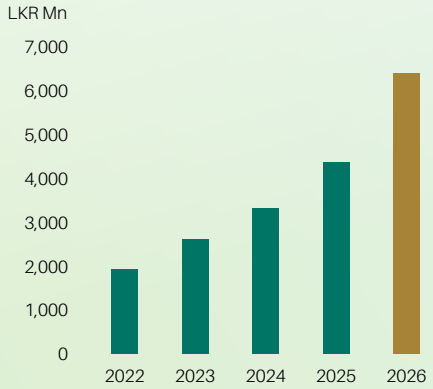
Value Preserved
- Asset quality held with Gross NPA at 4.93%
- Total capital adequacy of 22.13%, comfortably above requirement
- Service continuity across 56 branches, 82% beyond the Western Province

Trade-Offs Balanced
- Funding-cost and margin management as the book grew rapidly
- Reinvestment for growth balanced against dividends to SEEDS
- Near-term footprint against scaling green-lending ambitions

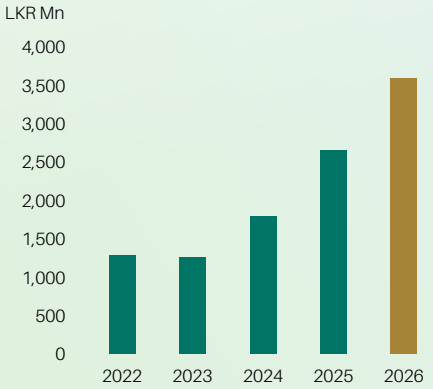
Financial Highlights

	2025/26	2024/25	Change %
Profitability (LKR '000)			
Income	6,423,301	4,374,395	46.8%
Interest Income	5,845,685	4,063,784	43.8%
Net Interest Income	3,575,033	2,639,489	35.4%
Operating Expenses	1,785,147	1,372,016	30.1%
Impairment Losses	546,160	438,904	24.4%
Profit Before Taxation	1,358,699	829,600	63.8%
Profit for the Year	820,134	473,813	73.1%
Assets & Liability (LKR '000)			
Loans and Receivables	20,601,780	12,322,099	67.2%
Lease Rentals Receivables	9,190,543	6,860,059	34.0%
Total Assets	37,361,577	22,541,926	65.8%
Due to Customers	10,608,964	9,832,710	7.9%
Total Shareholders' Funds	4,423,406	3,943,959	12.2%
Investor Information (LKR)			
Net Assets Value per Share	29.57	26.36	12.2%
Earnings per Share - Basic	5.48	3.17	73.1%
Market Price per share	34.80	19.70	76.6%
Market capitalization (LKR '000)	5,205,943	2,947,042	76.6%
Price earning ratio (P/E)	6.35	6.22	2.1%
Financial Indicators (%)			
Return on Assets (after tax)	2.74%	2.53%	8.2%
Return on Equity (after tax)	19.60%	12.61%	55.5%
Cost to Income	42.99%	46.51%	-7.6%
Gross NPA Ratio	4.93%	7.88%	-37.5%
Net NPA Ratio	2.94%	5.70%	-48.4%
Growth in Total Assets	65.79%	51.31%	28.1%
Capital Adequacy Ratios (%)			
Core capital to risk weighted assets ratio (Tier I) (Minimum 8.5%)	15.48%	20.52%	-24.6%
Total risk weighted capital ratio (Tier I&II) (Minimum 12.5%)	22.13%	20.64%	7.2%
Liquidity Ratio	22.5%	17.10%	31.5%

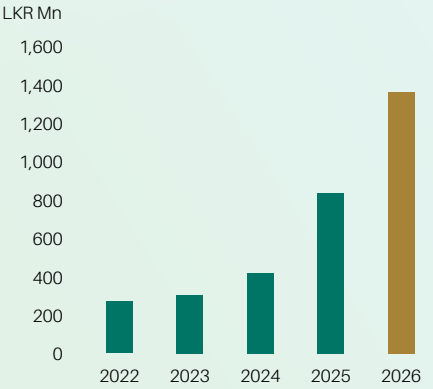
Income



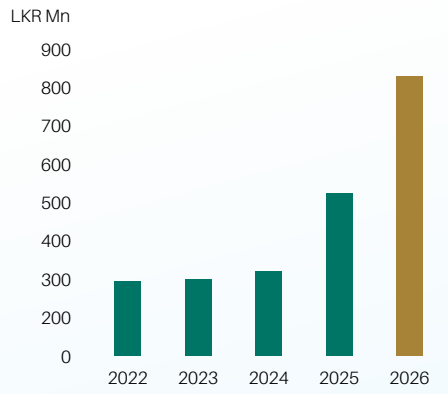
Net Interest Income



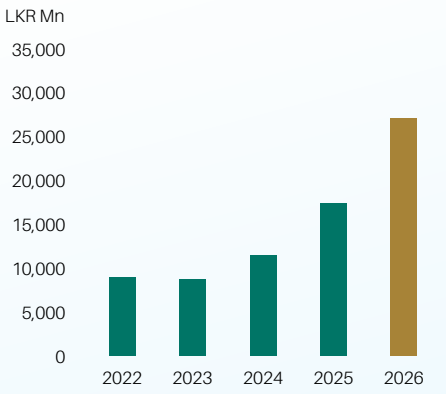
Profit Before Tax



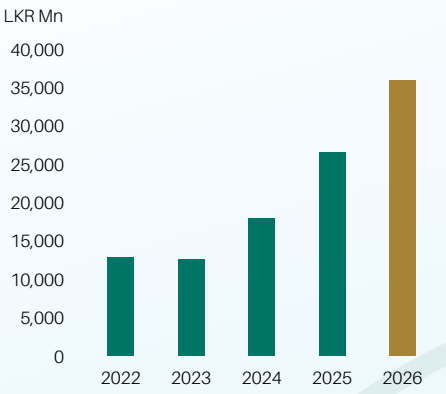
Profit for the Year (PAT)



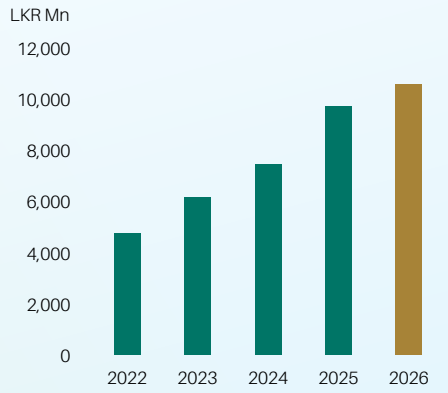
Loan and Lease Portfolio



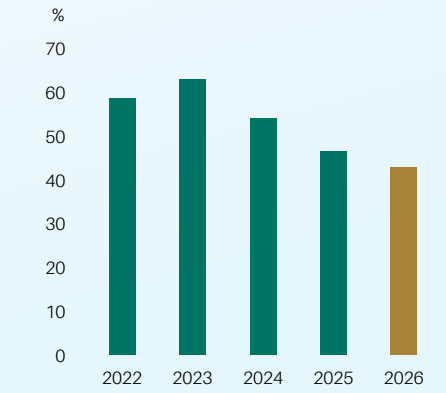
Total Assets



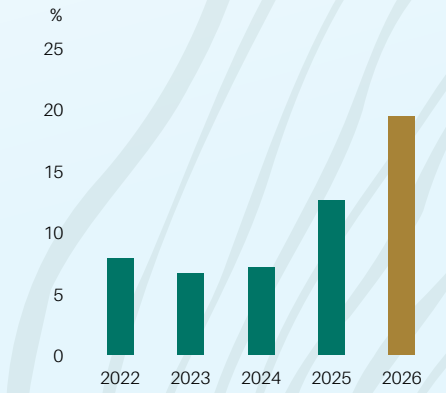
Due to Customers



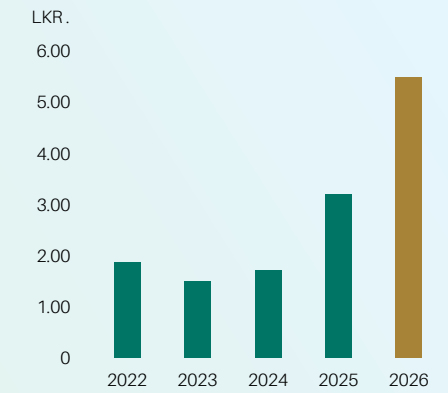
Cost to Income



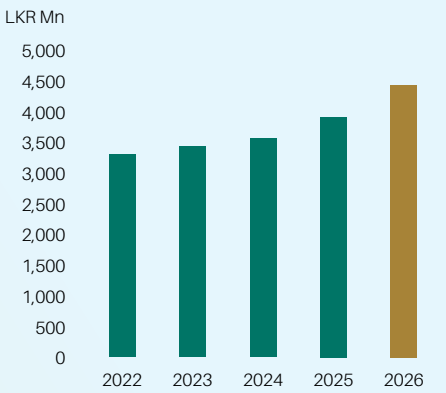
Return on Equity (ROE)



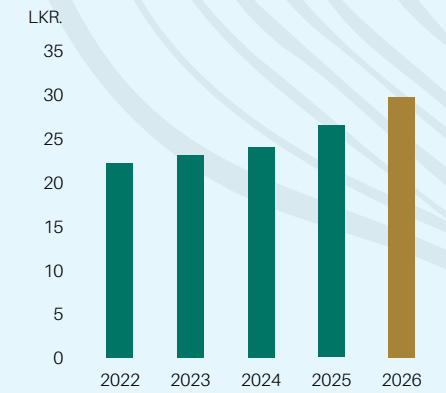
Earnings Per Share



Shareholder Funds



Net assets Per Share (LKR.)



Non-Financial and Impact Highlights

Economic Welbeing

Driving economic value and growth for all Stakeholder

Total Economic Impact Investment

(LKR Million)

11,348 5%

(2026 vs 2025)

Sub-Category	Measurement	2026	2025
Economic Value Creation	LKR. Mn	6,423	4,374
Deposit & Lenders	LKR. Mn	2,271	1,424
Employees	LKR. Mn	920	699
Government	LKR. Mn	1,001	665
Suppliers	LKR. Mn	866	1,115
Shareholders (dividends)	LKR. Mn	337	97
Retained for reinvestment	LKR. Million	479	373

Manufacture Capital

Strengthening our Physical and Infrastructural Assets

Total Investment Manufacture Capital

(LKR Million)

168 78.7%

(2026 vs 2025)

Sub-Category	Measurement	2026	2025
Branches	Nos	56	56
Branches Outside in western Province	Nos	47	47
Branches Upgrade	Nos	3	3
Branch Relocated	Nos	1	2
New Branch	Nos	0	0
ATMs	Nos	8	7
Invest in Fixed Assets	LKR. Million	168	94

Social & Relationship Capital

Building strong relationship with our customer and partners

Customer Base (Nos)	Payments to Suppliers (LKR Mn)	Product Disbursement (LKR Mn)
179,088	**5,958**	**15,490**
	36.3%	**47.5%**

Sub-Category	Measurement	2026	2025
Customer Base	Nos	179,088	165,401
Credit Rating		BBB -	BB +
Payment to Suppliers	LKR. Mn	5,958	4,370
Product Disbursement	LKR. Mn	15,490	10,503
Marketing Initiatives	LKR. Mn	115	69

Employee Wellbeing

Investing in our people and their growth.

Total Workforce

(Nos)

652 8.1%

(2026 vs 2025)

Sub-Category	Measurement	2026	2025
Total workforce	Nos	652	603
New Recruitments	Nos	299	318
Employees promoted	Nos	36	48
Employees Trainings	Hours	17,355	16,284
Employees Rewarded	LKR. ('000)	19,255	11,511
Employee Remuneration and Benefits	LKR. Mn	902	689

Environment Wellbeing

Managing our environmental footprint responsibly

Sub-Category	Measurement	2026	2025
Electricity Usage	kWh	735,139	702,486
Solar Powered	kWh	111,305	94,465
Electricity per Rs. 1Mn of Revenue	kWh	114	152
Fuel Usage	Ltr	14,613	12,360
Fuel per Rs. 1Mn Revenue	Ltr	2	3
Energy cost per employee	LKR	112,258	107,871
Trees Planned/Distributed	Nos	5,243	3,140
Total carbon footprint	mtCO2e	964	506
Water Consumption	ML	9.46	8
Investment on green initiatives	LKR. ('000)	9,133	5,658

KEY TAKEAWAYS

- **Strong growth in economic value creation and investments.**
- **Continued investment in people, capabilities and community relationships.**
- **Increased renewable energy use and green initiatives.**
- **Higher carbon footprint reflects expanded operations; continued focus on mitigation.**



Awards and Accolades

Gold Award for Annual Reporting for the Fourth consecutive year

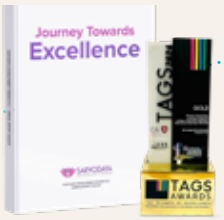
2021/22



2022/23



2023/24



2024/25





A Legacy of Excellence in Corporate Reporting: Proud Recipient of the Fifth Gold Award at the CA Sri Lanka TAGS Awards

Sarvodaya Development Finance PLC was honoured to receive the TAGS Gold Award for the fourth consecutive year and for the fifth time, reaffirming its unwavering commitment to Transparency, Accountability, Governance and Sustainability. This prestigious recognition by CA Sri Lanka reflects the Company's dedication to maintaining the highest standards of corporate reporting, stakeholder engagement and responsible business practices while creating sustainable long-term value for investors, customers and the communities it serves.

Balangoda

EMPOWERING VILLAGE TEA GROWERS

THE SAME LEAF THAT EARNS SRI LANKA ITS NAME ABROAD HELPED ME FINISH MY FAMILY'S HOME.

I am a small-scale tea grower in Balangoda, and my estate has given my family a steady and considerable income over the years. Ceylon tea is held in high regard in markets around the world, and growers like me are the backbone of that quality, supplying the leaf that reaches the export trade.

When the time came to complete my family home, Sarvodaya Development Finance stood with me, supporting me to finish the house I had long been building.

There is a quiet pride in this. The same leaf that earns Sri Lanka its name abroad has, with SDF beside me, helped give my family a finished home of our own.

SDF Support: SME loan of Rs. 8.0 million, applied to interiors, flooring and room amenities.
Customer Name: H J Hettiarachchi




ඇම්ම, ගැම්ම, රැඳෑව

Chairman's Message

We measure this year not only by the profit we earned, but by the farmers we financed, the women we backed and the trust we kept. By every one of those measures, FY2025/26 was a defining year for SDF

It is with genuine satisfaction, and a deep sense of responsibility, that I present the fifth Integrated Annual Report of Sarvodaya Development Finance PLC (SDF) for the financial year ended 31 March 2026. I am pleased to report that this was, by almost every measure, the strongest year in the Company's history. SDF crossed important milestones in profitability and scale, pioneered a first-of-its-kind transaction in the national capital market, and did so while remaining entirely faithful to the purpose for which this Company exists: the upliftment of Sri Lanka's rural and underserved communities, in order to empower them all.

At the outset, I wish to honour the late Dr. A.T. Ariyaratne, founder of the Sarvodaya Movement. Dr. Ariyaratne devoted his life to the awakening and upliftment of others, particularly the poorest and most marginalised among us. His philosophy, that true development begins at the grassroots and must reach every village, remains the conscience of our Company. Every decision we take at SDF is, in the end, measured against his vision.

The National Backdrop

It is against a challenging national backdrop that I write this message. Sri Lanka has made real and welcome progress. The economy recorded a second consecutive year of approximately 5% growth, inflation returned to broadly stable territory, official reserves were rebuilt to comfortable levels, and the rupee held firm during most of the period under review. Continued commitment to the IMF-supported programme, fiscal discipline, and the determined effort to curb corruption and wasteful expenditure have together restored a measure of confidence that seemed distant only a few years ago.

Yet I must also acknowledge the constant and dynamic challenges that remain. The cost of living continues to weigh heavily on ordinary households. Youth unemployment is still too high, and the emigration of skilled and capable Sri Lankans in search of opportunity abroad remains a significant loss to the nation.

More than 25% of the people of Sri Lanka still live below the poverty line of about LKR 17,000 per month, which remains a significant constraint on the nation's progress. Sri Lanka also continues to exhibit a glaring income disparity, captured in a Gini coefficient of approximately 0.41, a disturbing economic indicator and one of several challenges the country has yet to overcome. Globally, the year brought fresh uncertainty in the form of escalating trade tariffs and renewed global conflict, both of which carry consequences for a small, import-driven economy such as ours. The coming year will most likely bring some macroeconomic turbulence as a result of global dynamics, with local inflation, interest rates, and economic growth all likely to be challenged. These realities are precisely why an institution like SDF matters. Our work is to continue providing opportunities in the villages and districts, despite the macroeconomic challenges, to empower village entrepreneurs.

A Defining year of Performance

Against this backdrop, I am delighted to report that SDF delivered an exceptional performance. Profit After Tax rose to LKR 820.1 million, an increase of approximately 73% over the previous year. The Company's total asset base grew to LKR 37.4 billion, an expansion of around 66%, placing SDF firmly among the fastest-growing licensed finance companies in the country.

Chairman's Message

SDF remains unlike any other licensed finance company in Sri Lanka. Sarvodaya-related entities hold 54.6% of the Company, which means an equivalent share of every dividend is returned to community development rather than to private gain. More than 1,200 Sarvodaya Shramadana Societies stand among our shareholders. With over 80% of our branches located outside the Western Province, SDF, by design, serves those whom mainstream finance often overlooks.

More important than any single figure, however, is the quality of the progress achieved. This growth was delivered responsibly. Asset quality improved, capital adequacy was maintained comfortably above regulatory requirements, and our funding base was meaningfully strengthened and diversified. We also successfully engaged international impact funders and credit providers. Working with many of them, we have obtained over LKR 3.9 billion in international funds, and we have gained access to significant potential credit lines for the future. Together, these initiatives mark a decisive strengthening of our funding profile and a reaffirmation of SDF's standing within the global community of values-based finance, including our membership of the Global Alliance for Banking on Values.

Pioneering Sri Lanka's first Sustainable Bond

The defining achievement of the year was the successful issuance of Sri Lanka's first stock-exchange-listed Sustainable Bond, valued at LKR 2 billion. For a company of our size to lead the entire market in this way is a source of immense pride. The proceeds are dedicated to lending that delivers genuine environmental and social benefit, and the transaction itself stands as independent validation of the credibility of our sustainable-finance framework.

Integrity, Governance and Trust

It is our uncompromising commitment to integrity, transparency and accountability that has earned SDF the trust of the Sri Lankan people, our regulators and our international partners. Throughout the year, the Board continued to exercise close oversight of strategy, risk, capital and compliance through its established committee structure. A distinctive feature of our governance is the integration of the values of the Sarvodaya Movement, which ensures that social and environmental responsibility remains a non-negotiable consideration in every significant decision the Company takes.

A Purpose that Sets Us Apart

SDF remains unlike any other licensed finance company in Sri Lanka. Sarvodaya-related entities hold 54.6% of the Company, which means an equivalent share of every dividend is returned to community development rather than to private gain. More than 1,200 Sarvodaya Shramadana Societies stand among our shareholders. With over 80% of our branches located outside the Western Province, SDF, by design, serves those whom mainstream finance often overlooks.

During the year we continued to support women entrepreneurs, to finance climate-smart agriculture and cleaner transport, and to extend financial-literacy and capacity-building programmes to rural communities. This is the essence of our credit-plus philosophy. We offer not only finance, but the skills, the confidence and the market access that allow rural enterprise to thrive.

Returns to shareholders

The Board remains committed to balancing reinvestment for future growth with fair returns to our shareholders. Net Asset Value per share rose to LKR 29.57 from LKR 26.36 a year earlier, and Earnings Per Share of LKR 5.48. These results carry an important message: our impact-driven business model is not a trade-off against financial performance. Even as the Company continued to contribute meaningfully to social development, it delivered a return on equity of 19.6%, justifying the trust of those who invest in SDF. In keeping with our ownership model, a substantial portion (almost 40% of earnings) will be declared as a dividend each year, which will support community development work across the island while providing a healthy cash-flow return to all investors.

Outlook

Looking ahead to FY2026/27, I am optimistic about SDF's prospects. Firstly, our reputation for integrity and transparency continues to win the confidence of customers, regulators, and international partners alike. Secondly, our sustained investment in digitalisation and data is steadily lowering costs and opening new ways of serving our communities. Thirdly, and most importantly, we have an exceptional team.

From front-line officers in our branches to regional managers and head office staff, the entire SDF family has demonstrated unwavering commitment, devotion, and care in ensuring the success of our organisation. The external environment will remain uncertain, and margins across the industry will be tested should interest rates rise; however, I have every confidence that SDF will continue to convert challenge into opportunities, as it has done consistently in recent years.

Appreciation

I extend my sincere gratitude to my colleagues on the Board for their valuable contribution and wisdom, to the Chief Executive Officer and the management team for their leadership, and to every member of the SDF family for the dedication and integrity they bring to their work each day. I thank our customers and the communities we serve, our depositors and shareholders, and our international development-finance partners for their continued trust and local banking partners. I also acknowledge, with appreciation, the guidance of the Central Bank of Sri Lanka, the Colombo Stock Exchange and other regulatory authorities.

I pay tribute to the Sarvodaya Movement: to the enduring vision of its founder, to the current leadership of Dr. Vinya Ariyaratne, President of the Sarvodaya Shramadana Movement, and to the members and volunteers who carry that vision forward each day, across the movement, its district centres and the 5,000 Sarvodaya Shramadana Societies throughout the country. It is they who give this Company its purpose. Together, we will continue the work of building a more inclusive, more thoughtful and more economically successful Sri Lanka. Our team will continue to be creative in its approach, purposeful in its commitment to build our villages and the entrepreneurs who will define the future of a new Sri Lanka.



Channa de Silva
Chairman

27 May 2026

Colombo

Chief Executive Officer's Review



We grew profit by more than seventy per cent and assets by two-thirds, and we did it the right way: improving asset quality, strengthening our funding base, and keeping our communities firmly at the centre.



"Our most important achievement this year cannot be measured in profit alone: a finance company rooted in Sri Lanka's villages stepped onto the international stage, carrying the promise of grassroots enterprise into global capital markets, dual-listing the nation's first Sustainable Bond in Luxembourg and winning the confidence of institutions around the world."

It is my privilege to present a review of Sarvodaya Development Finance PLC's performance for the financial year ended 31 March 2026. I am pleased to report that, building on the record results of the previous year, FY2025/26 was the strongest year in the Company's history. We delivered substantial growth in income, profitability and scale; we strengthened and diversified our funding base in landmark fashion; and we improved the quality of our balance sheet, all while staying true to the rural and agricultural communities at the heart of our mission. Yet the achievement I am proudest of this year cannot be captured in the financial statements alone: a company built to serve Sri Lanka's villages has taken its work onto the international stage, carrying with it the credibility of the communities and enterprises it was created to support.

Operating context

The year under review was shaped by a changing operating environment. Global conditions remained unsettled, with escalating trade tariffs and renewed conflict affecting commodity prices and growth momentum. Domestically, however, Sri Lanka delivered a second consecutive year of approximately 5.0% GDP growth, inflation returned to positive territory, and the Non-Bank Financial Institution sector entered a more execution-led phase, supported by improving profitability and asset quality. As the interest-rate cycle bottomed, the advantage shifted towards institutions with differentiated business models, disciplined cost structures and diversified funding.

These are strengths SDF has developed over time, through a model that combines prudent financial management with a close understanding of the communities it serves.

Financial Performance

Income and Profitability

SDF delivered an exceptional financial performance. Gross income rose to LKR 6.41 billion, an increase of around 47% over the previous year (FY2024/25: LKR 4.37 billion). Net Interest Income grew to LKR 3.58 billion (FY2024/25: LKR 2.64 billion), while total other income, led by strong fee and commission growth, rose by approximately 86% to LKR 577.62 million (FY2024/25: LKR 310.61 million). Total Operating Income increased by around 41% to LKR 4.15 billion (FY2024/25: LKR 2.95 billion).

Operating expenses were contained at LKR 1.80 billion, a rise of around 30% that was comfortably outpaced by income growth, and the cost-to-income ratio improved to 43% (FY2024/25: 47%). After absorbing impairment charges of LKR 546.16 million (FY2024/25: LKR 438.90 million), operating profit before taxes rose to LKR 1.82 billion (FY2024/25: LKR 1.14 billion). Profit After Tax for the year reached LKR 820.13 million, an increase of approximately 73% (FY2024/25: LKR 473.81 million). Return on Equity strengthened to approximately 20%, from around 13% a year earlier, and Earnings Per Share rose to LKR 5.48 (FY2024/25: LKR 3.17).

Chief Executive Officer's Review

Balance Sheet

The total asset base of the Company grew to LKR 37.37 billion, an expansion of around 66% (FY2024/25: LKR 22.54 billion), placing SDF among the fastest-growing licensed finance companies in Sri Lanka. The lending portfolio grew to LKR 29.79 billion (FY2024/25: LKR 19.18 billion), reflecting continued expansion across agriculture, micro-enterprise, SME, housing, leasing, gold loans and society loans. The deposit base grew to LKR 10.61 billion (FY2024/25: LKR 9.83 billion), and total shareholders' funds increased to LKR 4.42 billion (FY2024/25: LKR 3.94 billion). Net Asset Value per share rose to LKR 29.57, from LKR 26.36.

Asset Quality, Capital And Efficiency

Asset quality, always a central priority, improved markedly during the year. The Gross Stage 3 (non-performing) loan ratio fell to 4.9%, a significant improvement on the prior year and a clear endorsement of the Company's disciplined and forward-looking approach to credit risk. The Total Capital Adequacy Ratio was maintained comfortably above regulatory requirements at 22%, providing a strong base for continued growth. Taken together, the improvement in efficiency, the strengthening of returns and the better quality of the loan book demonstrate that SDF's growth this year has been both rapid and sound. It also demonstrates something deeper: that customers whose financial strength may not be immediately visible through traditional measures can, with the right engagement and support, become part of a strong, performing and institutionally credible portfolio.

Reaching the International Stage

The most significant strategic achievement of the year was the issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion. This pioneering transaction enabled SDF to raise dedicated capital for environmentally and socially beneficial lending, while broadening our investor base and lengthening the maturity profile of our funding. Crucially, the bond was dual-listed on both the Colombo Stock Exchange and the Luxembourg Stock Exchange, one of the world's leading venues for sustainable debt, opening SDF to European and other international investors for the first time.

For a finance company whose roots lie in the villages of Sri Lanka to list an instrument in Luxembourg is, in my view, an achievement of deep significance. It places SDF on the international map and sets a precedent for our sector. More than that, it affirms the strength of a model built on the belief that enterprise in rural communities, when supported with patience, discipline and trust, can meet the standards expected by global capital markets.

This international momentum extended to our funding relationships. During the year the Company secured USD 9 million in new impact foreign funding and deepened its engagement with a growing number of international development-finance institutions, building on earlier facilities such as the EU-funded AgriFI partnership. These funds provide longer-tenor resources earmarked for sustainable agriculture and rural enterprise. Together with continued growth in public deposits, they have meaningfully strengthened and diversified our funding mix, reduced concentration risk and supported the year's strong asset growth.

The confidence shown by institutions across the world is therefore not only an endorsement of SDF as a finance company. It is an endorsement of the communities we serve, the relationships we have built, and the development finance model we continue to advance from the village economy to the international stage.

Digital transformation

Digitalisation remains central to SDF's strategy and to the way we serve customers across the country. During the year, we further strengthened the digital foundation of the business by fully digitising internal operations, deploying more than 30 in-house workflow applications, and building a centralised data-analytics capability that places real-time insight in the hands of management.

We also continued to enhance our core systems, expand branchless and mobile-enabled service delivery, and strengthen our cyber-security and information-security frameworks. As artificial intelligence begins to reshape financial services, we are investing in the governance, skills and controls required to adopt these capabilities responsibly, with a focus on improving credit decisioning, operational efficiency and customer experience while managing model and cyber risk.

For SDF, digital transformation is not pursued for efficiency alone. It supports our ability to understand customers more deeply, respond to their needs with greater speed and consistency, and extend responsible finance to communities whose potential is best recognised through proximity, insight and trust.

Strategic focus: serving rural Sri Lanka

SDF's strategy remains anchored in the belief that inclusive growth begins where opportunity is created closest to the ground. Our focus is on enabling entrepreneurship among rural and agricultural communities, youth and women, and on supporting a more inclusive economy through finance that is practical, responsible and connected to real economic activity.

This is reflected in our credit-plus approach, which combines access to finance with practical capacity-building in areas such as packaging, digital marketing, modern technology and financial literacy. The purpose of this model is not only to provide credit, but to help the enterprises we support become stronger, more

resilient and better prepared to participate in the formal economy. In this way, SDF continues to help convert local potential into structured enterprise and long-term financial confidence.

During the year, we continued to empower women entrepreneurs, who account for a substantial share of our loan recipients, while also supporting climate-smart agriculture, solar-powered solutions and low-carbon transport through our lending. We also continued to work closely with the Sarvodaya Movement and its network of village societies, advancing financial inclusion in the regions that need it most.

Our branch network, over 80% of it located outside the Western Province, remains the physical embodiment of this commitment. It keeps us close to the communities we serve, allowing us to understand customer realities, build relationships over time, and extend responsible financial access in places where formal finance has often been distant.

Sustainability and ESG

Sustainability is not a separate agenda at SDF; it is integral to our business model. During the year we continued to align our strategy with the Central Bank of Sri Lanka's Sustainable Finance Roadmap, to embed ESG considerations into our credit-appraisal process, and to progress towards our commitment to carbon neutrality by 2030. The issuance of the Sustainable Bond gave concrete, market-facing form to this commitment. We are also strengthening our disclosures in line with the GRI Standards, the Integrated Reporting framework and the emerging ISSB standards, ensuring that our reporting remains credible, comparable and aligned with global best practice. This discipline is central to our purpose, because the impact we create in local communities must be visible, measurable and credible to the wider financial system.

Our people

The achievements of the year are, above all, the achievements of our people. The Company continued to invest substantially in training and development, performance-linked rewards, employee welfare and a safe, inclusive workplace. We employ a diverse workforce drawn from every region and community of Sri Lanka, and we remain committed to attracting, developing and retaining the talent that will carry SDF forward. It is our people who translate the Company's purpose into daily engagement, who understand the realities behind each customer relationship, and who help turn trust at the grassroots into performance at institutional scale.

Recognition

SDF's commitment to transparency and quality reporting has been recognised consistently, including multiple Gold Awards for our Annual Report at the TAGS Awards organised by CA Sri Lanka. We continue to benchmark our reporting and our governance against the best in the industry, and we are determined to keep raising our standards. This recognition reinforces the standard we hold ourselves to: to ensure that a development finance model rooted in rural Sri Lanka is governed, reported and presented with the discipline expected of a leading financial institution.

Outlook and priorities for FY2026/27

The year ahead will be one of disciplined execution. The domestic recovery is expected to remain broadly supportive, and the NBFI sector should continue to benefit from healthy liquidity and rising credit demand. At the same time, margins across the industry will be tested as interest-rate repricing completes, and external risks remain elevated. Our priorities for FY2026/27 are clear: to sustain profitable, good-quality growth in our core agriculture and MSME segments; to deploy the proceeds of the Sustainable Bond and our impact funding for measurable rural impact; to advance our digital and data capabilities; to protect and further improve asset quality, capital and liquidity; and to deepen our leadership in sustainable finance.

In pursuing these priorities, our focus will remain consistent: to use finance as a means of widening opportunity, strengthening productive enterprise and proving that customers once seen as difficult to assess can become reliable participants in a stronger financial system. I am confident that, with our differentiated model, our strengthened funding base and the dedication of our team, SDF will continue to deliver sustained and inclusive value for all its stakeholders.

Appreciation

I extend my heartfelt gratitude to the Chairman and the Board of Directors for their guidance and confidence. My sincere thanks go to every member of the SDF team, whose hard work and commitment on the ground translated directly into the results of this year. I also thank our customers and the communities we serve, our depositors and shareholders, our international development-finance partners, local bankers and the Central Bank of Sri Lanka and other regulators for their continued support. Finally, I acknowledge the enduring inspiration of the Sarvodaya Movement and its founder, whose vision remains the heart of all that we do.



Nilantha Jayanetti
Chief Executive Officer

Colombo,

27 May 2026

Board of Directors



Seated from Left to Right:
Ramesh Schaffter | Channa de Silva | Dhammika Ganegama | Suranjani Wickremeratne

Standing from Left to Right:
C. Amrit CanagaRetna | Senthi Nandhanan Senthilverl | Nandika Buddhipala | Shehara De Silva



Channa de Silva

Chairman / Non-Executive, Non-Independent Director

Appointed to the Board: 19th April 2011 (reappointed on 10th January 2022)

Role: Chairman / Non-Executive, Non-Independent Director

Skills and Experience

Channa de Silva is the Chairman of Sarvodaya Development Finance PLC (SDF), having served in this position since October 2016. Prior to that he was Deputy Chairman of the Company. He is also the Vice President of the Sarvodaya Movement of Sri Lanka. He has previously held senior roles in the public sector, serving as Director General and Chief Executive Officer of the Securities and Exchange Commission of Sri Lanka, and as Executive Director of the Board of Investment of Sri Lanka. He has also served as Managing Director of Summit Finance PLC, Director of Pan Asia Bank PLC, and Group Managing Director of Delmege Group Limited. He is the Founder Chairman of Capital Media, publisher of the Echelon business magazine and the business news portals EconomyNext and Neon Media. He is a graduate of the University of Colombo and holds Master's Degrees from Harvard University and Melbourne University. He is a Fellow of the Chartered Institute of Management Accountants (FCMA, UK) and a Fellow of the Association of Chartered Certified Accountants (FCCA, UK), and a Sri Lankan Council Member of the Chartered Institute for Securities & Investment (CISI, UK). He is also an Edward Mason Fellow of Harvard University and served as a Teaching Fellow in Public Finance at the Harvard Kennedy School.



Dhammika Ganegama

Senior Director / Non-Executive, Independent Director

Appointed to the Board: 15th July 2020 (appointed Senior Independent Director on 10th January 2022)

Role: Senior Director / Non-Executive, Independent Director

Skills and Experience

Dhammika Ganegama joined the Board of Sarvodaya Development Finance PLC on 15th July 2020. He has more than 28 years of experience in the Information Technology industry. He started his professional IT career when he joined a small startup in 1999, programme-managed strategic accounts, helped increase their valuation, and was part of its listing on NASDAQ in 2007 (VRTU). He is a Founding Partner and Executive Vice President of the Mitra Group, headquartered in the United Kingdom with offices across Australia, Sri Lanka, Singapore and the United States, serving clients across more than 50 countries. He owns and operates multiple ventures and businesses across various geographies, and serves as a trusted advisor to several for-profit and not-for-profit organisations. His experience includes consulting on and implementing digital transformation programmes for global clients ranging from SMEs and the public sector to large enterprises and multinationals, including Siemens, Aetna, BT, Staples, Axiata, IBM and other Fortune 500 clients. His expertise extends to programme management, setting up technology-led new businesses, and forming ventures and partnerships across multiple industry verticals.



C. Amrit CanagaRetna

Non-Executive, Independent Director

Appointed to the Board: 19th October 2018

Role: Non-Executive, Independent Director

Skills and Experience

Amrit CanagaRetna is an experienced and qualified former banker with over 35 years of international and local experience, specialising in retail and corporate conventional and Sharia-based financing. For the seven years ending 2017, he headed the Corporate and SME Business Banking areas of Islamic Financing at Amana Bank PLC as its Vice President, Business Banking. Previously, he served as Deputy General Manager of Pan Asia Banking Corporation PLC. He is skilled in financial advisory services relating to working-capital funding for financial institutions, corporates, small and medium-sized industries, and start-ups, including foreign trade financing and construction finance. He began his career at European Asian Bank in 1981 and has since worked for over eight banks both locally and internationally. In addition to his banking experience, he was Chief Executive Officer / Director of a Central Bank approved finance company and has acted as a financial consultant to both private and government entities. Currently, he represents luxury brands in Sri Lanka in his capacity as Director, Strategic Investments of Royal Lanka Agencies (Pvt) Ltd, sole agents for MontBlanc, Baume & Mercier, Raymond Weil, Frederique Constant and Alpina Swiss watch brands. He is an Associate Member of the Chartered Institute of Bankers, UK, and of the Institute of Credit Management, UK.

Board of Directors



Ramesh Schaffter

Non-Executive, Non-Independent Director

Appointed to the Board: 20th April 2022

Role: Non-Executive, Non-Independent Director

Skills and Experience

Ramesh Schaffter is an accomplished business leader with over three decades of experience in finance, marketing, and strategic management. As Managing Director and Group Chief Executive Officer of the Janashakthi Group (JXG), he is recognised for his visionary leadership and dedication to excellence. He is a Fellow of the Chartered Institute of Management Accountants (CIMA, UK), a former Council Member of the CIMA Sri Lanka branch, and an Associate of the Chartered Institute of Marketing (CIM, UK). He brings extensive expertise in financial strategy, corporate governance, and organisational transformation. His strategic insights have been instrumental in fostering Janashakthi's growth, enhancing its market presence, and positioning the company for continued success and innovation in the industry. In addition to his corporate accomplishments, Ramesh is a respected social entrepreneur and life coach, focused on personal development and community engagement. A gifted public speaker, he has garnered numerous accolades in Toastmasters contests, and has launched the Inspiring Change Foundation (ICF) to share his knowledge with the next generation of leaders.



Senthi Nandhanan Senthilverl

Non-Executive, Non-Independent Director

Appointed to the Board: 15th July 2021

Role: Non-Executive, Non-Independent Director

Skills and Experience

Senthi Nandhanan Senthilverl brings over 26 years of corporate experience to the Board, with valuable insights for strategic decision-making and governance. He currently serves as Chief Executive Officer of Dollar Corporation. He also holds the position of Executive Director at Senthilverl Holdings (Pvt) Ltd, an investment company founded by Dr. Thirugnanasambandar Senthilverl that specialises in equity investments, where his financial acumen and investment-strategy expertise are key assets in managing and growing the company's portfolio. He further serves as a Non-Executive, Non-Independent Director at Amana Bank PLC, extending his leadership and governance experience in the financial sector. His multifaceted expertise spans sales, marketing, purchasing, logistics, and equity trading. Nandhanan holds an MBA from the University of Southern Queensland, Australia, and is a Member of the Association of Business Executives.



Shehara De Silva

Non-Executive, Independent Director

Appointed to the Board: 27th June 2019

Role: Non-Executive, Independent Director

Skills and Experience

Shehara De Silva is an experienced international communication and marketing expert, who has been behind the success of several local, regional and Fortune 500 multinational brands. She worked for over a decade in Malaysia with Omnicom companies, beginning as Director Planning of Naga DDB and later as Managing Director of Interbrand Malaysia, one of the world's leading brand consultancies. Earlier in her career she served as Deputy Director General of the Board of Investment of Sri Lanka (BOI-SL), trained on attracting Foreign Direct Investment at the IDA in Ireland. She facilitated the transformation of three Sri Lankan groups: Singer in retail, NDB in banking and Janashakthi in insurance. She has spoken extensively at international conferences on branding, strategy and gender issues, and has won several local and international Marketing and Women Leadership Awards. She has also worked in the development sector with ILO, Internews USAID, NORAD, GIZ and Plan International.



Suranjani Wickremeratne

Non-Executive, Independent Director

Appointed to the Board: 1st August 2024

Role: Non-Executive, Independent Director

Skills and Experience

Suranjani Wickremeratne brings a strong background in banking and audit to the Board. She served as Head of Audit at Deutsche Bank AG, Colombo Branch, from 1995 to 2009, conducting operational audits and engaging with regional and global operations units across multiple countries. Her early career includes roles as Accountant and Administration Manager at the Plantation Housing and Social Welfare Trust, and as Senior Auditor at Ernst & Young. Her leadership extends to her position as Chairperson of Sri Lanka Sumithrayo, a charity incorporated by an Act of Parliament and registered as a non-governmental organisation. She is also the Founder President of the Tarana Foundation, through which she continues to uplift rural students, communities, and schools. As the current President of Dental Care International, an international NGO, she has successfully led, and continues to lead, initiatives that train girls from children's homes and low-income families to become Dental Surgery Nurse Assistants. Her commitment to social upliftment is well aligned with SDF's mission of financial inclusion in underserved communities. Suranjani holds an MBA from the University of Warwick, UK, and is an Associate Member of CIMA, UK (ACMA). She is an alumna of St. Bridget's Convent, Colombo 7, and the University of Colombo, where she currently serves as Vice Chairperson of the Alumni Association.



Nandika Buddhipala

Non-Executive, Independent Director

Appointed to the Board: 1st November 2025

Role: Non-Executive, Independent Director

Skills and Experience

Nandika Buddhipala has over 35 years of post-qualifying experience across the Banking, Telecommunications, and Audit and Assurance industries. He served as Chief Financial Officer of Commercial Bank of Ceylon PLC until May 2025, having held that position for over 17 years. Prior to Commercial Bank, he was Chief Financial Officer of Mobitel (Pvt) Ltd. He is an alumnus of KPMG, having worked in their Colombo, Maldives and Oman offices. He obtained his first degree in BSc Business Administration and a Postgraduate Diploma in Management from the University of Sri Jayewardenepura, and holds an MBA, an MA in Financial Economics and an MSc in Financial Mathematics from the University of Colombo. He is a Fellow Member of CA Sri Lanka, ACCA (UK), CMA Sri Lanka, CMA Australia and FINSIA (Australia), and a Member of CISI (UK) and IMA (USA). He is a life member of the Sri Lanka Economic Association (SLEA), the Sri Lanka Finance Association (SLFA), and the Association of Professional Bankers, Sri Lanka (APB, SL). He is also a member of the American Economic Association, the American Finance Association, the American Accounting Association, the Royal Economic Society, the Strategic Management Society, and the Accounting and Finance Association of Australia and New Zealand.



Nilantha Jayanetti

Chief Executive Officer

Nilantha Jayanetti brings extensive experience in banking and finance, having held senior management positions in prestigious financial institutions. He is skilled in sustainable finance and marketing, business transformation strategy, team building, and operations management. As a proactive leader, he excels in technology adoption, finance, and risk management. His innovation and leadership have been recognised with accolades for shaping inclusive and sustainable finance through technology, climate action, and community-driven banking, transforming financial solutions for a better future.

Before joining Sarvodaya Development Finance PLC, Nilantha served as Senior Assistant General Manager at Orient Finance PLC for seven years, where he drove business initiatives that positioned the company as a top brand. He was previously the Marketing Manager at Merchant Bank of Sri Lanka & Finance PLC. Nilantha holds a degree in Business Management with a specialisation in Accountancy from the University of Kelaniya and an MBA in Banking and Finance from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He has also completed a Strategic Leadership Programme at Cornell University's Johnson Graduate School of Management, USA.

Management Team



From Left to Right

- Ranapriya Fernando - Head of Credit
- Nilantha Jayanetti - Chief Executive Officer
- Manori Wannigama - Head of Finance
- Ruwan Jayasuriya - Chief Operating Officer
- Kelum Thilakerathne - Head of National Sales
- Mahesh Jayasanka - Head of Strategic Planning
- Kularuwan Gamage - Head of Operations & Administration
- Indika Dissanayake - Head of Information Technology



From Left to Right

- Ruwin Yapa - Head of Human Resources
- Maheshika Wickramathunga - Head of Legal
- Prabhath Rangajeewa - Head of Gold Loan
- Shiromi Patabendige - Company Secretary
- Randil Keerthipala - Head of Recovery
- Amila Gunawardana - Head of Internal Audit
- Piyumi Ranadheera - Head of Risk Management
- Migara Abayatilake - Head of Compliance

Product Heads



From Left to Right

- Manoj Fernando - Product Head - Leasing
- Sajith Nirasha - Product Head - SME Loan
- Lakmal Munasinghe - Product Head - Deposit Mobilization
- Prasanna Indrajith - Product Head - Micro Loan
- Rajini Koswatta - Product Head - Housing Loan
- Jude Dharmasena - Product Head - Society Loan

Regional Managers



From Left to Right

- Dharshana Nuwan - Regional Manager
- Chathura Kodippili - Zonal Manager
- Anusha Weerakkody - Regional Manager
- Annathurai Jeevakanth - Regional Manager
- Nilantha Rathnasiri - Regional Manager
- Suresh Herath - Regional Manager
- Tharindu Wickramasinghe - Regional Manager

Regional Managers



From Left to Right

- Amila Rajapaksha - Zonal Manager
- Buddhika Sanjeewa - Regional Manager & Head of Priority Channels
- Tiron Atapattu - Regional Manager
- Chathuranga Fernando - Regional Manager
- Mahesh Sooriyaarachchi - Regional Manager
- Wasantha Rathnasiri - Regional Manager

Branch Managers

Region	Branch	Name with initials	Contact Numbers	Office Mobile	Office E-mail
Region 01	Panadura	N W L T Senaviratne	382239963	714736336	lahirus@sdf.lk
	Piliyandala	U T Dilrukshi	112183616	761524613	thilinid@sdf.lk
	Homagama	D L R Widuranga	112892966	763948579	rasinduw@sdf.lk
	Borella	K N D N Siyaguna	112266666	771331285	deemanthas@sdf.lk
	Moratuwa	H A A Caldera	112649092/112649093	766148310	amithc@sdf.lk
Region 02	Akuressa	K G A P Kumara	412050056	777520469	asankak@sdf.lk
	Ambalantota	T P Atapattu (RM)	472225414	778145387	tirona@sdf.lk
	Kamburupitiya	M A Laksiri	412050666	774803861	mgrkalmunai@sdf.lk
	Karandeniya	M W P Kumuduni	912262270	768693068	mgrkarandeniya@sdf.lk
	Galle	B H G P C Jayalath	912230226	777521173	Chamaraj@sdf.lk
	Matara	D D S Gunasekara	412050166	762497838	dilumg@sdf.lk
Region 03	Kalmunei	B H M Mubeen	672050766	771277562	mgrkalmunai@sdf.lk
	Ampara	D G L L Dehigampala	632050166	772271138	leeld@sdf.lk
	Batticaloa	J A Thinesh	652050766	766607473	amalrajt@sdf.lk
	Kethsirigama	P D E J Pothpitiya	-	763167309	jayanthap@sdf.lk
	Akkaraipattu	M Z M Shiyam	672277127	777779449	shiyamm@sdf.lk
Region 04	Jaffna	S Chandrathasan	212050766	777291550	chandrathasans@sdf.lk
	Mannar	S J Prashanthan	232050166	773520736	prashanthans@sdf.lk
	Vavuniya	A Sukeentharan	242050066	773928093	sukeetharana@sdf.lk
	Trinco	E N P D Silva	262050966	774671634	nipunas@sdf.lk
Region 05	Balangoda	K V S Dhanapala	452121676	762447970	sarathd@sdf.lk
	Godakawela	P H A L Rathnayaka	452121656	770729520	asankar@sdf.lk
	Kegalle	J M A K B Jayakody	352050272	741975187	managerkegalle@sdf.lk
	Rathnapura	H I L Abeygunawrdhana	452121636	743728480	managerratnapura@sdf.lk
	Ruwanwella	V L S Bandara	362269006	741383623	mgrruwanwella@sdf.lk
Region 06	Anuradhapura	D M A N Dissanayake	252121966	767203626	amilad@sdf.lk
	Kebithigollewa	R P Madusanka	252220966	769734902	priyanm@sdf.lk
	Kekirawa	N M J M Narayana	252220906	742863478	malingan@sdf.lk
	Parakramapura	M G S P Herath (RM)	252221161	740999165	sureshh@sdf.lk
	Thabuttegama	H M D S Herath	252221660	742598288	damithh@sdf.lk
Region 07	Kandy	M S Premarathne	812063686	767399760	managerkandy@sdf.lk
	Nawalapitiya	S M K G P K Subasinghe	542050556	740459589	priyanthas@sdf.lk
	Nuwaraeliya	R M G D H P Bandara	522050166	768438358	dhanushkab@sdf.lk
	Digana	T M A S T S Bandara	812063366	742402434	Thushant@sdf.lk
	Hatton	D G C K Bandara	512050666	772374921	chandanab@sdf.lk
Region 08	Monaragala	P P A P Jayasinghe	552055561	742723253	managermonaragala@sdf.lk
	Madagama	H A S W Hettiarachchi	552266478	776723380	mgrmedagama@sdf.lk
	Badulla	A M G Indika	552051196		gihani@sdf.lk
	Kataragama	W M S C P Kumara	472236143	774227089	mgrkataragama@sdf.lk
	Tissamaharama	N D S Nirnath	0472259013 0472259014	778515463	nirnaths@sdf.lk
Region 09	Gampaha	D C Ubeysinghe	332060973	774903161	dilanu@sdf.lk
	Delgoda	P V Gunawardane	112190686	742711588	peshalag@sdf.lk
	Pasyala	N P Kumara	332216273		mgrpasyala@sdf.lk
	Minuwangoda	J A G Sampath	112284966	762587839	gayans@sdf.lk
	Negombo	M L J R S Fonseka	312121162	743651463	judef@sdf.lk
Region 10	Medirigiriya	W G N N Jayasinghe	272053326	789929825	nalakaj@sdf.lk
	Polonnaruwa	B A A P Balasuriya	272053661	742259661	managerpolonnaruwa@sdf.lk
	Dambulla	A M C M Samarakon	662121166	740573981	chamaras@sdf.lk
	Mahiyangana	R M C J Bandara	552051160	768564146	mgrmahiyangana@sdf.lk
	Dehiattakandiya	S A J Chaminda	272053686	764447838	janakac@sdf.lk
	Matale	H M D C Herath	662121066	779675728	managermatale@sdf.lk
Region 11	Kurunegala	W M S C Wijesooriya	372051966	775736267	managerkurunegala@sdf.lk
	Kuliyapitiya	D M I Dayaratna	372052153	777540588	managerkuliyapitiya@sdf.lk
	Naththandiya	M M L Munasinghe	322050676	763167418	mgrnattandiya@sdf.lk
	Chilaw	C G H A A Ratnayake	322050626	761913609	anushar@sdf.lk
	Puttalam	P M L B Perumbuli	322050653	764309763	managerputtalam@sdf.lk

Tissamaharama

EMPOWERING VILLAGE COMMERCIAL FARMERS

FIVE ACRES OF BANANA, FIFTEEN OF PADDY, AND A STANDING ORDER FROM THE CITY.

Farming is the only life I have known. I work close to five acres of banana and another fifteen of paddy, and over the seasons I have learned that hard work alone is not enough; you need the right tools at the right time.

That is where Sarvodaya Development Finance has stood with me. When I needed to invest in agricultural machinery, they were there, and I draw on agri loans from time to time as the cultivation cycle demands. The difference shows in my harvest. My bananas now go to leading supermarket chains, and the orders keep coming, week after week.

Knowing there is a constant demand for what my land produces has changed how I plan and how I dream. I am no longer just a farmer at the edge of a value chain. I am a steady supplier the nation depends on.

SDF Support: financing for agricultural machinery, with agri loans drawn across the cultivation cycle.
Customer Name: W Sarath



Operating Environment

SDF's ability to create sustained value for stakeholders is shaped by the operating environment in which we conduct business. A structured analysis of global, domestic, and sectoral developments — using the PESTEL and Porter's Five Forces frameworks — enables us to anticipate emerging risks, capture opportunities, and adapt our strategy with agility. This section sets out the macroeconomic and industry context against which our FY 2025/26 performance should be read.

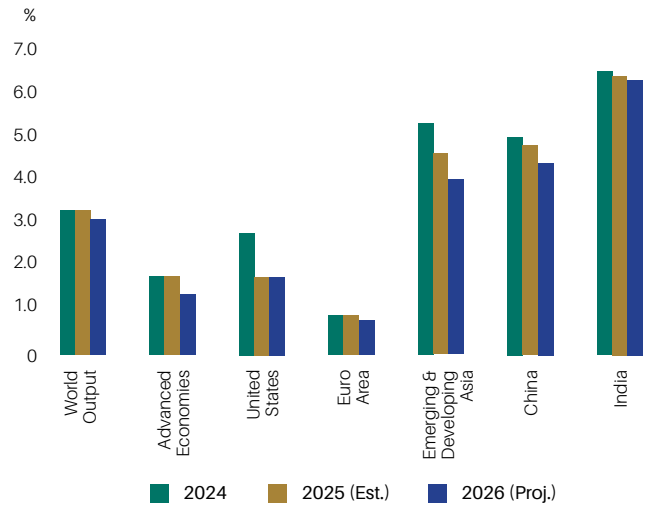
FY 2025/26 unfolded in a more complex external environment than the previous year. Globally, the normalisation of trade policy was disrupted by escalating US reciprocal tariffs during 2025 and the outbreak of armed conflict in the Middle East in early 2026, which together unsettled the disinflation path and dampened growth momentum. Domestically, however, Sri Lanka consolidated its recovery: the economy posted a second consecutive year of 5.0% growth, inflation returned to positive territory, the fiscal deficit narrowed sharply, and external buffers continued to strengthen. The Non-Bank Financial Institutions (NBFI) sector recorded exceptionally strong balance-sheet growth alongside a marked improvement in asset quality and profitability.

1. Global Economy

After demonstrating resilience through 2024, the global economy entered 2025 with cautious optimism. The year was, however, punctuated by a sharp escalation in US trade policy, with reciprocal tariffs raising effective US import duties to multi-decade highs and inviting countermeasures from major trading partners. By early 2026, the outbreak of war in the Middle East added a further commodity-price and confidence shock, halting the gradual disinflation that had been under way since 2023.

According to the IMF's April 2026 World Economic Outlook (Reference Forecast), global growth is projected at 3.1% in 2026 and 3.2% in 2027, below the 3.3% outturn estimated for 2025 and well under the pre-pandemic average of 3.7%. Global headline inflation is forecast to tick up to around 4.4% in 2026 primarily reflecting higher energy and food prices linked to the Middle East conflict before resuming its decline in 2027. The slowdown is expected to be most pronounced in commodity-importing emerging economies with limited fiscal buffers.

Global Real GDP Growth (%) — IMF April 2026 Reference Forecast



Risks remain firmly tilted to the downside: a prolonged or expanded conflict, deeper geopolitical fragmentation, a re-rating of AI-driven productivity expectations, or further trade tensions could materially weaken activity. Elevated public debt and eroded policy buffers limit the room for conventional countercyclical responses.

2. Sri Lankan Economic Highlights and their Impact

Sri Lanka entered FY 2025/26 on its firmest macroeconomic footing since the 2022 crisis. The economy delivered a second consecutive year of 5.0% real growth in 2025, inflation returned to positive territory, the budget deficit narrowed dramatically to 2.3% of GDP, and gross official reserves rose to USD 6.8 billion by year-end. The year was not without setbacks: heightened US trade-policy uncertainty pressured apparel and rubber-based exports, while Cyclone Ditwah and associated severe weather in late 2025 caused significant loss and disruption, particularly in rural and agricultural communities. The following PESTEL analysis examines the principal forces shaping our operating environment.

2.1 PESTEL Analysis

Political

Sri Lanka's political environment remained broadly stable throughout FY 2025/26 under the National People's Power (NPP) government led by President Anura Kumara Dissanayake, elected in September 2024 with a clear parliamentary majority. The administration continued to implement reforms anchored to the IMF's Extended Fund Facility (EFF), maintaining fiscal discipline, advancing anti-corruption legislation, and progressing structural reforms in state-owned enterprises and tax administration.

Political stability translated into measurable gains in confidence: successive sovereign credit-rating actions through 2025 reflected the consolidation of the recovery, and the Colombo Stock Exchange All Share Price Index rose by approximately 33% over the year to end-March 2026. The phased lifting of the vehicle-import ban initiated in February 2025 represented one of the most visible policy normalisations of the year, with material implications for the leasing industry.

Outlook

- Political stability is expected to be sustained over the medium term, supported by the government's parliamentary majority and continued IMF programme engagement.
- The reform agenda fiscal consolidation, anti-corruption legislation, governance, and state-enterprise reform will continue to dominate the policy landscape.
- Continued progress under the EFF and external debt-restructuring follow-through remain critical anchors of confidence.

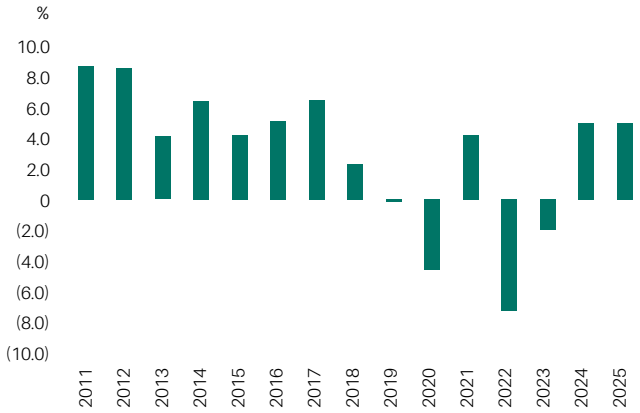
Operating Environment

Economic

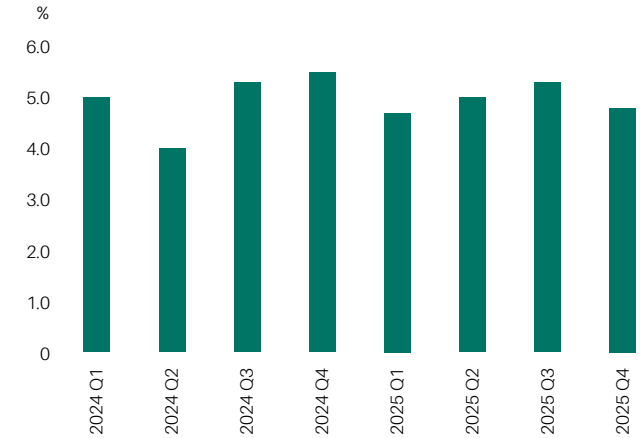
Gross Domestic Product (GDP)

Sri Lanka's economy grew by an estimated 5.0% in 2025, matching 2024 and exceeding most external forecasts. Quarterly real GDP grew 4.7% in Q1, 5.0% in Q2, 5.3% in Q3 and 4.8% in Q4, extending the expansion to eleven consecutive quarters. Industry was the standout performer growing around 7–8% on the strength of construction and manufacturing while services grew steadily. Agriculture was the weakest sector, constrained by adverse weather including Cyclone Ditwah in late 2025. Nominal GDP rose to USD 108.8 billion and per-capita GDP reached USD 5,003, the first time above the USD 5,000 mark since the crisis (2024: USD 4,546).

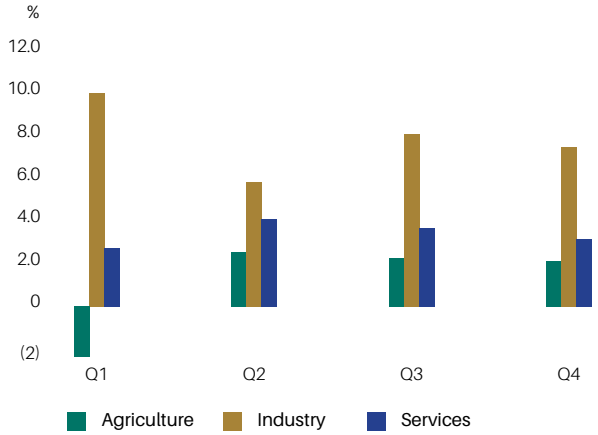
Sri Lanka Annual Real GDP Growth (%)



Sri Lanka Quarterly Real GDP Growth (%, YoY)



Sector GDP Growth (%) — Industry leads the Expansion



Inflation

After an extended period of deflation that began in late 2024, headline inflation (CCPI) returned to positive territory during the second half of 2025. By March 2026, CCPI headline inflation stood at 2.2% and core inflation at 2.5%, both consistent with a gradual convergence towards the Central Bank's 5% medium-term target under its Flexible Inflation Targeting framework. The transition reflected the fading of earlier electricity-tariff reductions, normalising commodity prices, and a steady recovery in domestic demand.

CCPI Inflation — Headline vs Core (%, YoY)

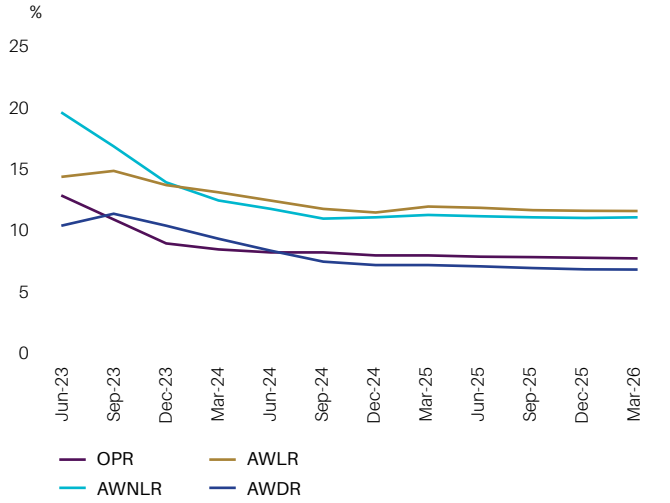


Interest Rates

Following an aggregate easing of around 800 basis points since 2023, the Central Bank moved to a calibrated, data-driven stance. The Overnight Policy Rate (OPR) — the single policy rate introduced in November 2024 — was reduced by a further 25 basis points to 7.75% by March 2026. Market rates moved in step: the average weighted lending rate eased to around 11.6% and the

average weighted new lending rate to around 11.1%, supporting credit expansion across both banks and NBFIs.

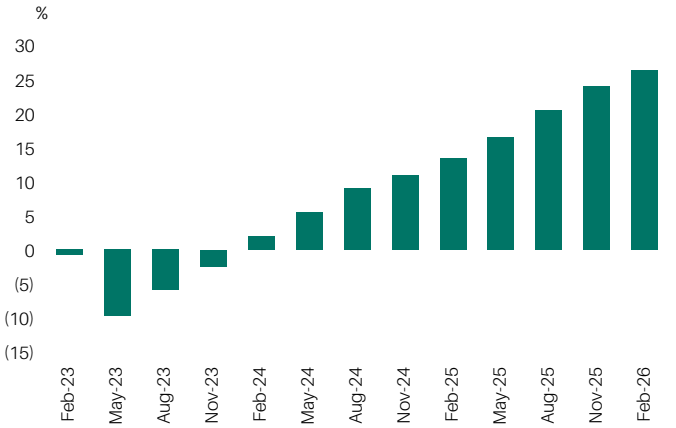
Policy & Market Interest Rates



Credit Growth

The low interest-rate environment, restored confidence and recovering demand drove a strong revival in credit. Credit to the private sector by licensed commercial banks grew by 26.4% year-on-year as at February 2026 — a sharp turnaround from the contraction recorded in 2023 — signalling robust underlying demand for financing across industry, services and personal segments.

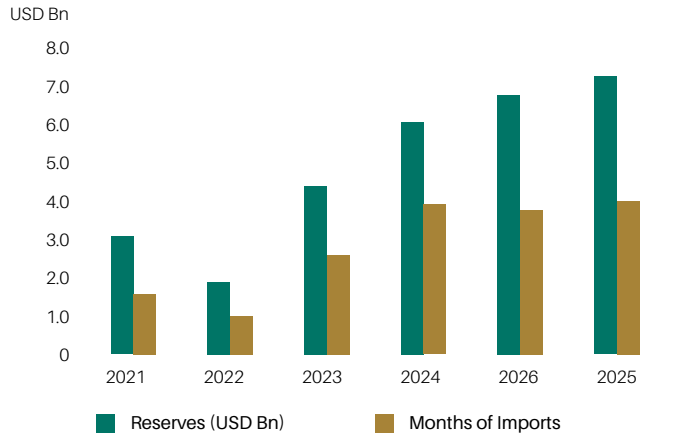
Credit to the Private Sector - Robust 26.4% Growth Reflects strong Demand



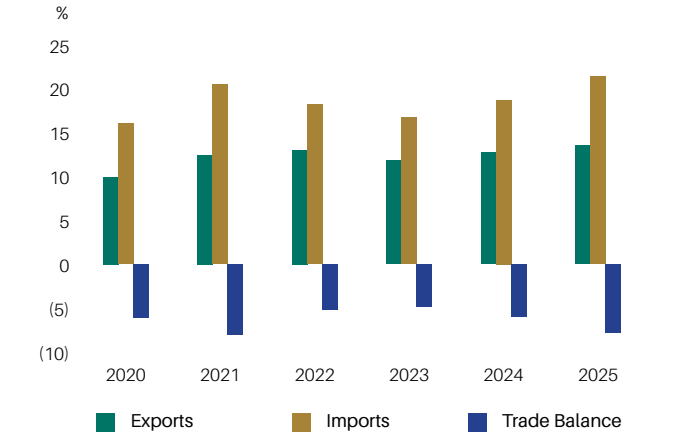
Exchange Rate and External Sector

The Sri Lankan rupee recorded a modest depreciation under the flexible exchange-rate regime, with the period-average rate moving from around LKR 296 per US dollar in March 2025 to around LKR 312 by March 2026. The external position strengthened materially: Sri Lanka recorded a current-account surplus of USD 1.7 billion in 2025 — the third consecutive annual surplus — supported by record workers' remittances of USD 8.1 billion, resilient tourism earnings, and a balance-of-payments surplus. Gross official reserves rose to USD 6.8 billion at end-2025 and further to USD 7.3 billion by February 2026, equivalent to around 4 months of imports.

Gross Official Reserves (USD Bn) and Months of Imports

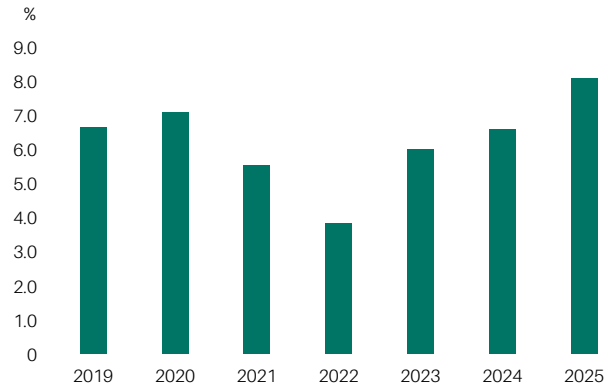


Merchandise Trade (USD Bn) Exports, Imports and Trade Balance

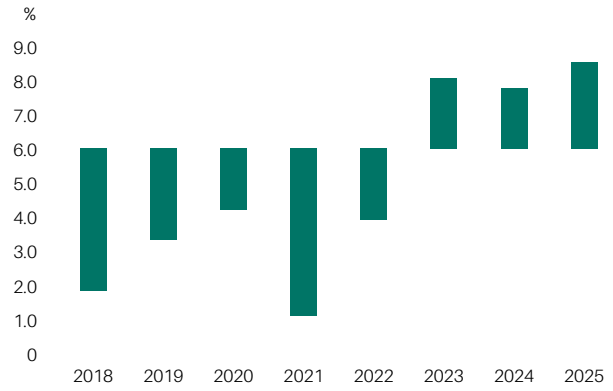


Operating Environment

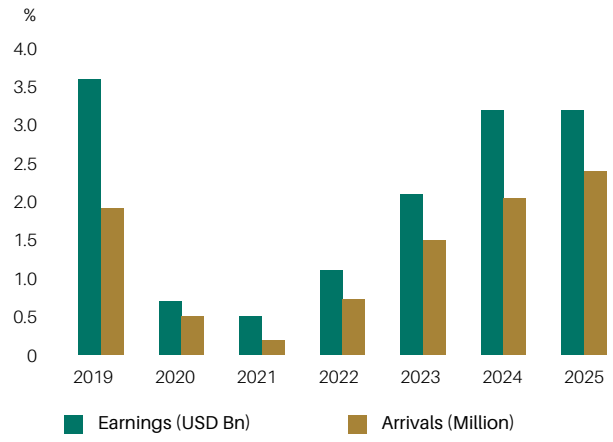
Workers' Remittances (USD Bn)
- Record USD 8.1 bn in 2025



Current Account Balance (USD Bn)
- Third Consecutive Surplus



Tourism - Earnings (USD Bn)
and Arrivals (Million)



Fiscal Performance

Fiscal consolidation was the standout achievement of the year. The budget deficit narrowed sharply to an estimated 2.3% of GDP in 2025, from 6.8% in 2024, as government revenue and grants rose to 16.7% of GDP (2024: 13.6%) on the back of revenue-based consolidation, a broader VAT base and improved revenue administration. Central government debt declined to an estimated 91.6% of GDP at end-2025, from a peak of 114.2% in 2022, reinforcing debt-sustainability indicators.

Outlook

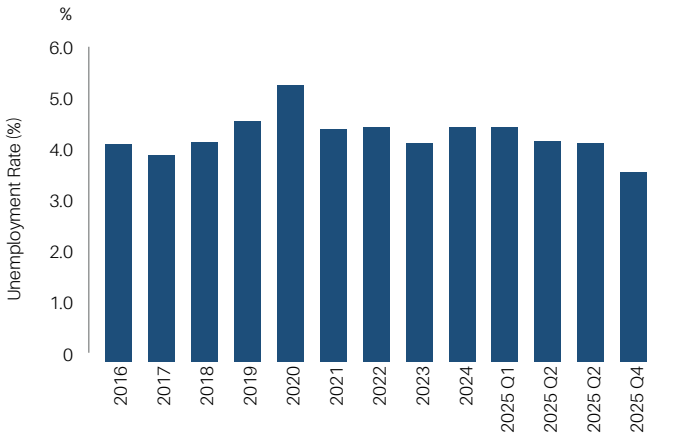
- Real GDP growth is expected to moderate slightly to around 4% in 2026, reflecting the impact of US tariffs on apparel exports, the late-2025 weather-related disruption to agriculture, and softer global growth.
- Inflation is projected to gravitate towards the Central Bank's 5% target through 2026, with upside risks from imported energy and food prices linked to the Middle East conflict.
- Interest rates are expected to remain low and broadly stable, sustaining credit demand.
- Continued fiscal discipline, debt-restructuring follow-through and IMF programme adherence remain critical to consolidating the recovery.

Social

According to the 2024 Census of Population and Housing, Sri Lanka's population stood at 21.76 million, with the average annual growth rate slowing to 0.5%. The labour market continued to improve: the unemployment rate eased to 3.8% by the fourth quarter of 2025, from 4.4% in 2024, while the labour-force participation rate edged up to around 48.8%.

Despite the macroeconomic recovery, social challenges remain pronounced. Poverty — though declining from crisis-era peaks — remains well above pre-2019 levels, and the cost-of-living recovery is uneven across income groups. Cyclone Ditwah in late 2025 inflicted significant hardship on rural and lower-income households, underscoring the vulnerability of the communities SDF serves. SDF's continued focus on rural and grassroots financial inclusion anchored by the Sarvodaya Society network — remains directly aligned with the country's social-development priorities.

Sri Lanka Unemployment Rate (%)



Outlook

- Continued employment gains are expected, supported by growth in industry, construction and tourism-related services.
- Targeted welfare programmes (Aswesuma), MSME support, and skills development will be central to an inclusive recovery.
- Demographic ageing and continued out-migration of skilled labour pose medium-term productivity risks and inform our talent and product strategies.

Technological

Technology continues to transform Sri Lanka's financial-services landscape. Artificial Intelligence applications — from chatbots and AI-driven credit scoring to fraud detection — are moving from pilot stage into core lending and service functions across the NBFI sector. The digital-payments ecosystem continues to deepen, supported by the ISO 20022-compliant RTGS system, the expansion of the Common Electronic Fund Transfer Switch, and the Government Digital Payments Platform.

At the national level, Sri Lanka has reframed its digital economy as a strategic priority, establishing a dedicated Digital Economy Ministry and setting an ambitious target to grow the digital economy several-fold over the medium term. For NBFIs, AI-augmented origination, collections and back-office processes are emerging as a competitive differentiator — while raising new cyber-security and model-risk considerations.

Outlook

- Digital and AI adoption is expected to accelerate, reshaping cost structures, customer experience and credit decisioning.
- The Central Bank's multi-year payment-systems roadmap will continue to anchor sectoral innovation.
- Cyber-security and model-risk governance will require commensurate investment as digital dependence rises.

Environmental

Climate change is increasingly material to financial stability. Physical risks more frequent and severe weather events directly erode collateral values and disrupt borrower cash flows. Cyclone Ditwah, which struck Sri Lanka in late 2025, was a stark illustration: it caused widespread damage to agriculture, infrastructure and housing, and the scale of associated hardship was reflected even in remittance inflows. Transition risks arising from the shift to a low-carbon economy can disrupt asset values in carbon-intensive industries.

Sri Lanka has committed to generating 70% of electricity from renewable sources by 2030, and legislation enacted to attract private renewable-energy investment continued to be operationalised through 2025. The transition opens significant green-financing opportunities for NBFIs particularly in solar, agri-machinery and e-mobility directly relevant to SDF's rural and agriculture-focused franchise.

Outlook

- Climate-related physical risk — especially in agricultural and rural portfolios — will require deeper integration into credit policy, collateral assessment and field monitoring.
- Renewable-energy, climate-smart agriculture and e-mobility financing represent material growth opportunities.
- Climate-related disclosure expectations are expected to evolve in line with global frameworks (TCFD/ISSB).

Operating Environment

Legal & Regulatory

The Central Bank of Sri Lanka continued to strengthen the regulatory framework during FY 2025/26, including the operationalisation of the amended Banking Act, revised directions on large exposures and related-party transactions, and the rollout of the Depositor-wise Data Collection System covering both banks and finance companies.

For the NBFI sector, the Phase II Masterplan for Consolidation — effective from March 2025 to March 2028 — continues to shape the competitive landscape. Phase II shifts the emphasis from amalgamations towards strengthening the resilience of standalone finance companies, with monitored performance against benchmarks. Amendments to the Finance Business Act and Finance Leasing Act, alongside enhanced supervisory automation and broader public disclosure of finance-company performance, are reinforcing prudential oversight.

Outlook

- CBSL is expected to continue rolling out Phase II measures through March 2028, with closer scrutiny of standalone NBFIs against benchmark indicators.
- Enhanced disclosure, IFRS-related supervisory expectations and evolving AML/CFT requirements will continue to raise the compliance bar.
- Further legal reforms supporting judicial efficiency and regulatory transparency are anticipated.

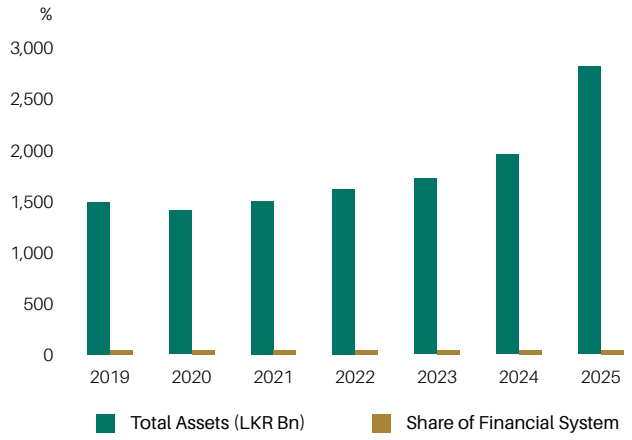
3. Non-Bank Financial Institutions (NBFI) Sector

The NBFI sector — comprising Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) — plays a vital role in financial intermediation, particularly for segments underserved by commercial banks. The sector specialises in leasing, gold-backed lending, microfinance, SME finance and personal lending. FY 2025/26 was a year of exceptionally strong performance across every key dimension: balance-sheet growth, profitability, asset quality and the sector's share of the financial system all improved markedly.

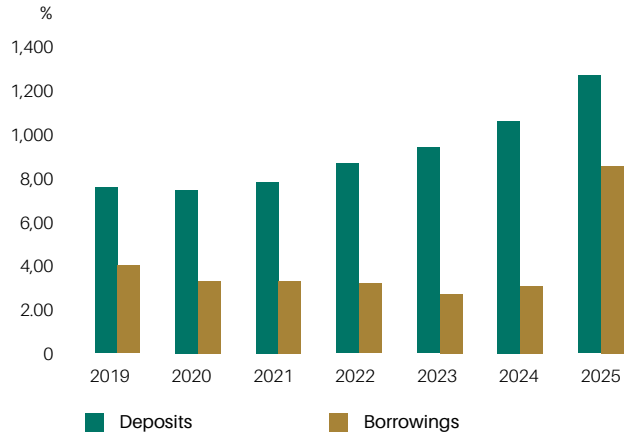
Sector Performance

Based on the Central Bank's provisional data for the Finance Companies sector, total assets reached LKR 3,059.6 billion at end-March 2026, a 46.4% increase over the year — an exceptional rate of expansion driven by strong credit demand, the vehicle-import recovery and renewed leasing momentum. Loans and advances grew 56.5% to LKR 2,451.4 billion. Funding expanded on both sides of the balance sheet: customer deposits rose 22.9% to LKR 1,376.9 billion, while borrowings rose sharply as companies tapped institutional and development funding to support growth. The sector's share of the total financial system rose to approximately 6.8%.

NBFI Total Assets (LKR Bn) & Share of Financial System (%)



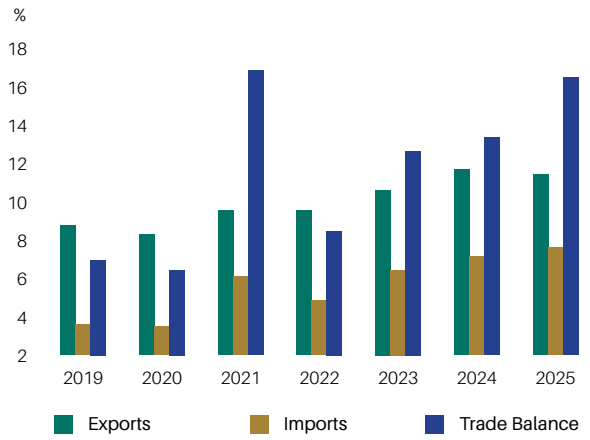
NBFI Sector Funding - Deposits and Borrowings (LKR Bn)



Profitability

Sector profitability strengthened further. Profit after tax for the year ending March 2026 rose 27.5% to LKR 88.5 billion, while net interest income grew 25.9% to LKR 253.1 billion. Return on equity improved to 17.0% (from 15.2% a year earlier), although return on assets eased slightly to 6.2% and the net interest margin moderated to 9.9% as the interest-rate normalisation cycle drew to a close and high-yield assets repriced. The strategic emphasis is shifting from rate-driven margin expansion towards volume growth, portfolio quality, collections effectiveness and cost discipline.

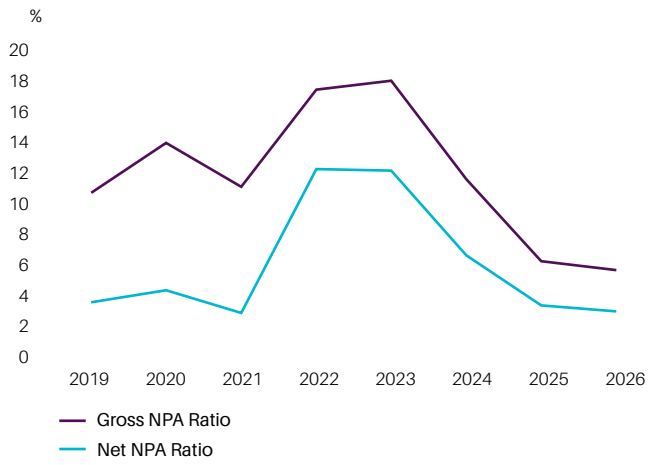
NBFI Sector Profitability - NIM, ROA and ROE (%)



Asset Quality

Asset quality improved substantially. The sector's Stage 3 (non-performing) loan ratio fell to 4.6% at end-March 2026, from 8.6% a year earlier, with the net non-performing ratio easing to 2.5%. The improvement was supported by lower interest rates, recovering borrower cash flows and strengthened collection mechanisms. Stage 3 impairment coverage remained broadly stable at around 46.6%.

NBFI Sector Non-Performing Advances



Capital and Liquidity

The sector maintained capital buffers comfortably above regulatory minima, with the total capital ratio at 18.3% and the Tier 1 ratio at 16.4% at end-March 2026 — both moderating from a year earlier as rapid asset growth outpaced capital generation. Liquidity also moderated as funds were deployed into earning assets: liquid assets stood at 8.9% of total assets. While these buffers remain sound, the pace of balance-sheet growth warrants continued attention to capital planning and liquidity management across the sector.

Outlook

- Sector growth is expected to remain healthy in FY 2026/27, supported by the continued vehicle-import recovery, SME credit demand, and resilient micro and gold-loan portfolios.
- Asset quality should continue to improve as legacy non-performing loans are resolved and credit standards adapt to the lower-rate environment.
- Margin compression will require disciplined cost management, fee-income diversification and selective portfolio-mix shifts.
- Phase II of the CBSL Masterplan will continue to steer standalone finance companies towards stronger capital, governance and digital capability — with potential further consolidation.
- The exceptional pace of balance-sheet expansion places a premium on prudent capital and liquidity planning.

Operating Environment

4. Our Competitive Landscape

The NBFI sector operates in a competitive landscape of around 30 licensed banks and the LFC/SLC sector competing across overlapping product segments. SDF's distinctive agriculture-focused, community-centric model anchored by the nationwide Sarvodaya Society network provides differentiated positioning, but the broader competitive forces still shape strategic priorities.

Force	Description	SDF's Response
Bargaining Power of Customers **Impact: High**	Large-ticket loan and deposit customers are price-sensitive and hold meaningful bargaining power. With private-sector credit growing rapidly, competition for quality borrowers has intensified. SDF's MSME and micro customers are historically less rate-sensitive, but rising financial sophistication and digital comparison are gradually increasing their leverage.	**Our Response** Deepen relationships through value-added services and life-stage product bundling; strengthen the Sarvodaya Society channel as a structural relationship moat.
Bargaining Power of Business Partners / Suppliers **Impact: Medium**	Operational suppliers (technology, telecoms, professional services) hold low bargaining power. Strategic funding partners local banks and international impact investors exercise greater influence, particularly as sector borrowings have risen sharply and ESG conditions increasingly shape access to concessional capital.	**Our Response** Maintain a diversified pool of service providers; cultivate long-term relationships with impact-funding institutions; strengthen ESG performance to retain access to concessional capital.
Threat of New Entrants **Impact: Low**	The likelihood of new licensed entrants is constrained by CBSL's Phase II Masterplan, which prioritises consolidation over expansion. However, fintech-enabled, non-licensed competitors are increasingly active in payments, BNPL and digital-only credit.	**Our Response** Build a differentiated, credible brand around the agri-impact franchise; invest in digital capability to defend against fintech disruption.
Competitive Rivalry **Impact: High**	Rivalry has intensified as the rate cycle normalises and margins compress. With credit demand strong, competing institutions are deploying aggressive pricing, channel investment and product innovation, particularly in SME and higher-value segments.	**Our Response** Differentiate through superior service, product-mix optimisation, process efficiency and continued innovation in agri- and rural-finance solutions; leverage purpose-driven positioning.
Threat of Substitute Products **Impact: High**	Commercial banks offer overlapping loan and deposit products at lower funding costs. Over the medium term, fintech-driven solutions, peer-to-peer lending and digital-wallet credit pose a substantive substitution threat for unsecured personal and micro segments.	**Our Response** Stay close to emerging technology and best practice; invest in digital channels, AI-enabled credit and value-added solutions tailored to under-served segments.

5. Key Developments in the Risk Landscape — FY 2025/26

The following developments materially shaped SDF's risk landscape during the year and continue to inform our forward-looking strategy.

Development	Impact on SDF	Risk Trend	Mitigation Approach
US Reciprocal Tariffs	Limited direct exposure, but indirect impact on borrowers in apparel and rubber-product supply chains affects credit quality in specific pockets.	Elevated	Tightened sector-concentration indicators; closer monitoring of affected borrowers; portfolio diversification.
Middle East Conflict (2026)	Imported energy and food-price pressures could re-accelerate inflation and raise borrower operating costs.	Elevated	Inflation and rate-sensitivity stress testing; active liquidity management; selective repricing where permissible.

Development	Impact on SDF	Risk Trend	Mitigation Approach
Cyclone Ditwah (late 2025)	Direct exposure through agricultural lending and rural microfinance; impact on collateral values and borrower repayment capacity.	Moderate	Targeted relief measures; enhanced field monitoring via the Society network; agri-insurance partnerships; climate-risk integration into credit policy.
Vehicle-Import Liberalisation	Positive: reopens leasing-growth opportunities, particularly in light commercial and personal vehicles. SDF leasing portfolio growth 35%	Improving (Opportunity)	Capacity-building in leasing operations; refreshed credit-scoring models; selective expansion of agricultural leasing.
Rapid Sector Balance-Sheet Growth	Sector assets grew 46% — strong opportunity, but rapid growth pressures capital and liquidity ratios sector-wide.	Increasing	Disciplined capital planning; prudent liquidity buffers; quality-focused origination.
NBFI Phase II Masterplan	Heightened supervisory expectations on standalone LFCs; benchmark-based performance monitoring by CBSL.	Stable	Continued strengthening of capital, governance and risk-management frameworks; proactive supervisory engagement.
AI / Digital Disruption	Both opportunity (efficiency, decisioning, customer experience) and risk (cyber-security, model risk, talent gaps).	Increasing	Continued digital investment; cyber-security enhancements; AI-governance and model-risk policies; talent development.

6. Outlook for FY 2026/27

The operating environment heading into FY 2026/27 is best characterised as constructive but increasingly heterogeneous in its risks. The domestic recovery is well-established — growth is steady, the fiscal position has improved dramatically, inflation is contained, external buffers are stronger, and the NBFI sector is healthier and larger than at any point since the crisis. At the same time, external risks have intensified, and the sector's exceptional growth places a premium on disciplined execution.

Key themes for the year ahead:

GDP growth is expected to remain solid, supported by industry, construction, services and tourism, though with downside risk from US tariffs and softer global growth.

The NBFI sector should benefit from continued asset-quality improvement, strong credit demand and the leasing recovery but margin compression and capital/liquidity discipline will define competitive success.

Digital adoption and AI-enabled processes will accelerate, alongside rising cyber and model-risk management requirements.

- Climate-related physical risk — underscored by Cyclone Ditwah — and green-transition opportunities will both feature more prominently in strategy and risk management.
- Continued IMF programme adherence, fiscal discipline and structural-reform momentum remain critical anchors of the recovery.
- Against this backdrop, SDF remains firmly committed to its differentiated, agriculture-focused business model and community-centric value proposition. Our forward strategy — set out in the Strategy Review section [page reference to be inserted] — is calibrated to convert these external trends into sustained, inclusive and ESG-aligned value creation for all stakeholders.

Key Sources Referenced

- Central Bank of Sri Lanka — Macroeconomic Developments in Charts (Chart Pack), Q1 2026, as at end-March 2026.
- Central Bank of Sri Lanka — Monthly Economic Indicators, March 2026.
- Department of Census and Statistics — Quarterly National Accounts (GDP estimates released 17 March 2026); Labour Force Survey; 2024 Census of Population and Housing.
- Ministry of Finance, Planning and Economic Development — fiscal sector data.
- International Monetary Fund — World Economic Outlook, April 2026 (Reference Forecast).
- Colombo Stock Exchange; Public Debt Management Office.

Stakeholder Engagement

FY 2025/26 GRI 2-12, 2-23, 2-24, 2-29 | GRI 3-1, 3-2 | GRI 413-1

At Sarvodaya Development Finance PLC (SDF), stakeholder engagement is not merely a compliance exercise; it is the very fabric of our operation, deeply woven into the founding principles of the Sarvodaya movement. Our engagement strategy is designed to foster a continuous cycle of understanding, collaboration, and shared value creation, ensuring that our financial services genuinely empower individuals and uplift communities. We believe that by genuinely listening to and collaborating with our diverse stakeholders, we not only manage risks but also unlock opportunities for sustainable growth and profound social impact.

The "Shared Value" Framework

During FY 2025/26, this approach took on renewed significance. As the operating environment shifted (with the interest-rate normalisation cycle drawing to a close, heightened regulatory expectations under the CBSL Phase II Masterplan, and intensifying competition), structured, two-way engagement enabled us to anticipate stakeholder needs and respond with agility. A defining outcome of the year was the strengthening of investor confidence, evidenced by SDF's issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, and the mobilisation of USD 9 million in new impact foreign funding. These milestones were made possible by sustained, transparent dialogue with our capital providers.

1. Governance and Management of Stakeholder Relationships

Ultimate responsibility for stakeholder engagement rests with the Board of Directors, which places strong emphasis on understanding and responding to stakeholder concerns in support of long-term, inclusive value creation. The Board is supported in this role by the Board Integrated Risk & Sustainability Committee, which provides oversight of sustainability-related and stakeholder-related matters.

At the management level, Sustainability Committee drives the implementation of the Stakeholder Engagement Policy across the organisation. While day-to-day engagement is decentralised (conducted by branch teams, business units, and the Society network), Strategic Planning Department coordinates consistency of practice, consolidates stakeholder feedback, and reports engagement outcomes to senior management and the Board.

The following Board-approved policies frame our engagement: Sustainability Policy, Customer Protection Policy, Communication / Investor Relations Policy, Whistle-blower Policy.

GRI 2-29

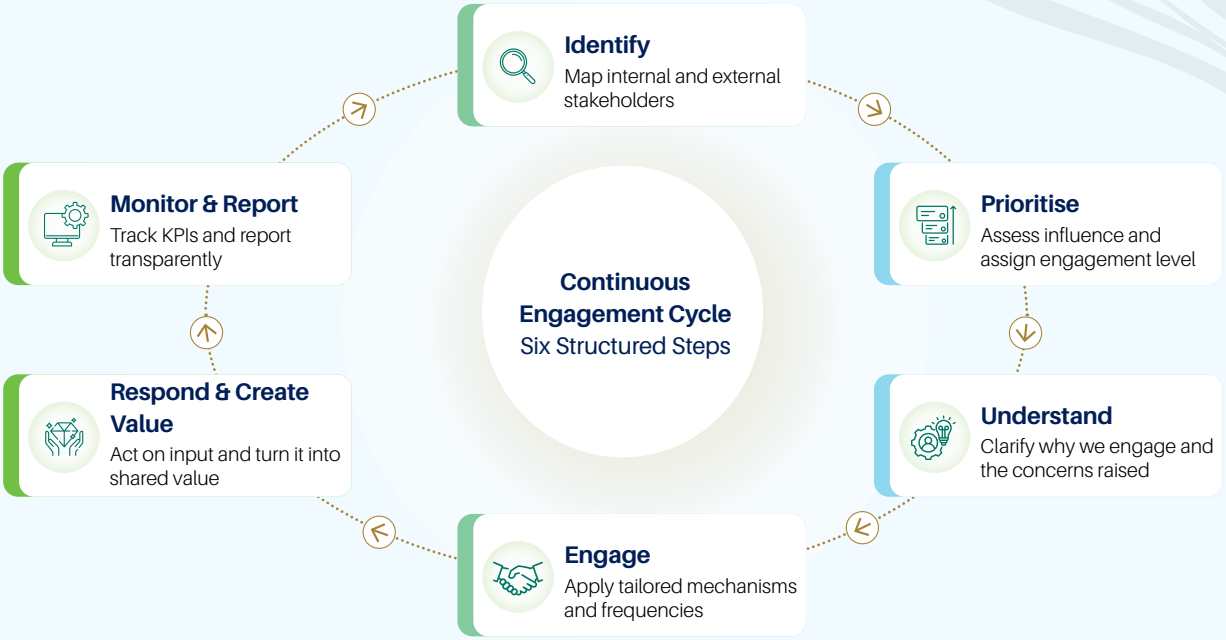
2. Our Approach to Stakeholder Engagement

We apply a structured, repeatable approach that ensures every key stakeholder group is identified, understood, and meaningfully engaged, and that the resulting insights flow back into strategy, product design, and risk management.

1. Identify: Map internal and external stakeholders relevant to our operations and strategy.
2. Prioritise: Assess each group by its influence on SDF and SDF's impact on it, and assign a level of engagement.
3. Understand: Determine why we engage, the concerns each group raises, and the value at stake.
4. Engage: Apply tailored mechanisms and frequencies appropriate to each group.
5. Respond & Create Value: Act on stakeholder input and translate engagement into shared value.
6. Monitor & Report: Track engagement effectiveness through KPIs and report transparently.

Engagement Objectives

- To enhance stakeholder trust through transparent, two-way communication.
- To align stakeholder expectations with SDF's purpose-driven strategy.
- To ensure active participation in our sustainability and inclusive-growth agenda.
- To address concerns and feedback proactively, driving continuous improvement.
- To strengthen partnerships that contribute to long-term, shared value creation.



3. Our Stakeholder Engagement Principles

Our engagement is governed by five enduring principles, summarised below and described in detail thereafter:

Our Five Stakeholder Engagement Principles

Our engagement is governed by five enduring principles, summarised below and described in detail thereafter:

Inclusiveness & Relevance

Engage all key groups by influence and relevance

Integrity & Ethical Conduct

Fairness, respect and confidentiality upheld

Transparency & Accountability

Open communication; the feedback loop made visible

Responsiveness

Timely, meaningful action on stakeholder input

Continuous Engagement & Improvement

Ongoing dialogue; adapting to evolving needs

The Five Principles Guiding SDF's Stakeholder Engagement

Identify and engage key stakeholder groups based on influence and relevance.	**Uphold fairness, respect and confidentiality in all engagement activities.**	**Communicate openly and show how stakeholder feedback is used.**	**Take timely, meaningful action in response to stakeholder input.**	**Maintain ongoing dialogue and adapt practices to evolving needs.**

Stakeholder Engagement

- Inclusiveness and Relevance: We identify and engage all key stakeholder groups (customers, investors, regulators, employees, and community partners) based on their influence and the relevance of their interests to our operations and strategy.
- Integrity and Ethical Conduct: We uphold high ethical standards in all engagement activities, ensuring fairness, respect, and confidentiality, particularly when dealing with vulnerable groups or sensitive financial data.
- Transparency and Accountability: We communicate openly about decisions, performance, and risks, and ensure stakeholders understand how their feedback is used, building trust and meeting regulatory and ethical expectations.
- Responsiveness: We act on stakeholder input through timely, meaningful action, whether adjusting products, improving service standards, or refining risk-management practices.
- Continuous Engagement and Improvement: We maintain an ongoing dialogue, regularly evaluate engagement effectiveness, and adapt our practices to evolving stakeholder needs and market dynamics.

4. Identification and Prioritisation of Stakeholders

We group stakeholders by their influence over SDF and our impact on them, and we assign each a level of engagement (from Inform, through Consult and Involve, to Collaborate) that determines the depth and frequency of interaction. The matrix below positions our key stakeholder groups; it should be read together with the Engagement Canvas in Section 6.

Influence/ Interest	Lower Interest	Higher Interest
High Influence	**Keep Satisfied** • Rating Agencies • Business Partners / Suppliers (strategic)	**Manage Closely · Level: Collaborate / Involve** • Regulators (CBSL, SEC, IRD) • Shareholders & Impact Investors • Sarvodaya / SEEDS
Moderate / Low Influence	**Monitor** • Media • General Public • Operational Suppliers	**Keep Informed & Engaged · Level: Involve / Consult** • Customers (incl. Women Customers) • Employees • Sarvodaya Shramadana Societies & Members • Communities

5. Value Creation for Stakeholders

Stakeholder engagement is both a critical input to our strategy and a valuable outcome of it. The Value-Added Statement below illustrates how the economic value generated by SDF in FY 2025/26 was distributed among the stakeholders who helped create it. Refer full Value-Added Statement in the Financial Reports section 12.

Stakeholder	FY 2025/26 LKR Mn (Provisional)	% of Value Created	FY 2024/25 LKR Mn (Audited)	Mechanism of Distribution
Depositors & Lenders	2,271	35%	1,424	Interest paid on deposits and borrowings.
Employees	920	14%	699	Salaries, EPF/ETF, gratuity, training, and other staff benefits.
Government	1,000	16%	666	Tax on financial services (VAT and SSCL) and income tax.
Suppliers	1,411	22%		
Shareholders & Investors	337	5.2%	97	LKR 1.00 interim dividend paid for FY 2025/26 and LKR 1.25 per share dividend paid for FY 2024/25
Communities (via Sarvodaya Entities)	183	245.2%	53%	Dividends routed through Sarvodaya related entities

Stakeholder	FY 2025/26 LKR Mn (Provisional)	% of Value Created	FY 2024/25 LKR Mn (Audited)	Mechanism of Distribution
Retained for Reinvestment	479	7.5%	473	Retained earnings supporting capital strength, business expansion, and impact lending.
Total Value Created	6,423	100.0%	3,262	Value Created = Total Income less operating inputs to suppliers, depreciation, and impairment.

6. Stakeholder Engagement Canvas

The canvas below sets out, for each key stakeholder group, why we engage and the concerns raised, how we engage, what we learn, the shared value created, and the KPIs through which we measure engagement effectiveness. All quantitative figures are FY 2025/26 unless stated.

Stakeholder Group	Why We Engage & Key Concerns	How We Engage (Mechanism & Frequency)	What We Learn / How They Influence Us	Shared Value Created	KPIs Reflecting Engagement Outcome
Customers **Goal:** Customer at the centre of the business Level of **Engagement:** Involve	To understand financial needs, build trust, ensure product relevance, and foster long-term loyalty. **Key concerns:** • Access to affordable, inclusive finance • Transparent pricing and fair terms • Service quality and grievance handling • Data security and privacy • Financial support for business revival	• **Community Forums:** • 67 forums; • 2,680 participants • **Branch-level consultations:** weekly feedback sessions • **Digital channels, call centre and complaint hotline:** continuous	• **Product adaptation:** flexible micro-loan repayment aligned to agricultural cycles • Service enhancements: feedback on digital accessibility drives app improvements • **Risk mitigation:** early identification of repayment stress enables proactive support	• Improved financial access on fair terms • Enhanced financial capability through literacy programmes • Greater resilience to financial shocks	• Customer retention rate: 29% • New products from customer feedback: 1 • Customer satisfaction score: 88%

Stakeholder Engagement

Stakeholder Group	Why We Engage & Key Concerns	How We Engage (Mechanism & Frequency)	What We Learn / How They Influence Us	Shared Value Created	KPIs Reflecting Engagement Outcome
Women Customers **Goal:** Financial empowerment of women (SDG 5) Level of **Engagement:** Involve	For lending and deposit growth, recognising women as key drivers of family welfare; to support women's entrepreneurship and financial independence. **Key concerns:** • Products suited to seasonal / informal income • Avoiding debt overburdening • Digital and financial literacy • Respectful, gender-sensitive service	• **Personalised engagement:** staff trained in gender-sensitive approaches; active listening in local languages • **Tailored financial services:** micro-insurance and flexible repayment for seasonal income • **Empowerment programmes:** digital literacy, financial management training, and market linkages	• **Product customisation:** caregiving and life-stage realities inform new product features • **Targeted support:** emerging need for digital financial literacy identified • Enhanced trust: personalised approach builds strong, high-retention relationships	• Broader range of tailored, accessible products • Enhanced digital skills and expanded market access • Improved family welfare and community networks	• Female customers: 48.1% • Women-led businesses financed: 14,935
Shareholders & Investors **Goal:** Sustainable returns and access to impact capital Level of **Engagement:** Collaborate	To secure capital, demonstrate financial and social return, ensure strategic alignment, and maintain investor confidence. **Key concerns:** • Sustainable growth and returns • Business risk management • Transparency and accountability • ESG performance and impact reporting • Access to low-cost / concessional funding	• **Annual General Meeting:** annual; formal governance forum • **Quarterly investor calls & reports:** performance and strategy updates • **Direct dialogues & ESG presentations:** focused meetings with impact investors • **SEEDS Board representation:** strategic alignment • **Investment roadshows & public reporting:** global impact-investor events; AR and quarterly statements	• Impact investors' ESG conditions shape lending standards and disclosure • Investor dialogue supported the structuring of SDF's Sustainable Bond • External scrutiny strengthens internal controls and strategic discipline	• FY 2025/26 milestones evidencing investor confidence: • Issued Sri Lanka's first Sustainable Bond: LKR 2 billion • Mobilised USD 9 million in new impact foreign funding • Access to concessional and sustainable capital for the agri- and inclusive-finance portfolio • Transparent, independently verifiable assessment of financial and social performance	• Total Shareholder Return: 19.6% • Dividend payout ratio: 40% • New funding mobilised: LKR 2 Bn Sustainable Bond; USD 9 Mn impact funding • Impact-investor engagements: 8

Stakeholder Group	Why We Engage & Key Concerns	How We Engage (Mechanism & Frequency)	What We Learn / How They Influence Us	Shared Value Created	KPIs Reflecting Engagement Outcome
Employees **Goal:** An engaged, skilled, and motivated workforce **Level of Engagement:** Collaborate	To foster a motivated, skilled, and engaged workforce; ensure talent retention; and align internal culture with our external mission. **Key concerns:** • Fair remuneration and benefits • Training and career development • Reward and recognition • Diversity and equal opportunity • Wellbeing and engagement	• **Annual Employee Engagement Survey:** 78% participation • **Performance reviews & career discussions:** individualised feedback and development plans • **Internal communications:** newsletters, suggestion boxes, 'Green Team' • **Training & development:** 26.6 avg. hours/employee	• Survey insights inform HR policy, wellbeing, and recognition design • Frontline feedback highlights process and training gaps • Champion initiatives drive sustainability and efficiency gains	• Clear career progression and skill development • Inclusive, purpose-aligned workplace culture • Improved retention and employee satisfaction	• Employee engagement score: 90% • Staff turnover rate: 39.6% • Training hours per employee: 25 • Internal promotions: 65
Sarvodaya Shramadana Societies (SSS) & Members **Goal:** Inclusive rural finance through the Society network **Level of Engagement:** Collaborate	For lending and deposit growth within rural and underserved communities, and to support rural entrepreneurship where traditional banking is limited. **Key concerns:** • Affordable credit free of exploitative rates • Modern, accessible financial services • Advisory support and market linkages • Protection from informal lenders	• Direct participation: engagement in SSS activities; workshops and training events • **Advisory & market linkages:** market-linkage activities and extension-service partnerships • Competitive lending: below-average micro-credit rates with professional service	• Community needs shape product design and outreach priorities • Society network provides early signals of rural credit and climate stress	• Accessible financial services via trusted local points • Protection against exploitative informal lending • Stronger rural enterprises and digital inclusion	• Loans disbursed via SSS network: 5% • Workshops / training events with SSS: 35 • Growth in SSS member customer base: [%] • SSS digital banking agents activated: [no.]
Regulators **Goal:** Full statutory compliance and a stable financial system **Level of Engagement:** Involve	To ensure full compliance, maintain our operating licence, contribute to policy development, and uphold financial stability and consumer protection. **Key concerns:** • Stability and soundness of the financial system • Compliance with laws and directives • Consumer protection and fair practice • Readiness for the CBSL Phase II Masterplan	• Formal regulatory submissions: periodic reports and compliance documents • **Meetings & consultations:** proactive engagement with CBSL • **Industry association forums:** participation in policy discussions • **Internal & external audits:** verification of compliance	• Regulatory guidance ensures adherence to new directives (e.g. Financial Consumer Protection Regulations) • SDF's rural-finance experience informs regulatory and policy discussion • External scrutiny strengthens internal controls	• Contribution to a stable, robust regulatory framework • Consumer protection through fair practice • Market integrity and ethical operations	• Non-compliance incidents: 0% • Regulatory recommendations addressed: 90% • On-time regulatory submission rate: 100%

Stakeholder Engagement

Stakeholder Group	Why We Engage & Key Concerns	How We Engage (Mechanism & Frequency)	What We Learn / How They Influence Us	Shared Value Created	KPIs Reflecting Engagement Outcome
Business Partners & Suppliers **Goal:** Efficient, ethical, and collaborative partnerships **Level of Engagement:** Consult	To ensure efficient operations, uphold ethical supply chains, maintain quality standards, and foster mutually beneficial relationships. **Key concerns:** • Continued business opportunities • Timely settlement of dues • Clear performance expectations • Ethical and responsible sourcing	• **Regular review meetings:** quarterly performance discussions with key suppliers • **Service Level Agreements:** formal agreements with defined metrics • **Ethical sourcing policies:** communicated and monitored • **Joint problem-solving sessions:** collaborative approach to operational challenges	• Partner feedback leads to better technology and service support • Collaboration drives process improvement and joint innovation	• Reliable, consistent service delivery • Shared commitment to ethical conduct • Streamlined, efficient operations	• Supplier performance ratings: [score] • Critical partners adhering to ethical sourcing: [%] • Joint innovation projects: 4 Agriculture Partnership
Rating Agencies **Goal:** Independent validation of financial strength **Level of Engagement:** Keep Satisfied	To communicate SDF's financial stability and sustainability to an independent audience, enhance credibility, and access foreign funding at competitive rates. **Key concerns:** • Accurate, transparent financial data • Sound governance and risk management • Asset quality and capital adequacy	• Comprehensive access: full, transparent access to financial and operational data • Dialogue & clarification: annual review meetings (e.g. with LRA) • Recommendations implementation: acting on findings for continuous improvement	• Independent assessment validates financial health and aids investor due diligence • Recommendations serve as external benchmarks for internal excellence	• Enhanced credibility in domestic and international markets • Favourable ratings supporting access to low-cost funding • Reliable, independent data for investors and funders	• Credit rating: BBB - Stable Outlook

Materiality and Double Materiality Assessment

FY 2025/26 GRI 3-1, GRI 3-2 | Integrated Reporting <IR> 4B, 4H

Materiality is the lens through which SDF identifies the matters that most influence its ability to create and preserve value, and the matters through which SDF most significantly affects the economy, the environment, and people. This section sets out the matters considered material for the financial year 2025/26, the process by which they were determined, and the way they are organised into material themes that connect directly to our strategy and our six capitals.

In a change from FY 2024/25, this year SDF has moved from a single, impact-oriented materiality assessment to an integrated double materiality approach. Material matters are now ranked, grouped under five material themes, and mapped to strategy, capitals, and the UN Sustainable Development Goals. The detailed management approach for each topic (GRI 3-3) is presented within the respective Capital Reports rather than repeated here, allowing this section to focus on the determination process and the strategic picture.

1. Our Approach to Materiality

SDF applies the principle of double materiality. This means a matter is assessed from two complementary perspectives: its effect on SDF's enterprise value (the inward, financial view) and its effect on the world around us (the outward, impact view). A matter is recognised as material if it is significant from either perspective, or from both. Our assessment is aligned with the GRI Standards, the Integrated Reporting Framework, and applicable Sri Lanka Financial Reporting Standards, and reflects our purpose-driven mandate as a development finance institution within the Sarvodaya movement, a heritage that now spans more than six decades of grassroots community engagement across Sri Lanka.

1.1 What Makes a Matter Double Material

Financial Materiality (Inward)	Matters that could substantively influence SDF's ability to generate and sustain value over the short, medium, and long term, and that are relevant to investors, lenders, and other providers of financial capital.
Impact Materiality (Outward)	Matters that reflect SDF's most significant actual and potential impacts on the economy, the environment, and people, including impacts on human rights, whether positive or negative.
Dynamic Materiality	Materiality is not static. Matters that are primarily impact-related today can become financially material over time. All material matters are therefore subject to annual review against a changing operating environment.

Materiality and Double Materiality Assessment

GRI 3-3

1.2 Materiality Determination Process

Material matters for FY 2025/26 were determined through the following five-step process.

	Stage	What We Do
Step 1	Understand SDF's Context	Review of the operating environment using the PESTEL and Five Forces frameworks, together with our organisational purpose, business model, strategic priorities, and resource dependencies across the six capitals.
Step 2	Engage Stakeholders	Gathering of insights from our key stakeholder groups: customers and communities, Sarvodaya societies, employees, investors and development partners, regulators, and suppliers.
Step 3	Identify Impacts, Risks and Opportunities	Identification of sustainability-related and climate-related risks and opportunities, and assessment of where SDF creates or depletes value, across the economy, the environment, and people.
Step 4	Assess and Prioritise	Evaluation of each matter against both impact materiality and financial materiality, leading to a prioritised and ranked set of material matters for reporting.
Step 5	Validate, Report and Review	Review and validation by senior management and the relevant Board-level committee, followed by reporting and an annual re-assessment in line with the principle of dynamic materiality.

1.3 Inputs to the Assessment

- Operating environment analysis (PESTEL and Five Forces) and the macroeconomic and sectoral outlook for FY 2025/26.
- Stakeholder engagement outcomes and feedback channels.
- SDF's enterprise risk universe and the principal and emerging risks identified by Risk Management.
- Regulatory and supervisory developments, including Central Bank of Sri Lanka directions and consumer protection requirements.
- The FY 2024/25 materiality matrix and the prior year's identified topics.
- Peer and industry benchmarking, including leading integrated reporting practice in the licensed finance sector.
- Expectations of investors and development partners aligned with our impact and sustainable finance agenda, including SDF's affiliation with the Global Alliance for Banking on Values (GABV).

2. Our Material Matters

The assessment identified eighteen material matters, classified under the Economic, Environmental, Social, and Governance (EESG) categories and mapped to the relevant GRI Standards. The ranking below reflects the combined significance of each matter across the impact and financial dimensions, informed by the strategic direction set out in the Operating Environment review and the stakeholder engagement outcomes for the year.

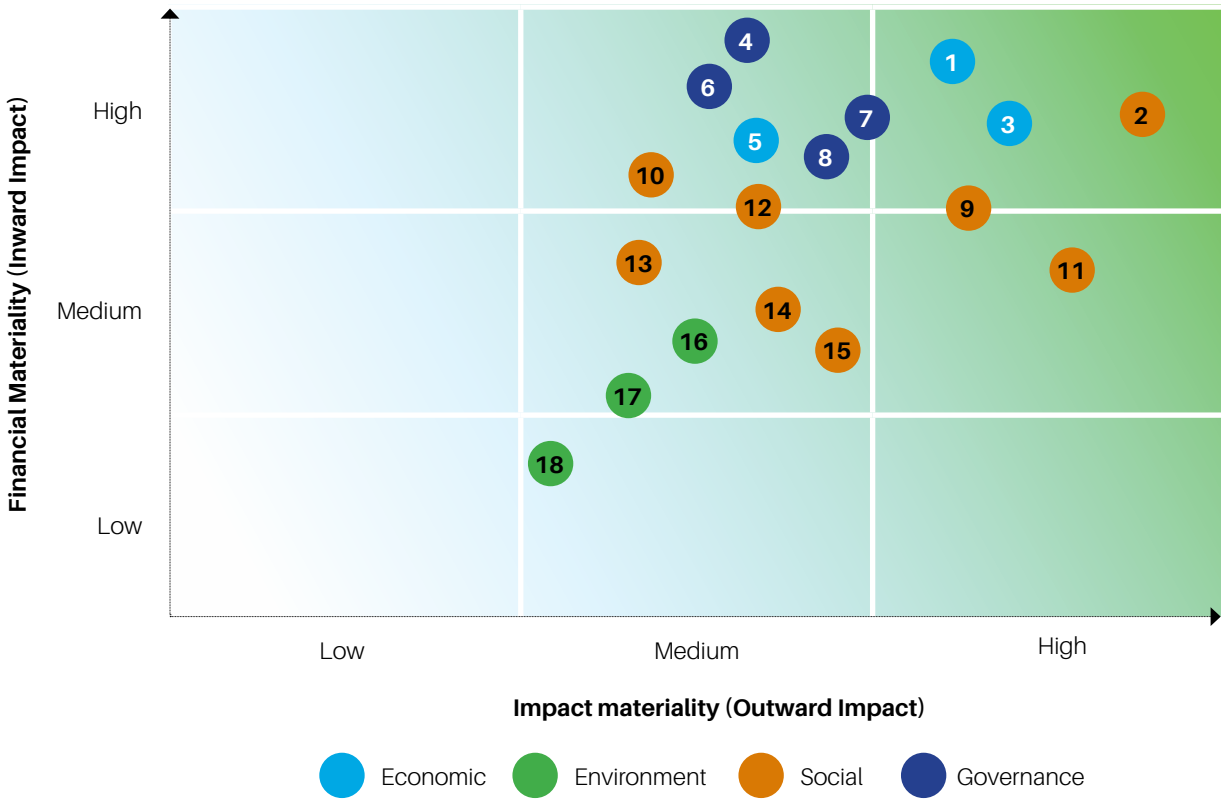
Rank	Material Matter	EESG Category	GRI Reference	Theme	Movement vs FY 2024/25
1	Sustainable revenue and economic value generation	Economic	GRI 201-1	MT 1	↑ Higher
2	Financial inclusion and grassroots empowerment	Social	GRI 203-2	MT 1	↑ Higher
3	Sustainable finance and impact capital mobilisation	Economic	GRI 201, 203	MT 1	★ New
4	Risk and capital management	Governance	GRI 201-2, 2-23	MT 1	↑ Higher
5	Approach to tax and tax transparency	Economic	GRI 207	MT 1	→ Unchanged
6	Regulatory compliance	Governance	GRI 2-27	MT 3	→ Unchanged
7	Ethical conduct and transparency	Governance	GRI 205-2, 2-24	MT 3	→ Unchanged

Rank	Material Matter	EESG Category	GRI Reference	Theme	Movement vs FY 2024/25
8	Information security and data privacy	Governance	GRI 418-1	MT 3	↑ Higher
9	Customer protection and fair practices	Social	GRI 417	MT 5	→ Unchanged
10	Customer experience and service quality	Social	GRI 418-1	MT 5	→ Unchanged
11	Community engagement and development	Social	GRI 413-1	MT 5	→ Unchanged
12	Employee attraction, retention and wellbeing	Social	GRI 401	MT 4	→ Unchanged
13	Training and development	Social	GRI 404	MT 4	→ Unchanged
14	Diversity, equity and inclusion	Social	GRI 405	MT 4	→ Unchanged
15	Non-discrimination and human rights	Social	GRI 406, 411	MT 4	→ Unchanged
16	Energy use and carbon footprint	Environmental	GRI 302, 305	MT 2	↑ Higher
17	Waste and resource management	Environmental	GRI 306	MT 2	→ Unchanged
18	Water stewardship	Environmental	GRI 303	MT 2	↓ Lower

Movement key: ↑ Higher → Unchanged ↓ Lower ★ New. EESG categories: Economic, Environmental, Social, Governance.

2.1 Double Materiality Matrix

The double materiality matrix plots each material matter against its outward impact (importance to the economy, environment, and people) and its inward impact (importance to SDF's value creation). It provides a visual reference for the relative priority of each matter.



Materiality and Double Materiality Assessment

Reading the matrix. A matter is double material if it ranks highly on either axis. Matters in the upper-right zone are the most material, being significant both to SDF's value creation and to SDF's impact on the economy, the environment, and people.

2.2 How Our Materiality has Changed

Beyond the methodological shift to double materiality, several matters changed in their relative significance during FY 2025/26. Sustainable finance and impact capital mobilisation (Matter 3) is new to the SDF materiality landscape, driven by the issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, and the mobilisation of USD 9 million in new impact foreign funding from development partners. Together, these established sustainable finance as a distinct and strategically significant matter. Sustainable revenue and economic value generation (Matter 1) and Financial inclusion and grassroots empowerment (Matter 2) both gained inward materiality on the back of a transformational year of growth: profit after tax rose 73.1 per cent to LKR 820 million and the loans and receivables book grew 67.2 per cent to LKR 20,602 million. Risk and capital management (Matter 4) rose accordingly, reflecting an expanded balance sheet (total assets up 65.8 per cent to LKR 37,362 million) and the heightened importance of prudential metrics. Energy use and carbon footprint (Matter 15) and Information security and data privacy (Matter 7) are assessed as having increased in significance, reflecting the broader sectoral focus on climate-related disclosure and cyber resilience. Water stewardship (Matter 17) is the only matter assessed as marginally less material, given the limited direct water exposure of a financial institution. All other matters, including Approach to tax (Matter 5) which continues to be a material economic disclosure under GRI 207, are assessed as broadly unchanged in relative significance from FY 2024/25.

3. Our Material Themes

The eighteen material matters are organised into five material themes. The themes provide the connective structure of this report: they link what matters to our stakeholders with our strategic priorities, our risk profile, and the capitals through which we create value. The theme codes (MT 1 to MT 5) are referenced throughout the Operating Environment, Strategy, and Capital Report sections.

MT1 Sustainable and Inclusive Business Growth

Delivering consistent financial performance while advancing financial inclusion and grassroots economic empowerment, balancing profitability with the development-finance purpose at the heart of SDF.

Why this is material to SDF

SDF's mandate is to extend formal, affordable finance to underserved rural communities and to micro, small, and medium enterprises across Sri Lanka. Growth that is both commercially sustainable and inclusive secures the long-term viability of the institution, funds its development impact, and sustains the confidence of regulators, depositors, and impact-aligned capital providers. Equally, the economic value SDF generates flows to a wide stakeholder base through employee remuneration, payments to suppliers and Sarvodaya societies, returns to providers of capital, and substantial direct and indirect tax contributions to the State. FY 2025/26 was a transformational year on these counts, with the institution delivering strong financial performance while reinforcing its access to purpose-aligned capital through Sri Lanka's first Sustainable Bond and additional impact foreign funding.

Capitals Impacted	UN SDGs	Related Strategies	GRI
FC SRC IC		SP1 SP4	GRI 201, 203, 207

Associated Risks	Associated Opportunities
Credit risk in a rapidly growing loan book	Growing investor and partner demand for sustainable and impact-aligned financial products
Market and interest rate risk	Diversification of funding through sustainable and impact instruments
Liquidity and funding concentration risk	Deeper penetration of the rural and MSME segments via the Sarvodaya society network
Strategic and execution risk	Continued positioning as a GABV-affiliated, values-based finance institution
Tax risk arising from changes in fiscal policy and the financial-services tax base	Constructive engagement with fiscal authorities to support effective and equitable tax policy for the licensed finance sector

Material Matters within this Theme

1. Sustainable revenue and economic value generation
2. Financial inclusion and grassroots empowerment
3. Sustainable finance and impact capital mobilisation
4. Risk and capital management
5 . Approach to tax and tax transparency

Our Response in FY 2025/26

Total income reached LKR 6,423 million during FY 2025/26, an increase of 46.8 per cent over the prior year. Profit before tax grew by 63.8 per cent to LKR 1,359 million and profit after tax by 73.1 per cent to LKR 820 million. The loans and receivables book expanded by 67.2 per cent to LKR 20,602 million, with the lease portfolio up 34.0 per cent, and total assets grew by 65.8 per cent to LKR 37,362 million. Return on equity rose to 19.60 per cent, return on assets to 2.74 per cent, and the cost-to-income ratio improved to 42.99 per cent. The Tier 1 capital adequacy ratio closed at 15.48% per cent and the total capital adequacy ratio at 20.64 per cent, providing comfortable headroom over regulatory minima for continued growth. Income tax expense for the year was LKR 539 million, representing SDF's direct contribution to public finances at a time when fiscal consolidation is a national priority; this is in addition to indirect taxes and levies collected and remitted in the ordinary course of business, including VAT on financial services, the Social Security Contribution Levy, stamp duty, and withholding tax on interest and dividend payments. SDF maintains a transparent and conservative approach to tax governance, with full compliance with the Inland Revenue Act and related fiscal directions, and no use of artificial structures to reduce tax exposure. On the funding side, SDF issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, structured around a use-of-proceeds framework directing capital into eligible green and social lending categories, and secured USD 9 million in new impact foreign funding from aligned development partners. Lending growth was deliberately weighted toward micro-enterprise, MSME, and rural agricultural segments served through the Sarvodaya society network. Detailed performance metrics, portfolio segmentation, the tax reconciliation, and management's commentary are presented in the Financial Capital and Social & Relationship Capital Reports.

Materiality and Double Materiality Assessment

MT2 Climate and Environmental Stewardship

Managing SDF's direct environmental footprint and progressively addressing climate-related risks and opportunities across operations and, over time, the lending portfolio.

Why this is Material to SDF

As a financial institution, SDF's direct environmental footprint is modest, arising mainly from energy use, paper and electronic waste, and water consumption across the head office and 56-branch network. However, climate-related physical and transition risks increasingly affect the rural and agricultural communities SDF serves, and investor and regulator expectations on environmental disclosure continue to rise. Responsible environmental stewardship protects operational continuity, supports the resilience of borrowers, and underpins the credibility of SDF's sustainable finance agenda, which gained material weight during the year with the issuance of Sri Lanka's first Sustainable Bond.

Capitals Impacted	UN SDGs	Related Strategies	GRI
NC MC FC	6 7 12 13	SP1 SP3	GRI 302, 303, 305, 306

Associated Risks	Associated Opportunities
Climate and sustainability risk, including physical risks to agricultural borrowers	Cost savings from energy and resource efficiency in the branch network
Operational risk from extreme weather events	Development of green and climate-resilient lending products under the Sustainable Bond framework
Reputational risk from inadequate environmental disclosure	Strengthened positioning with environmentally focused investors and development partners
Compliance risk from emerging climate-related supervisory expectations	

Material Matters within this Theme

15. Energy use and carbon footprint
16. Waste and resource management
17. Water stewardship

Our Response in FY 2025/26

During FY 2025/26 SDF continued to manage its direct environmental footprint across the head office and 56-branch network. The continued rollout of more than thirty customer-facing and operational digital applications supported a sustained reduction in paper-based processes and physical document movement across the network. The Sustainable Bond use-of-proceeds framework, established during the year, provides the foundation for SDF to begin financing eligible green lending categories as part of loan-book expansion in coming years. Detailed energy, emissions, water, and waste metrics for the year are presented in the Natural Capital Report.

MT3 Good Governance, Risk and Compliance

Upholding sound corporate governance, robust risk management, ethical conduct, and full regulatory compliance as the foundation of stakeholder trust and institutional resilience.

Why this is Material to SDF

Governance, risk discipline, and compliance are the foundation on which a licensed finance company operates. For SDF, strong governance protects depositor funds, maintains the confidence of the Central Bank of Sri Lanka, and safeguards the institution against financial, operational, and conduct-related losses. Ethical and transparent practices, together with the secure handling of customer data, are essential to preserving the trust that is central to SDF's relationship with rural communities. SDF has won the Gold Award for annual reporting at the CA Sri Lanka Annual Report Awards for three consecutive years (and four times in total) under the TAGS criteria of Transparency, Accountability, Governance, and Sustainability, providing external validation of the institution's governance and reporting practices.

Capitals Impacted	UN SDGs	Related Strategies	GRI
IC SRC FC		SP6	GRI 205, 2-23 to 2-27, 418

Associated Risks	Associated Opportunities
Compliance risk, including evolving CBSL directions	Enhanced stakeholder confidence through transparent reporting and continued external recognition
Operational and conduct risk	Greater operational efficiency through stronger controls and process automation
Cyber and information security risk	Reduced loss exposure through proactive risk management and ISO 27001 governed information security
Reputational risk	

Material Matters within this Theme

5. Regulatory compliance
6. Ethical conduct and transparency
7. Information security and data privacy

Our Response in FY 2025/26

As at the close of FY 2025/26, the Board of Directors comprised eight Non-Executive Directors, of whom five are Independent. Twelve Board meetings were held during the year. The Board governance architecture is supported by seven sub-committees: the Board Audit Committee (BAC), the Board Integrated Risk Management Committee (BIRMC), the Board Credit Committee (BCC), the Board Nomination and Governance Committee (BNGC), the Board Human Resources and Remuneration Committee (BHRRC), and the Related Party Transactions Review Committee (RPTRC). The BNGC was established in September 2024, expanding the prior Nomination and Remuneration Committee. Mr. Nandika Buddhipala was appointed as an Independent Non-Executive Director on 1 November 2025, further strengthening the Board's risk and finance expertise. Messrs. Deloitte Associates, Chartered Accountants, were appointed as External Auditor from FY 2024/25 and continued to serve in FY 2025/26. Information security is governed under SDF's ISO 27001 certified Information Security Management System. The total capital adequacy ratio of 20.64 per cent (Tier 1 at 15.48% per cent) and the statutory liquidity ratio of 17.10 per cent reflect the institution's prudential strength. Detailed governance, risk, and compliance disclosures are presented in the Corporate Governance Report and the Risk Management Report.

Materiality and Double Materiality Assessment

MT4 Empowered and Engaged People

Building a skilled, diverse, fairly treated, and engaged workforce that can deliver SDF's purpose across the branch network.

Why this is Material to SDF

SDF's people are the primary channel through which it serves its customers and communities. Attracting and retaining talent, investing in training and development, fostering diversity and inclusion, and maintaining a workplace free from discrimination directly affect service quality, productivity, and the institution's social licence to operate. In a competitive labour market for licensed finance company talent, a strong employee value proposition is also a financial concern, given the cost and disruption associated with attrition.

Capitals Impacted	UN SDGs	Related Strategies	GRI
HC IC SRC	4 5 8 10	SP4	GRI 401, 404, 405, 406, 411

Associated Risks	Associated Opportunities
Human capital risk, including talent attrition in a competitive market	Stronger employee engagement and retention
Operational risk from skills gaps	A more capable, future-ready workforce through targeted development
Reputational risk from conduct or discrimination incidents	An inclusive culture that broadens the talent pool

Material Matters within this Theme

11 Employee attraction, retention and wellbeing

12 Training and development

13 Diversity, equity and inclusion

14 Non-discrimination and human rights

Our Response in FY 2025/26

During FY 2025/26 SDF continued to invest in employee development, employee engagement, and inclusion initiatives across the head office and 56-branch network, supported by formal Board-level oversight through the Board Human Resources and Remuneration Committee.

MT5 Community Upliftment and Customer Trust

Creating lasting positive impact in the communities SDF serves and earning customer trust through fair, transparent, and high-quality service.

Why this is material to SDF

SDF's deep connection to village societies through more than six decades of Sarvodaya movement engagement is a defining strength and a source of long-term value. Community engagement and development, fair and transparent customer practices, and a consistently positive customer experience reinforce SDF's reputation, support customer retention, and sustain the grassroots relationships on which the business model depends. Protecting customers from financial misinformation and resolving complaints promptly are also regulatory expectations central to consumer protection.

Capitals Impacted	UN SDGs	Related Strategies	GRI
SRC, IC, FC	1, 2, 8, 10	SP2	GRI 413, 417, 418

Associated Risks	Associated Opportunities
Reputational risk in close-knit rural communities	Stronger customer loyalty and lifetime value
Conduct and compliance risk in customer-facing operations	Differentiation through community-rooted service and the Sarvodaya brand
Operational risk in branch and ATM service delivery	Positive social impact that reinforces SDF's positioning with development partners

Material Matters within this Theme

8 Customer protection and fair practices

9 Customer experience and service quality

10 Community engagement and development

Our Response in FY 2025/26

SDF served customers and communities through a national branch and electronic channel network during FY 2025/26. The branch footprint stood at 56 branches with no new openings, while the Hatton branch was relocated to a more accessible service location during the year. The ATM network expanded with the commissioning of a new ATM at the Tea Research Institute, St. Coombs, Talawakele on 23 July 2025, bringing the total to eight ATMs. The Tea Research Institute ATM extends formal financial access to TRI officers, tea pluckers, estate labourers, and government and private sector workers in the central tea-growing region, with the Hatton branch as the nearest service point. Capital investment in the network reached LKR 167.58 million during the year, an increase of 77.9 per cent over the prior year, supporting branch infrastructure, IT and digital channels, and supporting equipment. Customer access continued to be deepened through more than thirty customer-facing and operational digital applications.

4. Connecting Materiality to Strategy and the Capitals

Each material theme is addressed through SDF's strategic priorities and reported through the relevant Capital Report. In a change from FY 2024/25, the detailed management approach for each material topic, including the GRI 3-3 disclosures on impacts, policies, actions, and the tracking of effectiveness, is presented within the Capital Reports rather than within this section. This keeps the Materiality section focused on the determination process and the strategic picture, while ensuring that the depth of topic-level disclosure is preserved and easier to navigate. The table below provides a high-level map of where each theme is principally addressed.

Theme	Material Theme	Primary Reporting Location
MT1	Sustainable and Inclusive Business Growth	Financial Capital Report; Social & Relationship Capital Report
MT2	Climate and Environmental Stewardship	Natural Capital Report
MT3	Good Governance, Risk and Compliance	Corporate Governance Report; Risk Management Report
MT4	Empowered and Engaged People	Human Capital Report
MT5	Community Upliftment and Customer Trust	Social & Relationship Capital Report

Our Strategic Priorities and Actions

The strategic direction of SDF is anchored in three strategic pillars set out in the Strategic Business Plan: Drive Sustainable Growth and Financial Stability, Build Capacity and Accelerate Digital Transformation, and Empower Communities and Create Inclusive Impact. Within these pillars, we have defined six strategic priorities that guide resource allocation, performance management and decision-making over the short to medium term. Together they ensure that our growth is financially sound, operationally resilient, and socially and environmentally responsible.

For each priority, we set out what it means, why it matters, the strategic pillar, capitals and Sustainable Development Goals it advances, our performance during the year under review, our targets towards 2030, and the key actions that will deliver them.

Our Strategic Framework at a Glance

Strategic Pillar 1	Strategic Priority	Strategic Intent
Drive Sustainable Growth and Financial Stability	SP1 Sustainable Growth and Financial Strength	Disciplined asset, portfolio and profit expansion while protecting asset quality and operational efficiency.
	SP2 Diversified Funding and Capital Resilience	A balanced, resilient funding base and capital buffers maintained above regulatory minimums.
Build Capacity and Accelerate Digital Transformation	SP3 Sustainable Growth and Financial Strength	A new core system, customer-facing applications and expanded digital touchpoints.
Build People and Institutional Capacity	SP4 People and Institutional Capacity	The talent, leadership and culture required to deliver the plan.
Empower Communities and Create Inclusive Impact	SP5 Inclusive Impact and Community Empowerment	Deeper women-led lending, MSME and agriculture support, and a repositioned Sarvodaya network.
Ensure Responsible Governance, Risk and Sustainable Finance	SP6 Responsible Governance, Risk and Sustainable Finance	Strong governance, disciplined risk management and ESG-aligned, sustainable funding.

Growth with Responsibility → Resilience and Strength → Innovation and Connectivity → People and Culture First → Inclusive Impact → Governed with Integrity

The Operating Environment section set out the macroeconomic, sectoral, and competitive forces shaping our year. This section explains how Sarvodaya Development Finance PLC (SDF) translated that context into deliberate strategic choices, and how those choices were converted into concrete action and measurable outcomes during FY 2025/26.

Our strategy is not an abstract statement of intent. It is a working framework that connects our founding purpose, the principles of the Sarvodaya movement, to the everyday decisions we make on lending, funding, technology, people, and risk. Every strategic pillar described below is presented in a consistent format: why it matters, what we set out to do, the specific actions taken during the year, the outcomes delivered, and where we are heading next. This is what we mean by strategy in action.

How We Formulate and Execute Strategy

A continuous, three-stage cycle that links the external environment to internal execution.

STAGE 1
Reading the Environment

Using the PESTEL and Porter's Five Forces analysis set out in the Operating Environment section, together with our materiality assessment, we identify the trends, risks, and opportunities most relevant to a community-centric, agriculture-focused finance company.

- PESTEL Analysis
- Porter's Five Forces
- Materiality Assessment
- Trends, Risks & Opportunities

STAGE 2
Setting Strategic Direction

Senior Management and the Board translate these insights into strategic priorities, supported by the Strategic Planning and Sustainability Department. Each priority is tested against our risk appetite, our capital and funding capacity, and our founding values before resources are committed.

- Translate Insights into Priorities
- Test Against Risk Appetite
- Assess Capital & Funding Capacity
- Align with Founding Values

STAGE 3
Executing and Measuring

Priorities are converted into annual action plans with defined Key Performance Indicators (KPIs). Progress is monitored through Management Committee reviews, the Board (which held 12 meetings during FY 2025/26), and the Board Integrated Risk Management Committee, with progress reported transparently in this report.

- Annual Action Plans
- Key Performance Indicators (KPIs)
- Management Committee Reviews,
- Board & Board IRMC Oversight

Continuous Cycle of Improvement

Insights Inform Strategy

Strategy Drives Action

Performance Drives Learning

This cycle ensures our strategy remains responsive. As the NBFI sector transitions from a rate-driven recovery phase into an execution-led phase, our emphasis has shifted accordingly: from margin expansion towards volume growth, portfolio quality, collections discipline, fee-income diversification, and digital efficiency.

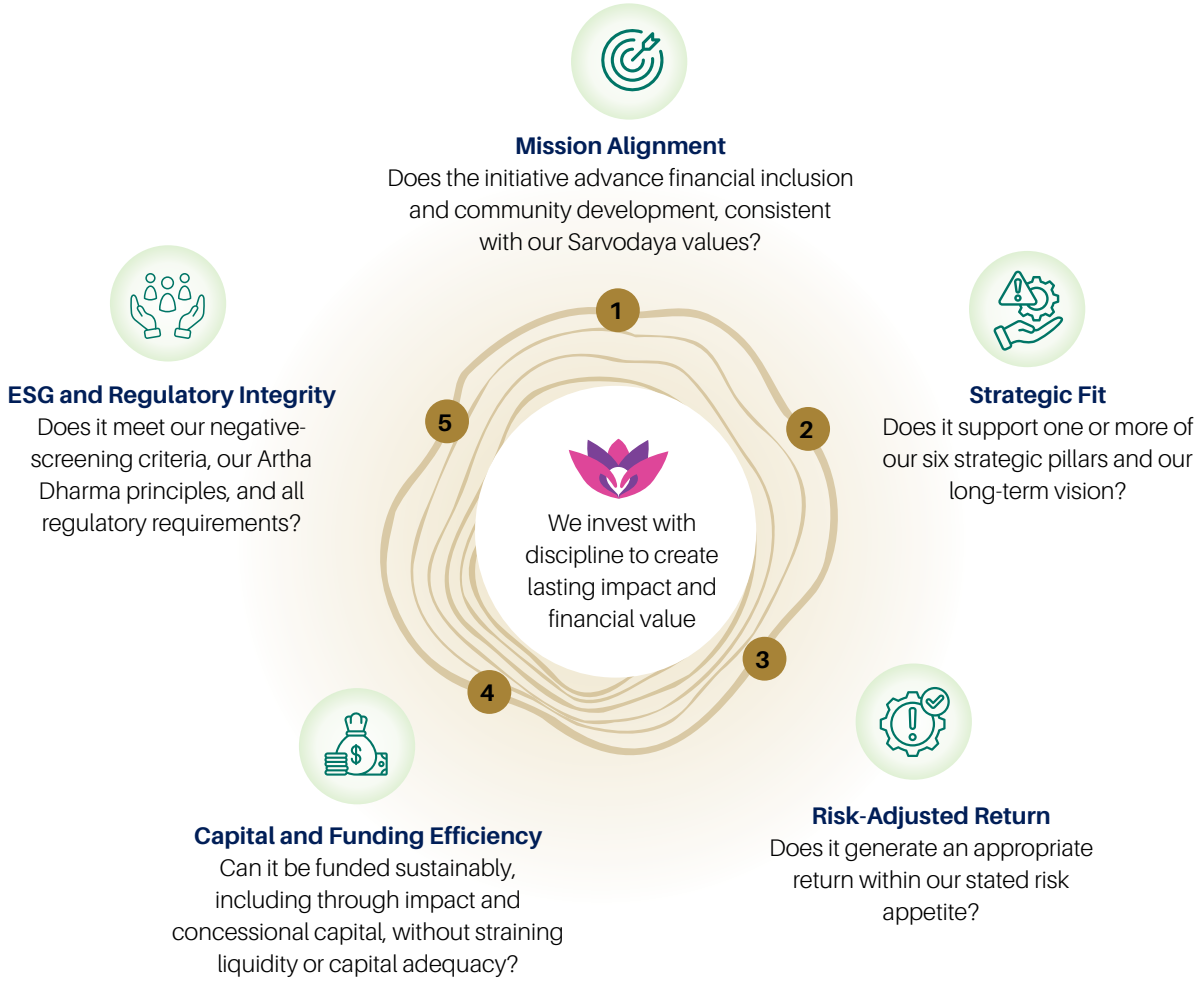
Our Strategic Priorities and Actions

Resource Allocation Principles

Before resources are committed to any initiative, it is tested against five filters. This disciplined approach ensures that financial and human capital are directed where they create the most durable, mission-aligned value.

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3. Strategy in Action: Pillar by Pillar

The following pages set out each strategic pillar in the same structured format used by leading integrated reporters: the rationale, the year's actions and outcomes, the trade-offs accepted, and the forward agenda.

SP 01, Inclusive and Sustainable Growth

Why It Matters

Sustainable growth is the foundation that allows SDF to scale its social mission. Profitability is not an end in itself: it is the engine that funds wider outreach, attracts impact capital, and builds resilience against macroeconomic shocks. Growing responsibly, within our risk appetite and our values, ensures we create lasting value for shareholders while strengthening the grassroots economies we serve.

Capitals impacted: Financial. Material themes: Economic value creation. SDGs: 1, 8. Stakeholders: Shareholders, Investors, Regulators.

Year in Review

FY 2025/26 was a record year for SDF, with growth accelerating across the balance sheet and profitability scaling materially. Total income crossed the LKR 6 billion mark, profit before tax surpassed LKR 1.4 billion, and total assets grew by two-thirds.

- **Total assets:** LKR 37.34 billion (FY 2024/25: LKR 22.54 billion), up 65.8%.
- **Lending portfolio (loans, receivables and lease):** LKR 29.79 billion (FY 2024/25: LKR 19.18 billion), up 55.3%. Of this, loans and receivables stood at LKR 20.60 billion (up 67.2%) and lease at LKR 9.19 billion (up 34.0%).
- **Customer deposits:** LKR 10.61 billion (FY 2024/25: LKR 9.83 billion), up 7.9%.
- **Total income:** LKR 6.42 billion, up 46.8%.
- **Net Interest Income:** LKR 3.58 billion (FY 2024/25: LKR 2.64 billion), up 35.4%.
- **Profit Before Tax:** LKR 1.36 billion (FY 2024/25: LKR 0.83 billion), up 63.8%.
- **Profit After Tax:** LKR 820 million (FY 2024/25: LKR 474 million), up 73.1%.
- **Return on Assets:** 2.74%; Return on Equity: 19.60%.
- **Cost-to-Income ratio:** 42.99% (FY 2024/25: 46.51%), an improvement of 352 basis points.
- **Earnings per Share:** LKR 5.48; Net Asset Value per Share: LKR 29.57.

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Grow the loan portfolio through our differentiated agri-finance model while protecting asset quality.	Expanded agricultural and MSME lending in line with seasonal cash-flow cycles; tightened sector-concentration KRIs; strengthened collections through the Society network.	Lending portfolio up 55.3% to LKR 29.79 billion; Gross NPA contained at 4.93% and Net NPA at 2.94%, well below sector trend.
Diversify income away from rate-driven margin towards fee, commission and other operating income.	Broadened value-added services and transaction-based fee streams across the branch and Society network.	Total income up 46.8% with broadly maintained net interest margin as repricing completes.
Maintain cost discipline as the rate cycle normalises.	Continued process optimisation and selective digitalisation of back-office functions.	Cost-to-Income ratio improved 352 basis points to 42.99%, supporting a 73.1% rise in PAT.

Trade-offs and Business Model Considerations

We consciously balance short-term margin against long-term franchise strength. Lending to underserved rural and micro segments carries a higher cost-to-serve and, at times, higher impairment risk than mainstream consumer credit. We accept this trade-off because these segments are core to our mission and, managed well, deliver stable, loyal, and lower-correlation portfolios over the cycle.

Looking Ahead

Focus	Anticipated Outcome
Deepen agri- and MSME-portfolio growth	Scaled, mission-aligned earning assets with diversified risk
Complete the shift to fee-income diversification	Reduced sensitivity to margin compression
Sustain disciplined cost management	Protected profitability and capital generation

Our Strategic Priorities and Actions

SP 02, Customer Centricity and Community Empowerment

Why It Matters

SDF's competitive moat is not price: it is relationship. Our nationwide network of Sarvodaya Shramadana Societies gives us a trusted, last-mile presence that mainstream lenders cannot easily replicate. Placing the customer and the community at the centre of every decision protects us against weakening customer loyalty across the sector and against fintech-driven substitution, while advancing our founding purpose of economic empowerment.

Capitals impacted: Social and Relationship. Material themes: Community engagement, Customer care. SDGs: 1, 5, 8, 10. Stakeholders: Customers, Communities.

Year in Review

The 55.3% growth in our lending portfolio was achieved while maintaining the relationship-led approach that distinguishes SDF. The combined loan and lease book of LKR 29.79 billion is overwhelmingly directed at rural, agricultural and MSME borrowers reached through the branch and Society network.

- New rural customers reached: 28,451 FY2025/26 (FY 2024/25: 25,000+ new rural customers).
- MSME loans disbursed: 5,701 LKR million (FY 2024/25: LKR 4,026 million).
- Smallholder farmers reached: 82,500 (FY 2024/25: 47,000+); micro businesses supported: 7,000(FY 2024/25: 4,400+).
- Community forums held: 67+ forums with over 2,500 participants

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Strengthen the Sarvodaya Society network as a structural relationship channel.	Expanded the role of the Society Saving Service (SSS) network; activated additional digital banking agents at trusted local points; conducted entrepreneurship and financial-literacy workshops.	Strengthened last-mile reach across the 1,279 affiliated Sarvodaya Shramadana Societies; 2.87% of loans disbursed via SSS.
Design products around customer life-stages and agricultural cycles.	Continued aligning repayment schedules with harvest income; refined micro, SME, and agri-leasing products based on community feedback.	Improved repayment alignment and customer retention; product features adapted for 24,831 new rural clients.
Empower youth and women entrepreneurs.	Partnered with community groups and Sarvodaya Societies to deliver financial and non-financial support to women and youth.	404 women and youth entrepreneurs supported during the year.
Protect customers from exploitative informal lending.	Continued advisory and awareness activity at branch and Society level.	Strengthened community trust and reduced reliance on informal credit.

Trade-offs and Business Model Considerations

We prioritise long-term relationship value over short-term transactional gain. Investing in workshops, advisory services, and community forums consumes resources that do not generate immediate revenue. We treat this as an investment in our most durable competitive advantage: the trust of the communities we serve.

Looking Ahead

Focus	Anticipated Outcome
Scale the SSS digital-agent network	Wider, lower-cost rural reach
Expand life-stage product bundling	Higher customer lifetime value and retention
Intensify youth and women empowerment programmes	Deeper inclusive impact aligned with SDG 5 and SDG 10

SP 03, Digital Transformation and Accessibility

Why It Matters

Technology is reshaping Sri Lanka's financial-services landscape at pace. AI-enabled credit decisioning, digital payments, and process automation are moving from pilot to core function across the NBFI sector. For SDF, digital transformation serves two goals at once: it extends affordable financial access to communities that physical branches cannot economically reach, and it improves operating efficiency at a time when margins are under pressure.

Capitals impacted: Intellectual, Manufactured. Material themes: Digital transformation, Customer care. SDGs: 8, 9. Stakeholders: Customers, Employees.

Year in Review

Our distribution footprint was strengthened through targeted investment rather than physical expansion. The branch network was held steady at 56 outlets, with one branch relocated in Hatton to improve accessibility, while the ATM network grew to 8 with a new ATM commissioned at the Tea Research Institute, St. Coombs, Talawakele, on 23 July 2025, serving TRI officers, tea pluckers, labourers, and government and private-sector workers in the area.

- Branch network: 56 outlets (unchanged), with one relocation in Hatton for improved service.
- ATM network: 8 ATMs (FY 2024/25: 7), with the new TRI Talawakele ATM extending financial access into the plantation economy.
- Capital expenditure: LKR 167.58 million (FY 2024/25: LKR 94.19 million), up 77.9%, directed primarily into computer equipment, motor vehicles, furniture, and office equipment.
- Operating efficiency: Cost-to-Income ratio down 352 basis points to 42.99%.

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Extend digital access to underserved communities.	Commissioned a new ATM at the Tea Research Institute, Talawakele, in July 2025; relocated the Hatton branch for improved accessibility; expanded virtual and digital channels alongside the existing branch network.	Broader access in the plantation economy; the 8-ATM network now serves new customer segments not historically reached by SDF.
Invest in technology infrastructure.	Capital expenditure of LKR 167.58 million (up 77.9%) channelled into computer equipment, vehicles, and furniture supporting digital service delivery.	Strengthened technology base supporting record balance-sheet growth without proportional cost growth.
Automate core processes to improve efficiency and turnaround.	Digitalised credit-assessment and back-office workflows; selectively automated transaction processing.	Cost-to-Income ratio improved 352 basis points to 42.99%, reflecting operating leverage as volumes scaled.
Adopt AI and analytics responsibly in credit and collections.	Piloted AI-supported credit scoring and analytics-driven collections, supported by AI-governance and model-risk policies.	Improved decisioning insight while managing model and cyber risk.
Strengthen cyber-security and data protection.	Enhanced the cyber-security framework and information-security awareness activity.	Stronger resilience against digital-disruption and cyber risk.

Trade-offs and Business Model Considerations

We balance investment in long-term digital capability against immediate operational needs, and we manage the human dimension of automation with care. As routine processes move online, we retain the personal, face-to-face engagement that defines our relationship model in rural markets. Digital is positioned as an enabler of inclusion, not a replacement for trust.

Looking Ahead

Focus	Anticipated Outcome
Scale AI-enabled origination and collections	More efficient, better-informed credit decisions
Deepen the digital-agent network	Lower-cost financial inclusion at the last mile
Continue cyber-security investment	Resilient, trusted digital channels

Our Strategic Priorities and Actions

SP 04, Impact Financing and ESG Leadership

Why It Matters

SDF's sustainability is not a reporting overlay: it is the business model. A strong ESG profile unlocks access to concessional and impact capital, which in turn funds the agricultural and community lending at the heart of our mission. This creates a virtuous cycle: credible impact attracts capital, and capital deepens impact. Climate transition, renewable energy, and climate-smart agriculture also represent significant lending opportunities for a rural, agri-focused franchise.

Capitals impacted: Natural, Financial. Material themes: Indirect economic impact, Energy and emissions. SDGs: 7, 12, 13, 17. Stakeholders: Investors, Society, Regulators.

Year in Review

FY 2025/26 was a landmark year for SDF's impact-financing agenda and established the Company as a pioneer in Sri Lanka's sustainable-finance market.

- Sri Lanka's first Sustainable Bond: SDF issued the country's first Sustainable Bond, valued at LKR 2 billion, establishing the Company as a pioneer in the domestic sustainable-finance market.
- New impact foreign funding: USD 9 million secured during the year, strengthening access to long-term, mission-aligned capital. This builds on the first foreign loan secured in FY 2024/25 (a USD 3 million senior debt facility from AgriFI).
- Funding the growth story: Together, these instruments materially deepened the funding base that supported the 65.8% growth in total assets to LKR 37.37 billion.
- ESG measurement: Continued through the experienz ESG platform across environmental, social, and governance metrics.

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Mobilise sustainable and impact-aligned funding.	Structured and issued Sri Lanka's first Sustainable Bond (LKR 2 billion); secured USD 9 million in new impact foreign funding; hedged associated foreign-exchange risk through local banking partners.	Diversified, lower-cost, long-tenor funding base; pioneer positioning in domestic sustainable finance.
Channel capital into measurable environmental and social impact.	Directed funding into sustainable agriculture, agri-leasing, and green-financing opportunities such as solar and e-mobility.	LKR 3,283 million disbursed to climate-aligned and agri-impact lending; expanded financing for farm machinery and renewable energy.
Manage our own environmental footprint.	Continued energy-efficiency measures and renewable-energy adoption; tracked Scope 1 and Scope 2 emissions through the experienz platform.	97.15 mtCO2e reduction in operational footprint; improved carbon-data quality.
Strengthen ESG governance and disclosure.	Reviewed the Sustainable Development Policy through the Board Integrated Risk Management Committee; progressed alignment towards TCFD and ISSB-aligned reporting.	Enhanced ESG transparency and investor confidence.

Trade-offs and Business Model Considerations

We accept the inherent tension between accelerating economic development and preserving environmental integrity. Our response is to embed negative screening and Artha Dharma principles into lending decisions, so that growth in our portfolio actively advances, rather than undermines, environmental and social outcomes.

Looking Ahead

Focus	Anticipated Outcome
Scale sustainable-bond and impact-funding pipelines	A larger, mission-aligned, diversified funding base
Expand green and climate-smart agri lending	Measurable contribution to the national renewable-energy transition
Advance ISSB and TCFD-aligned disclosure	Stronger ESG credibility and capital access

SP 05, Empowering Our People

Why It Matters

Our strategy can only be executed by a capable, motivated, and values-aligned workforce. As the financial sector competes intensely for digital, analytics, risk, and sustainable-finance skills, and as skilled emigration pressures the national talent pool, building and retaining capability is a strategic imperative, not a support function.

Capitals impacted: Human. Material themes: Employee training, Recruitment and retention. SDGs: 5, 8. Stakeholders: Employees.

Year in Review

- Investment in training and development: LKR 17.4 million
- Employee turnover ratio: 39.6%
- Employee well-being: Quarterly survey continued across career well-being, work environment, leadership and culture, physical and emotional well-being, and rewards.

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Build capability for a digital and sustainable-finance future.	Delivered targeted training in ESG risk management, digital tools, and credit skills; developed internal expertise in sustainable finance.	26.62 training hours per employee; stronger internal ESG and digital capability.
Strengthen retention and engagement.	Continued quarterly well-being surveys; conducted stay and exit interviews; acted on insights to improve workplace culture.	Turnover managed at 39.6%; data-driven improvements to HR practices.
Develop the next line of leadership.	Advanced succession planning and identified high-potential employees.	A strengthened leadership pipeline supporting strategic continuity.

Trade-offs and Business Model Considerations

We invest in training and well-being ahead of immediate productivity gains, accepting a near-term cost for long-term capability and stability. In a tight talent market, this investment is what allows us to execute an increasingly digital and ESG-intensive strategy.

Looking Ahead

Focus	Anticipated Outcome
Continue ESG and digital capability building	A future-ready workforce
Deepen well-being and retention initiatives	Lower attrition and stronger engagement
Strengthen succession planning	Resilient leadership continuity

Our Strategic Priorities and Actions

SP 06, Risk Management and Governance

Why It Matters

Sound risk management and governance underpin every other pillar. They protect depositors, preserve our licence to operate, maintain access to capital, and sustain stakeholder trust. With the CBSL's Phase II Masterplan placing closer scrutiny on standalone finance companies, robust governance is also a competitive differentiator.

Capitals impacted: All capitals. Material themes: Legal compliance, Governance. SDGs: 16, 17. Stakeholders: Regulators, Shareholders, all stakeholders.

Year in Review

Capital and liquidity positions remained comfortably above regulatory minimums while the balance sheet grew by 65.8%. Asset quality continued to outperform the sector trend.

- Tier 1 Capital Adequacy Ratio: 15.48% (regulatory minimum: 8.5%).
- Total Capital Adequacy Ratio: 22.13% (regulatory minimum: 12.5%).
- Statutory Liquid Asset Ratio: 22.50% (regulatory minimum: 10.0%).
- Asset quality: Gross NPA 4.93%; Net NPA 2.94%, both materially below the sector average.
- Board composition: 8 Directors, all Non-Executive (5 Independent and 3 Non-Independent), supported by 7 Board sub-committees, with 12 Board meetings held during the year.

Strategy in Action

Strategy	Actions Taken in FY 2025/26	Outcomes
Embed forward-looking risk management.	Tightened sector-concentration KRIs; stress-tested portfolios for inflation, rate, and climate scenarios; enhanced field monitoring through the Society network.	Early identification of credit-quality pressure points; Gross NPA contained at 4.93% against an improving sector trend.
Strengthen governance and regulatory engagement.	Continued proactive engagement with the CBSL on Phase II benchmarks; reinforced capital, governance, and disclosure frameworks; strengthened the Board with the appointment of Mr Nandika Buddhipala as Independent Non-Executive Director (1 November 2025).	Sustained compliance and supervisory confidence; CAR of 22.13% and Tier 1 of 15.48% well above regulatory minima.
Integrate ESG and climate risk into core risk management.	Reviewed ESG risk through the Board Integrated Risk Management Committee; integrated climate-risk considerations into credit policy.	ESG risks managed within the Company's overall risk appetite.
Reinforce cyber and model-risk governance.	Implemented AI-governance and model-risk policies; enhanced the cyber-security framework.	Controlled exposure to emerging digital risks.

Trade-offs and Business Model Considerations

Strengthening controls, capital buffers, and compliance capability carries a cost and can slow decision-making. We treat this as a non-negotiable investment: in a sector defined by trust and regulatory oversight, resilience is the precondition for sustainable growth.

Looking Ahead

Focus	Anticipated Outcome
Continue strengthening capital and governance frameworks	Readiness for Phase II benchmark scrutiny
Advance climate-risk integration	Better-protected rural and agri portfolios
Mature AI-governance and model-risk practices	Safe scaling of digital and AI capability

4. Strategy, Materiality, and Value Creation: The Connected Picture

The six pillars are not independent. Growth (SP 01) is funded by impact capital (SP 04) and delivered through customer relationships (SP 02), enabled by digital capability (SP 03), executed by our people (SP 05), and safeguarded by risk management and governance (SP 06). The FY 2025/26 results bear this out: a 73.1% rise in PAT was made possible by a 55.3% expansion of the lending portfolio, funded by Sri Lanka's first Sustainable Bond and USD 9 million in new impact foreign funding, delivered through the Society network, and safeguarded by capital ratios more than double the regulatory minimum.

Our forward strategy for FY 2026/27 remains firmly anchored in our differentiated, agriculture-focused business model and our community-centric value proposition. Against a macroeconomic backdrop that is cautiously constructive but increasingly exposed to external risk, our strategic pillars are calibrated to keep delivering value for all stakeholders: shareholders, customers, communities, employees, regulators, and the nation of Sri Lanka.

Moratuwa

EMPOWERING VILLAGE MASTER CRAFTSMEN

I INHERITED MY FATHER'S WORKSHOP IN MORATUWA AND TURNED IT TOWARD MODERN ART.

I am thirty-eight, and the furniture trade came to me from my father. Moratuwa has always been known for its craftsmen, and I grew up among them, learning the work by watching and doing.

I wanted to take what he built in a new direction, into modern, art-led furniture made for today's tastes. We now present our pieces at exhibitions in the BMICH and other high-end venues, and the business is well established in its field.

My father gave me a strong foundation. My ambition is to carry this manufacturing to the next level, and to show that a Moratuwa workshop can compete at the very top of the market.

Customer Name: Janaka Priyantha Gunasekara



Sustainability Governance and Approach

Highlights of the year FY 2025/26

LKR 2 Bn

Sri Lanka's first Sustainable Bond, issued by SDF under a dedicated framework aligned with ICMA GBP, SBP, and SBG. Subsequently dual listed on LuxSE under the Green Exchange.

USD 9 Mn

New impact foreign funding secured during the year for impact financing, mainly to empower females and SMEs.

ESMS Process

The company established the ESMS process as part of the technical support received from EDFI MC under its impact loan.

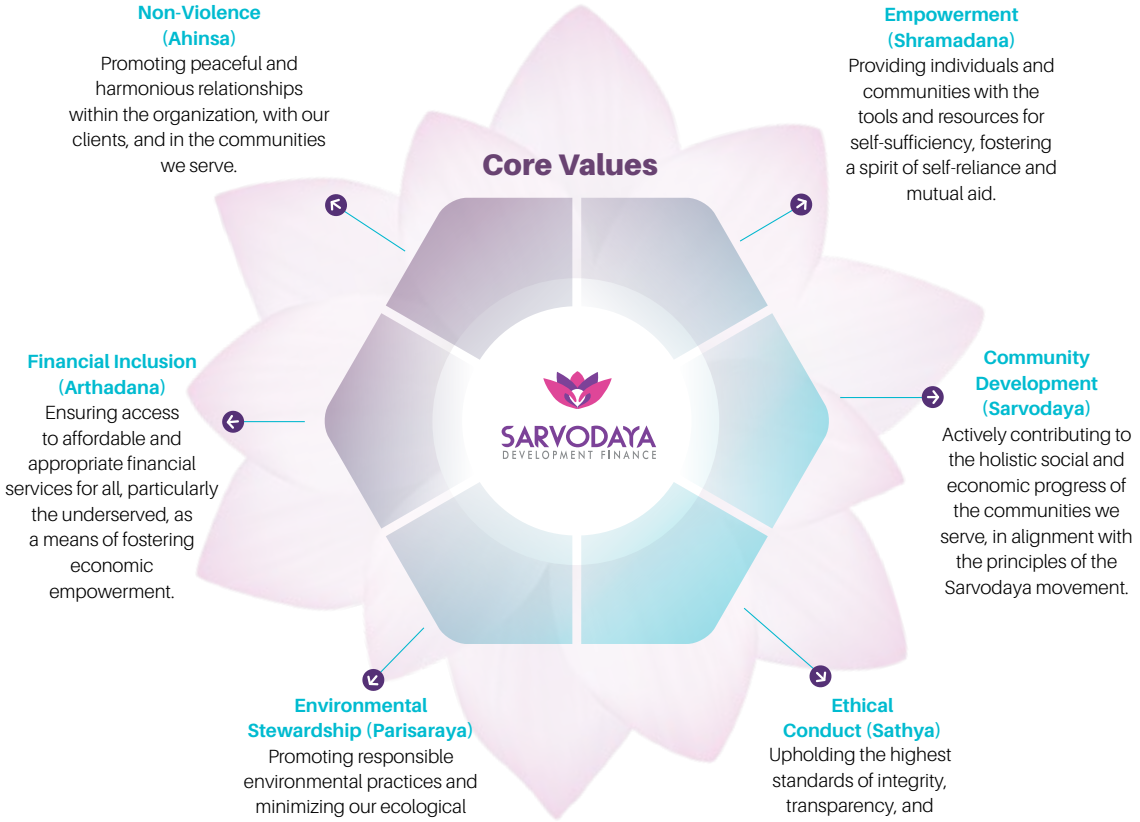
Customer Protection Framework

The company enrolled to obtain certification for the Customer Protection Framework under the technical assistance funds of EDFI Management Company.

Sustainable Finance → **Impact Funding** → **Governance Systems** → **Customer Protection**

1. Our Approach to Sustainability

GRI 2-28



Non-Violence (Ahinsa)
Promoting peaceful and harmonious relationships within the organization, with our clients, and in the communities we serve.

Empowerment (Shramadana)
Providing individuals and communities with the tools and resources for self-sufficiency, fostering a spirit of self-reliance and mutual aid.

Financial Inclusion (Arthadana)
Ensuring access to affordable and appropriate financial services for all, particularly the underserved, as a means of fostering economic empowerment.

Community Development (Sarvodaya)
Actively contributing to the holistic social and economic progress of the communities we serve, in alignment with the principles of the Sarvodaya movement.

Environmental Stewardship (Parisaraya)
Promoting responsible environmental practices and minimizing our ecological footprint, recognizing the interconnectedness of all living beings.

Ethical Conduct (Sathya)
Upholding the highest standards of integrity, transparency, and accountability in all our dealings.

1.1 Philosophy and Strategic Intent

GRI 2-22

SDF's approach to sustainability is rooted in three founding ideas: the Sarvodaya Movement's commitment to the awakening of all through service to the most vulnerable; the principle of Artha Dharma articulated by our founder, which holds that economic activity must be conducted in a way that is ethically right and that contributes to the welfare of all stakeholders; and the Ten Basic Human Needs framework, which orients our financing toward food, water, clothing, shelter, healthcare, education, communication, energy, a clean environment, and a fulfilled spiritual life. These ideas pre-date contemporary ESG frameworks by several decades, yet they map naturally onto them.

Operationalised today, this philosophy translates into a strategic intent built around four pillars.

Strategic Pillar	How We Express It
Financial Inclusion at Scale	Reach underserved rural economies, MSMEs, smallholder farmers, and women entrepreneurs (46% of customer base) through a 56-branch network of which more than 82% sits outside the Western Province, complemented by the Sarvodaya village-society ecosystem of over 1,279 societies.
Green and Climate-Aligned Financing	Channel credit into renewable energy (Solarized Water Pumps for residential and Agricultural use), clean transportation (electric-vehicle leasing and EV charging infrastructure), sustainable agriculture (including the EU AgriFI partnership), and resource-efficient operations.
Ethical Screening and Responsible Conduct	Apply a Board-approved Exclusion List (15 categories) covering forced and child labour, internationally prohibited substances, fossil-fuel value-chain activities, and ethically sensitive industries, aligned with international Client Protection Standards.
Transparent and Credible Reporting	Report against the Global Reporting Initiative (GRI) Standards, the IFRS Integrated Reporting Framework, the United Nations Sustainable Development Goals, and the ICMA Sustainability Bond Guidelines, while preparing for adoption of the SLFRS S1 and S2 sustainability and climate disclosure standards.

1.2 Alignment with External Frameworks

SDF's approach is purposefully calibrated to the regulatory direction set by the Central Bank of Sri Lanka, the international capital-market standards expected by impact investors and development partners, and the global goals set by the United Nations.

External Framework / Commitment	How SDF Aligns
CBSL Sustainable Finance Roadmap	Active alignment across all four pillars (Financing Sustainable Development, Strengthening Management of Environmental and Social Risks, Enhancing Reporting and Disclosures, and Improving Governance and Coordination), supported by the Board-approved Policy on Environment, Social and Governance Sustainability.
Sri Lanka Green Finance Taxonomy (May 2022)	Used as the reference taxonomy for classifying eligible green lending, and explicitly applied by the Management Sustainability Committee in assessing project eligibility under the Sustainable Bond Framework.
ICMA Green Bond Principles 2021, Social Bond Principles 2023, and Sustainability Bond Guidelines 2021	Formal alignment of SDF's Sustainable Bond Framework (September 2025) across all four ICMA pillars: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting, with Limited Independent Assurance pre-issuance and Post-Issuance Assurance at 12 months.
Global Alliance for Banking on Values (GABV)	SDF is the first Sri Lankan Non-Bank Financial Institution to hold full membership of the GABV, an international network of values-based banks committed to financing the real economy.
Cerise+SPTF Client Protection Standards	Adopted as the benchmark for fair treatment of customers; certification pathway is being pursued with technical assistance from EDFI Management Company.

Sustainability Governance and Approach

External Framework / Commitment	How SDF Aligns
UN Sustainable Development Goals	Voluntary reporting against priority SDGs (notably SDG 1, 2, 5, 6, 7, 8, 10, 11, 12, 13, and 17), with material topics mapped to the goals in the Sustainability Report and use-of-proceeds eligibility criteria linked to specific SDGs.
GRI Standards and IFRS Integrated Reporting Framework	Primary disclosure standards applied across the Annual Report.
SLFRS S1 and S2	Gap assessment completed during FY 2025/26; the Company has commenced incremental integration of sustainability-related and climate-related disclosure requirements, with full adoption targeted in line with the regulator's transition timeline.

2. Sustainability Governance Framework

The Board of Directors of SDF holds ultimate responsibility for sustainability matters, supported by a structured four-tier governance architecture. This architecture ensures that ESG considerations are not peripheral to decision-making but are embedded in the Company's strategic, risk, and operational processes.

2.1 The Four-Tier Structure

Tier	Role in Sustainability Governance
Tier 1: Board of Directors 8 Directors, all Non-Executive (5 Independent, 3 Non-Independent)	Ultimate accountability for sustainability strategy, ESG policy approval, and Board-level review of progress against sustainability commitments. The Board reviews and approves the ESG Risk Management Policy at set frequencies, receives timely updates on ESG progress and material issues, and incorporates sustainability into the strategic plan. Twelve Board meetings were held during FY 2025/26.
Tier 2: Board Integrated Risk Management Committee (BIRMC) 4 members, all Non-Executive Directors (3 Independent, 1 Non-Independent)	Specifically charged with oversight of ESG and climate-related risks within SDF's overall risk-management framework. BIRMC reviews the ESG Risk Management Policy (approved by BIRMC on 25 October 2024 and endorsed by the Board on 30 October 2024), oversees the integration of environmental and social risks into credit and operational risk processes, and monitors environmental stress-testing and scenario-analysis development.
Tier 3: Management Sustainability Committee 10 members; chaired by the CEO, with HOSP as Secretary, Executive (Sustainability), and five Management Committee members	Responsible for executing the sustainability agenda, conducting materiality assessments, tracking ESG KPIs, overseeing reporting, and recommending policy revisions to the Board. The Committee also assesses whether proposed activities are in compliance with the Sri Lanka Green Finance Taxonomy (May 2022) and is the approving body for project eligibility under the Sustainable Bond Framework.
Tier 4: Strategic Planning and Sustainability Department (SPSD) 4 members: Head of Strategic Planning, Executive (Sustainability), and two Executive Strategic Supporting Staff	Day-to-day coordination of sustainability initiatives, GRI and IR reporting, GHG measurement, stakeholder engagement, and impact monitoring. SPSD is the primary body responsible for the selection and evaluation of eligible portfolios under the Sustainable Bond Framework and reports directly to the Management Sustainability Committee. A network of designated Sustainability Champions embedded across branches and functions supports the grassroots execution of initiatives.

Across the four tiers, the overall gender composition of the sustainability governance structure is approximately 68% male and 32% female, reflecting ongoing efforts to promote gender diversity and inclusion.

2.2 Roles and Responsibilities at a Glance

The matrix below summarises the distribution of sustainability responsibilities across the four tiers.

Responsibility	Board	BIRMC	MSC	SPSD / Champions
Approving the ESG Policy and Sustainability Strategy	A	R	C	I
Setting the Company's risk appetite for ESG and climate risks	A	R	C	I
Approving sustainability-related KPIs and targets	A	C	R	I
Overseeing integration of ESG risks into credit and operational risk processes	I	A	R	C
Conducting double-materiality assessment	I	C	A	R
Stakeholder engagement and feedback gathering	I	I	A	R
GRI, IR, and SLFRS S1/S2 reporting preparation	I	I	A	R
GHG measurement and emissions reporting	I	C	A	R
Day-to-day execution of sustainability initiatives	I	I	C	R
Sustainable Bond eligibility assessment and use-of-proceeds tracking	I	C	A	R

Legend: *R = Responsible, A = Accountable, C = Consulted, I = Informed.*

3. The Environmental and Social Management System (ESMS)

GRI 2-25, 403-2

Where the governance framework sets the direction, the ESMS is the operational engine that translates that direction into discipline at every customer interaction. SDF has established a comprehensive Environmental and Social Management System to seamlessly integrate environmental and social considerations into project appraisal, credit decisioning, disbursement, and ongoing monitoring. Senior management periodically reviews ESMS performance, and the system is designed to evolve as risks, regulatory expectations, and impact-investor requirements develop.

3.1 Purpose of the ESMS

The ESMS exists to effectively identify, assess, manage, and monitor the environmental and social risks and opportunities associated with our clients and investments, ensuring sustainable and responsible growth for SDF and the communities we serve.

3.2 The Three Core Pillars of the ESMS

Our ESMS rests on three mutually reinforcing pillars that together ensure robustness and effectiveness.

Pillar	What It Covers
Policies	Guiding principles for responsible operation. The foundational document is the ESG Risk Management Policy, which articulates SDF's commitment and strategic approach to managing ESG risks and opportunities. It is reinforced by the Policy on Environment, Social and Governance Sustainability, the Exclusion List, and the Sustainable Bond Framework.
Procedures	Systematic, step-by-step actions for managing ESG aspects: screening, categorisation, due diligence (against checklists and forms), and continuous monitoring of ESG factors across the portfolio.

Sustainability Governance and Approach

Pillar	What It Covers
Tools	Practical resources that operationalise the procedures, including the ESG Due Diligence Checklist, the Credit Procedure Manual, ESG risk-categorisation templates, and the Experienz ESG platform used to quantify, analyse, and manage ESG performance across environmental, social, and governance dimensions.

3.3 Leadership and Accountability for the ESMS

Effective ESG management is driven by strong leadership and clear accountability at every level.

Level	Accountability for the ESMS
Board of Directors	Reviews and approves the ESG Risk Management Policy at set frequencies, and stays informed through timely updates on ESG progress and material issues escalated through BIRMC and the Management Sustainability Committee.
CEO and Key Responsible Persons (KRPs)	**Ensure effectiveness** Champion the ESMS and integrate it with existing risk frameworks across credit, operational, and integrated risk management. **Provide training** Equip staff (particularly Business Development Officers, Credit Admin, Legal, Finance, and Risk teams) with the ESG risk-management skills they need. **Uphold the 'Three Lines of Defence'** Maintain clear accountability across business owners, risk and compliance functions, and internal audit. **Communicate and adapt** Report to Risk Management, identify operational challenges, and update the ESMS in response to legal changes, emerging risks, and lessons learned. **Promote sustainability** Integrate ESG into policies, practices, products, and services. Foster knowledge Encourage knowledge-sharing and structured environmental scanning across the organisation.

3.4 ESMS in Action: The Integrated Business Cycle

The ESMS is embedded into every stage of the credit lifecycle, from first customer contact through to long-term portfolio monitoring. Seven sequential steps anchor this integration.

#	Stage	Led By	Focus and ESG Integration
1	Customer Identification and Preliminary Screening	Business Development Officers (BDOs)	Initial eligibility check against restricted and undesirable transactions, applying the SDF Exclusion List (15 categories covering forced and child labour, prohibited substances, harmful sectors, and fossil-fuel value-chain activities) and the Credit Procedure Manual.
2	Credit Evaluation	BDOs	Combined financial appraisal and ESG risk evaluation using the ESG Due Diligence Checklist. A site visit is mandatory at this stage, providing direct visibility of operational, environmental, and social conditions.
3	Credit Approval	Credit Admin Unit (CAU)	Overall risk evaluation, ESG risk categorisation, and review of due-diligence findings. Approval explicitly incorporates corrective-action recommendations where ESG risks are identified.

#	Stage	Led By	Focus and ESG Integration
4	Negotiation	BDOs	Discussion of terms with the customer, including ESG compliance requirements and any agreed corrective actions, with clear communication of expectations and timelines.
5	Disbursement	Legal Department, Credit Admin Unit, Finance Department	ESG obligations are incorporated into legal agreements, and adherence to ESG-related credit covenants is built into the disbursement gateway.
6	Monitoring	Strategic Planning and Sustainability Department; Risk Management Department	Regular tracking of ESG performance through the portfolio, follow-up on agreed corrective actions, and identification of emerging risks. The Experienz ESG platform supports quantitative monitoring across environmental, social, and governance dimensions.
7	Documentation and Recordkeeping	Credit Department	Maintenance of detailed records of ESG issues, risk exposures, corrective actions, and outcomes, providing the audit trail required for internal assurance, external review, and impact reporting.

3.5 ESMS and the Sustainable Bond Framework

The ESMS is the operational backbone of SDF's Sustainable Bond Framework. Every proposed asset earmarked for funding under the bond proceeds through the same seven-step integrated business cycle, with two additional layers of discipline.

- Eligibility assessment against the Sustainable Bond Framework's defined Green Eligible Categories (Renewable Energy, Clean Transportation) and Social Eligible Categories (Affordable Housing, Employment Generation, Women Empowerment, Food Security, Socioeconomic Advancement), with compliance against the Sri Lanka Green Finance Taxonomy assessed by the Management Sustainability Committee.
- Use-of-proceeds tracking against the indicative allocation (75% to social eligible financing and 25% to green eligible financing of the LKR 2 billion raised), with allocation and impact reporting prepared by Treasury and the Strategic Planning and Sustainability Department, periodic reporting to the Management Sustainability Committee and the Board, and external assurance pre-issuance and at twelve months post-issuance.

4. Our ESG Policy Framework

GRI 2-26, 205-1, 308-1, 414-1

The Policy on Environment, Social and Governance Sustainability is the core guiding document of SDF's sustainability agenda. The policy is reinforced by a suite of supporting policies that together codify how sustainability considerations enter strategic, lending, operational, and people decisions.

Policy or Framework	Purpose
Policy on Environment, Social and Governance Sustainability	Sets the overall sustainability ambition, governance, and alignment with the CBSL Sustainable Finance Roadmap and the Sri Lanka Green Finance Taxonomy.
ESG Risk Management Policy	Approved by BIRMC and the Board in October 2024, this policy is the foundational document of the ESMS and establishes the methodology for identifying, assessing, monitoring, and managing ESG risks across the lending portfolio and own operations.
Sustainable Bond Framework (September 2025)	Governs the use of proceeds, project evaluation and selection, management of proceeds, reporting, and external review for SDF's LKR 2 billion Sustainable Bond, with formal alignment to the ICMA GBP 2021, SBP 2023, and SBG 2021.
Exclusion List (15 categories)	Activities barred from financing on ethical, social, or environmental grounds. Covers forced and child labour; internationally prohibited or phased-out substances and species (ozone-depleting substances, PCBs, CITES-listed wildlife, unsustainable fishing); cross-border waste in breach of the Basel Convention; destruction of High Conservation Value areas; radioactive materials and asbestos; pornography and prostitution; racist or anti-democratic media; alcohol (except beer and wine), tobacco, weapons, and gambling; and the fossil-fuel value chain including coal, oil, standalone fossil gas, related infrastructure, and refineries.

Sustainability Governance and Approach

Policy or Framework	Purpose
Code of Conduct and Whistleblowing Policy	Codifies expected behaviours, conflicts-of-interest management, and confidential reporting channels for all employees and Directors.
Anti-Bribery and Anti-Corruption Policy	Reinforces zero tolerance for bribery, corruption, and related conduct across the Company and its supply chain.
Information Security and Data Privacy Policy	ISO 27001-aligned policy framework governing customer data protection and cyber-security.
Human Resources and Diversity Policies	Establish fair employment, equal opportunity, gender diversity, learning and development, and grievance-handling commitments.
Procurement Policy	Embeds ESG considerations into supplier selection and ongoing supplier management.

All ESG-related policies are reviewed at least annually, or earlier if regulatory, market, or operational developments warrant earlier intervention. Policy changes are recommended by the Management Sustainability Committee, reviewed by BIRMC where risk implications arise, and approved by the Board.

5. Our Sustainability Pledges

SDF makes the following pledges across the three ESG dimensions. These pledges translate the philosophy, policy framework, and ESMS discipline into concrete commitments against which the Board and Management Sustainability Committee track progress.

5.1 Environmental Pledge

- Progressively reduce our direct operational footprint (Scope 1 and Scope 2 emissions) through energy-efficient lighting, rooftop solar adoption at head office and selected branches, and behaviour-change campaigns.
- Channel a growing share of new lending into green and climate-aligned categories defined under the Sri Lanka Green Finance Taxonomy, with use-of-proceeds discipline anchored by the Sustainable Bond Framework.
- Build capability to measure and disclose Scope 3 financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology, in step with the SLFRS S2 timetable.
- Incorporate climate-related physical and transition risks into credit appraisal, particularly for the agricultural and rural-microfinance portfolios.

5.2 Social Pledge

- Sustain financial inclusion at the heart of the franchise, with a deliberate bias toward underserved rural economies, smallholder farmers, MSMEs, and women entrepreneurs (currently 46% of the customer base).
- Maintain alignment with the Cerise+SPTF Client Protection Standards and pursue certification with the support of EDFI Management Company.
- Invest in employee development, gender diversity, and well-being, with a target of progressively raising female representation across leadership grades.
- Continue to deepen the partnership with the Sarvodaya village-society ecosystem (over 1279 societies) to strengthen community resilience and grassroots entrepreneurism.

5.3 Governance Pledge

- Uphold a Board composition that is wholly Non-Executive and majority Independent, with strong representation of skills relevant to ESG, climate, technology, and finance.
- Maintain transparent and credible sustainability disclosures, including the four-time TAGS Gold Award-winning standard of reporting, and prepare for full adoption of SLFRS S1 and S2.
- Apply zero tolerance to bribery, corruption, and conflicts of interest, supported by robust whistleblowing, internal audit, and external assurance arrangements.
- Continually strengthen cyber-resilience and customer-data protection in line with ISO 27001 and the evolving regulatory regime.

6. Materiality and Stakeholder Engagement

Sustainability priorities at SDF are not determined unilaterally. They are shaped by an ongoing materiality assessment that combines insights from senior management, structured stakeholder engagement, peer benchmarking, and a review of national and global sustainability trends. The assessment uses a double-materiality lens: matters are evaluated both for their potential impact on SDF's ability to create financial value and for SDF's outward impact on the economy, the environment, and society.

The Management Sustainability Committee owns the materiality process and reports the outcome to the Board through BIRMC. The materiality matrix is then used to organise the rest of the

Sustainability Report and the corresponding capital chapters (Financial, Manufactured, Human, Intellectual, Social and Relationship, and Natural Capitals). A detailed treatment of stakeholder groups, engagement channels, and material topics is provided in the Stakeholder Engagement section and the Materiality section of this report.

7. FY 2025/26 in Review: Strengthening the Sustainability Architecture

The year saw deliberate steps to strengthen the institutional underpinnings of sustainability at SDF.

- Issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, under a dedicated Sustainable Bond Framework (September 2025) aligned with the ICMA Green Bond Principles 2021, Social Bond Principles 2023, and Sustainability Bond Guidelines 2021.
- Securing USD 9 million in new impact foreign funding, reinforcing SDF's standing with development financiers and impact investors.
- Formalisation of the Environmental and Social Management System (ESMS) across the full credit lifecycle, supported by the ESG Due Diligence Checklist, the Experienz ESG platform, and a clarified seven-step integrated business cycle.
- Refresh of the Board composition (eight Non-Executive Directors, of whom five are Independent), with the appointment of Mr. Nandika Buddhipala as an Independent Non-Executive Director on 1 November 2025, deepening risk, finance, and technology expertise at Board level.
- Continued operation of six Board sub-committees, including the BIRMC's explicit oversight of ESG and climate-related risks.
- Gap assessment for SLFRS S1 and S2, with a phased adoption plan agreed by the Management Sustainability Committee.
- Recognition once again at the CA Sri Lanka Annual Report Awards, with SDF having now secured the TAGS Gold Award four times (including three consecutive years), evidencing the strength and continuity of our sustainability disclosure.

8. Looking Ahead

Sustainability is a journey rather than a destination, and the year ahead will see further deepening of SDF's commitment along four priority directions.

Priority	Forward Agenda
Disclosure and Standards	Complete the phased adoption of SLFRS S1 and S2 in line with the regulator's timetable, including the development of climate-scenario analysis capability and the disclosure of Scope 3 financed emissions using the PCAF methodology.
Sustainable Lending and Impact Reporting	Scale the green and social-lending pipeline funded by the Sustainable Bond and the USD 9 million impact facility, with full allocation of bond proceeds within twelve months of issuance and publication of the first Allocation and Impact Report alongside Post-Issuance Assurance.
ESMS Maturity	Strengthen the ESMS through expanded staff training, deeper integration of the Experienz ESG platform into branch-level workflows, and progressive refinement of the ESG Due Diligence Checklist for sector-specific risk drivers (agriculture, transport, housing).
Governance Maturity	Deepen Board-level capability on sustainability and climate through targeted induction and continuing education; finalise the Cerise+SPTF Client Protection certification; and continue to refresh ESG-related policies in step with evolving regulatory and global expectations.

Underpinning each of these directions is a single conviction: that sustainable finance, expressed through a values-based business model and operationalised through a rigorous ESMS, is not in tension with shareholder value creation but is the very foundation on which long-term shareholder value at SDF is built.

SLFRS S1 and S2 Adoption Roadmap

The International Sustainability Standards Board (ISSB) issued its inaugural sustainability disclosure standards, IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), in June 2023. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued the localised versions, SLFRS S1 and SLFRS S2, in 2024, with effect for annual periods beginning on or after 1 January 2025.

Sarvodaya Development Finance PLC (SDF) is committed to progressive alignment with these standards as part of its broader sustainability leadership journey. As an NBFI with full Global Alliance for Banking on Values (GABV) membership, the issuer of Sri Lanka's first Sustainable Bond (LKR 2 billion, September 2025), and a five-time CA Sri Lanka TAGS Gold Award recipient, SDF recognises that rigorous, decision-useful sustainability disclosure is essential to our accountability to all stakeholders.

This section sets out: (a) the extent to which SDF has aligned with SLFRS S1 and S2 requirements during FY 2025/26; (b) the transitional reliefs applied; and (c) the phased roadmap for full adoption over the short, medium, and long term.

1. Adoption Status in FY 2025/26

SDF has commenced voluntary alignment with SLFRS S1 and SLFRS S2 during the reporting year ended 31 March 2026. This represents the first year of systematic disclosure under the ISSB framework. As this is an initial adoption year, SDF has applied the following transitional reliefs permitted under the standards:

Notwithstanding these reliefs, SDF has made material progress in the four core pillars of SLFRS S1 and S2 disclosure: Governance, Strategy, Risk Management, and Metrics and Targets. Where quantitative disclosures are available, they are included in this report.

Transitional Reliefs Applied (FY 2025/26)

- Relief from presenting comparative information for sustainability-related disclosures in this initial reporting period.
- Relief from conducting a full climate-related scenario analysis; capacity-building for scenario modelling is underway with completion targeted for FY 2026/27.
- Relief from estimating the anticipated financial-position effects of sustainability-related risks and opportunities over the short, medium, and long term; qualitative descriptions are provided in this report.
- Relief from providing quantitative sensitivity or scenario-based financial estimates in the first year of adoption (SLFRS S1, paragraph 34(b)).

2. Sustainability Disclosures Made During FY 2025/26

The following table summarises each material SLFRS S1 and S2 requirement, the approach taken by SDF in this report, and the applicable page references. Cross-references to other sections of this Annual Report are indicated where the relevant content resides.

SLFRS Requirement	Standard Reference	Disclosure Approach in FY 2025/26	Status	AR Page Ref.
Governance: Board oversight of sustainability risks and opportunities	S1: 6-9	Described under Sustainability Governance and Approach; BIRMC oversight; Board-level review of ESG risk through BIRMC and BCC	Qualitative disclosure	90
Governance: Management's role in sustainability risk oversight	S1: 6-9	CEO-led Sustainability Management Committee; Head of Finance co-signatory on responsibility statement	Qualitative disclosure	90
Strategy: Sustainability risks and opportunities affecting business model	S1: 10-30	Climate and social risks described in BIRMC Risk Review; green finance strategy anchored to Sustainable Bond framework and ESMS	Qualitative disclosure	252
Strategy: Resilience of strategy to sustainability-related risks	S2: 8-23	Transitional relief applied: full scenario analysis deferred to FY 2026/27	Transitional relief	96
Strategy: Effects on financial planning and position	S1: 28-42	Transitional relief applied: quantitative financial-position impacts not estimated in first year of adoption	Transitional relief	96
Risk Management: Process to identify and assess sustainability risks	S1: 43-44	ESMS 7-step integrated business cycle; Exclusion List embedded in Sustainable Bond framework; sustainability risks included in BIRMC risk register	Qualitative disclosure	91
Risk Management: Integration with overall risk management	S2: 24-26	Sustainability risks categorised within BIRMC framework alongside credit, market and operational risk; ESMS screening applied to lending	Qualitative disclosure	91
Metrics and Targets: Sustainability KPIs and progress	S1: 45-53	Sustainability Targets and Progress Scorecard; six capitals KPI disclosure; SDG alignment table	Qualitative and quantitative	108
GHG Emissions: Scope 1, 2 and 3 disclosures	S2: 29	Scope 1 (fuel combustion): 49 mtCO2e; Scope 2 (electricity): 360 mtCO2e; Total: 555 mtCO2e; Scope 3 partial	Quantitative	98
Climate Scenario Analysis and Resilience	S2: 22	Transitional relief applied: climate scenario analysis to be conducted in FY 2026/27 with capacity-building underway	Transitional relief	96
Materiality: Identification of material sustainability risks and opportunities	S1: 17-18	Double materiality assessment conducted; seven material topics identified; disclosed in Materiality Assessment section	Qualitative disclosure	67
Comparative information for sustainability disclosures	S1 transitional relief	Transitional relief applied: comparative sustainability disclosures not required in first year of adoption	Transitional relief	96

Note: *SDF's total operational carbon footprint is compiled internally using the GHG Protocol Corporate Accounting and Reporting Standard, drawing on fuel and electricity consumption across all branch and head office locations. The Scope 1 and Scope 2 disaggregation shown above is to be confirmed against the company's GHG inventory and the emission factors applied. SDF has partially commenced formal third-party verification of GHG data and is expected to fully adapt from FY 2026/27, alongside Scope 3 (financed emissions) measurement.*

SLFRS S1 and S2 Adoption Roadmap

3. GHG Emissions Data for FY 2025/26 (SLFRS S2: 29)

In accordance with SLFRS S2 requirements, SDF discloses the following greenhouse gas (GHG) emissions data for the reporting year:

Emission Category / Activity Data	FY 2025/26	FY 2024/25	Notes
Scope 1 (Direct: fuel combustion)	49 mtCO2e	34.03 mtCO2e	To be derived from fuel data using company emission factors (GHG Protocol)
Scope 2 (Indirect: grid electricity)	360 mtCO2e	470.77	To be derived from electricity data using applicable SLSEA grid emission factor
Total carbon footprint (Scope 1 + 2)	409 mtCO2e	506.15 mtCO2e	Confirmed figure per company records; Scope 1/2 disaggregation to be confirmed against the GHG inventory
Scope 3 (Financed emissions and value chain) - Partially Calculated	555 mtCO2e	Not measured	PCAF-aligned financed emissions measurement calculated partially and full calculation to commence FY 2026/27 using loan portfolio data.
Underlying: fuel consumed	14,613 litres	15,090 litres	Decreased year on year; fuel intensity 2.27 L per LKR 1 Mn revenue (FY 24/25: 4.54 L)
Underlying: grid electricity consumed	735,139 kWh	702,486 kWh	Primary driver of the higher total footprint; intensity 114.4 kWh per LKR 1 Mn revenue (FY 24/25: 140.3)
Renewable energy (solar): self-generated	111,305 kWh	94,465 kWh	15.4% of total electricity from solar; clean-energy offset rising year on year

4. Phased Adoption Roadmap

SDF's roadmap for full adoption of SLFRS S1 and S2 is structured around five workstreams aligned to the standards' core pillars and the CBSL Sustainable Finance Roadmap The phasing reflects our current baseline capabilities, the scale of our rural-anchored operations, and the progressive nature of the ISSB transitional relief provisions.

Workstream	FY 2025/26 (This Report)	FY 2026/27 Short-Term	FY 2027/28-29 Medium-Term	FY 2029/30 Long-Term
Governance	Board and management sustainability governance structure documented	Dedicated sustainability expertise added to BIRMC; ESG Policy reviewed and updated	Board Skills Matrix enhanced to include SLFRS S1/ S2 competencies; sustainability linked to executive remuneration	Fully embedded governance structure aligned to ISSB and CBSL roadmap
Strategy & Scenario Analysis	Qualitative description of sustainability-related risks and opportunities; transitional relief applied for scenario analysis	Pilot climate scenario analysis (2 scenarios); strategy resilience narrative expanded	Full quantitative scenario analysis across 2-3 climate pathways; transition plan formalised	Strategy formally integrated with net-zero pathway; PCAF-aligned financed emissions targets set
Risk Management	ESMS operational; sustainability risks in BIRMC risk register; ESMS Exclusion List applied	ESMS enhanced with climate risk scoring model for lending; PCAF Scope 3 Category 15 pilot	TNFD-aligned nature risk assessment; full Scope 3 (financed emissions) measurement	Comprehensive sustainability risk quantification; forward-looking risk appetite statements

Workstream	FY 2025/26 (This Report)	FY 2026/27 Short-Term	FY 2027/28-29 Medium-Term	FY 2029/30 Long-Term
Metrics & Targets	Scope 1 and Scope 2 GHG emissions disclosed; KPI scorecard published; transitional relief on quantitative financial-position impacts	Scope 3 Category 15 (financed emissions) piloted; intensity ratios by product segment	Full GHG inventory including Scope 3; SBTI-aligned emission reduction targets submitted	Net-zero target year confirmed; external verification of all emissions data
Reporting & Assurance	Limited assurance on selected non-financial indicators by Deloitte; GRI 'in accordance with' status achieved	SLFRS S1/S2 disclosures included in external assurance scope; comparative sustainability data published	Reasonable assurance on key sustainability metrics; IFRS S1/S2 integrated disclosure framework	Full adoption of ISSB standards with comparative data; potential dual assurance

5. Linkage to Sustainable Bond and CBSL Roadmap

SDF's SLFRS S1/S2 adoption journey is directly connected to two milestone achievements of FY 2025/26:

- The LKR 2 billion Sustainable Bond (Sri Lanka's first): The bond framework requires ongoing use-of-proceeds reporting, environmental and social performance disclosures, and ESMS maintenance. These requirements are well-aligned with SLFRS S2's disclosure obligations on climate-related risks and opportunities and have accelerated SDF's internal data collection capabilities.
- The USD 9 million in new impact foreign funding: Impact funders require robust non-financial performance data, including GHG emissions, social outreach, and MSME lending metrics, all of which are foundational to SLFRS S1 disclosure.

SDF also notes the CBSL Sustainable Finance Roadmap, which sets out phased requirements for NBFIs to integrate environmental and social risk management into credit processes, capital planning, and public disclosure. Our ESMS framework and GHG reporting are designed to anticipate and exceed these regulatory minimum thresholds.

6. Looking Ahead

The key priorities for advancing our SLFRS S1 and S2 alignment in FY 2026/27 are:

- Engaging an independent consultant to conduct a pilot climate scenario analysis aligned to IPCC RCP 2.6 and RCP 4.5 pathways, with a focus on flood risk exposure across SDF's branch network and agricultural lending portfolio.
- Launching a PCAF-aligned financed emissions measurement pilot for the Loan segment (LKR 20.6 billion), commencing with Scope 3 Category 15 estimation for the agriculture and MSME sub-portfolios.
- Incorporating comparative FY 2025/26 sustainability data in the FY 2026/27 Annual Report, as required by SLFRS S1 following the first-year transitional relief period.
- Extending the external assurance scope to cover key SLFRS S1/S2 disclosures, including GHG emissions data and the ESMS performance summary.
- Publishing the first standalone Sustainable Bond Allocation and Impact Report by September 2026, which will serve as the foundational use-of-proceeds and impact transparency document for bondholders.

SDF's ambition is to be recognised as a best-practice SLFRS S1/S2 disclosure among Sri Lankan NBFIs by FY 2028/29, consistent with our position as the sector's GABV member and Sustainable Bond pioneer.

Sri Lanka's First Sustainable Bond

In October 2025, Sarvodaya Development Finance PLC issued Sri Lanka's first Sustainable Bond, raising LKR 2.0 billion to strengthen its capital base while channelling proceeds into eligible green and social projects. The issuance marks a defining moment in the Company's transition from a values-driven development financier into a structured, market-recognised mobiliser of sustainable capital.



The Sustainable Bond brings together two ambitions that have always sat at the heart of the Sarvodaya philosophy of Artha Dharma: the disciplined stewardship of capital, and the deliberate direction of that capital towards uplifting underserved communities and protecting the environment. Listed on the Colombo Stock Exchange and dual-listed on the Luxembourg Stock Exchange (LuxSE) to extend its visibility to European and international ESG investors, and rated BBB (Stable) by Lanka Rating Agency, the bond is structured under the SDF Sustainable Bond Framework and aligned with the ICMA Green Bond Principles (2021), Social Bond Principles (2023) and Sustainability Bond Guidelines (2021).

The Issuance at a Glance	
Instrument	Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Sustainable Bond
Issue date	08 October 2025
Aggregate value	LKR 2,000,000,000 (LKR 2.0 billion)
Tenure / maturity	5 years, maturing 08 October 2030
Listing	Colombo Stock Exchange (CSE), dual-listed on the Luxembourg Stock Exchange (LuxSE) for European and international investor visibility
Instrument rating	BBB (Stable) by Lanka Rating Agency (LRA)
Coupon, Type A	12.00% p.a., interest payable annually, LKR 1,740 Mn
Coupon, Type B	11.50% p.a., interest payable semi-annually, LKR 260 Mn
Use of proceeds	Tier 2 capital strengthening and financing of new eligible green and social lending under the SDF Sustainable Bond Framework
Framework alignment	ICMA Green Bond Principles (2021), Social Bond Principles (2023) and Sustainability Bond Guidelines (2021); Sri Lanka Green Finance Taxonomy (2022)

Source: *Notes to the Financial Statements, Note 30, Debt Securities Measured at Amortised Cost. LuxSE dual listing per the issuance arrangements.*

A Framework Built for Trust

The Sustainable Bond was issued under the SDF Sustainable Bond Framework, finalised in September 2025. The Framework codifies how proceeds are selected, allocated, managed and reported, structured around the four core components of the ICMA principles.

- **Use of proceeds:** Net proceeds finance new lending only, with no refinancing, split 75% to social and 25% to green eligible projects. Each social category receives at least 10%, and each green category at least 30%, of its respective thematic portion.
- **Project evaluation and selection:** The Strategic Planning and Sustainability Department screens and selects eligible projects against the Framework criteria, the 15-item Exclusion List, and the Sri Lanka Green Finance Taxonomy (May 2022), reporting to the Management Sustainability Committee.
- **Management of proceeds:** Proceeds are managed on an aggregate basis through a dedicated account, with full allocation expected within one year of issuance. Pending allocation, unallocated proceeds are held in cash, cash equivalents or Sri Lanka Government Securities.
- **Reporting:** SDF commits to annual allocation and impact reporting over the life of the bond, applying the Harmonized Framework for Impact Reporting and using the Experienz platform to monitor use of proceeds and sustainability metrics.

How the Proceeds Are Allocated

Of the LKR 2.0 billion raised, 75% (LKR 1,500 million) is earmarked for Social Eligible Financing Projects and 25% (LKR 500 million) for Green Eligible Financing Projects. The bond simultaneously serves a regulatory purpose: following the Central Bank of Sri Lanka's approval on 03 December 2025, LKR 1,754.2 million (87.7% of proceeds) has been recognised within the Company's Tier 2 capital base.

Use of Proceeds by Theme, per the SDF Sustainable Bond Framework and Bond Prospectus.

Objective per Prospectus	Allocation Rule	Allocated (LKR Mn)	Utilised (LKR Mn)	Utilisation (B/A)
Tier 2 capital, to strengthen the capital adequacy ratio	Recognised as Tier 2 capital following CBSL approval on 03 December 2025	2,000.0	1,546.9	77.3%
Social Eligible Financing Projects	75% of proceeds; each SBP category at least 10% of the social allocation	1,500.0	1,500.0	100.0%
Green Eligible Financing Projects	25% of proceeds; each GBP category at least 30% of the green allocation	500.0	46.9	9.3%

Source: Notes to the Financial Statements, Note 30.4, Detailed Bond Fund Utilisation.

The Framework commits SDF to full allocation of proceeds within one year of issuance. With the social tranche fully deployed and the green tranche being drawn down towards that one-year horizon, the year-end position reflects disciplined, eligibility-led deployment rather than delay. A complete account of allocation and measured impact will be set out in the SDF Sustainable Bond Allocation and Impact Report, the first of which is due one year after issuance.

From Framework to Field

Behind each allocation is a borrower and a community. SDF's monitoring approach includes site visits to financed projects, undertaken by the Strategic Planning and Sustainability and Risk Management functions, to verify use of proceeds and observe impact at first hand.

Sri Lanka's First Sustainable Bond

Eligible Project Categories

The Framework defines seven eligible project categories, two green and five social, each mapped to its ICMA principle, targeted projects, performance indicators and SDG alignment.



Eligible Green and Social Project Categories under the SDF Sustainable Bond Framework.

External Review and Assurance

In line with the Framework, the issuance is supported by independent external review. Prior to issuance, SDF obtained a Limited Independent Assurance Statement on the Framework from a reputed independent external verifier, confirming its alignment with the ICMA Green Bond Principles. A Post-Issuance Assurance Report, covering internal processes and controls, allocation reporting and impact reporting, will be performed twelve months after issuance. Thereafter, the annual allocation and impact reports will be reviewed by the independent external verifier, and these reports, in abridged form together with the external review, will be published on the SDF website.

Strengthening the Capital Base

Beyond its sustainability purpose, the bond materially reinforces the Company's regulatory capital. Structured as Tier 2 subordinated capital, the proceeds support SDF's continued balance-sheet growth, with total assets reaching LKR 37.4 billion at year-end. As at 31 March 2026, the Company reported a Tier 1 capital ratio of 15.48% and a total capital ratio of 22.13%, both comfortably above the regulatory minima of 8.5% and 12.5% respectively.

Financial Summary

Carrying amount at 31 March 2026	LKR Mn
Gross proceeds from bond issue	2,000.0
Less: unamortised transaction costs	(19.9)
Add: interest payable	108.2
Carrying amount of debt securities at amortised cost	2,088.4
Total transaction costs incurred	21.7
Transaction cost amortised to profit or loss (period)	1.8
Interest expense recognised for the period	110.2

Maturity Profile of Debt Securities (LKR Mn)

Within one year	1 to 5 years	Over 5 years	Total
108.2	1,980.1	Nil	2,088.4

Source: *Notes to the Financial Statements, Notes 30, 30.1 and 30.5. Transaction costs are amortised over the five-year tenure of the bonds on an effective interest rate basis.*

A Platform for Future Impact

The Sustainable Bond establishes a repeatable, principles-based channel through which SDF can raise capital for inclusive growth. Its dual listing on the Colombo Stock Exchange and the Luxembourg Stock Exchange widens access to European and international ESG investors, deepening the pool of capital available for Sri Lanka's rural and MSME development.

It complements the Company's broader sustainable-finance momentum, including its access to international impact funding USD 9 million value of new impact foreign funding secured in FY 2025/26, its full GABV membership, its 46% female customer base, and its alignment with the CBSL Sustainable Finance Roadmap and the Cerise+SPTF Client Protection Standards.

As SDF advances towards its medium-term ambition of growing sustainable finance to 40% of the portfolio by FY 2029/30, the Sustainable Bond stands as both a financing instrument and a statement of intent: that capital, responsibly awakened, can uplift all.

A development financier funded the way it lends, transparently, inclusively, and for the long term.

Contribution to the UN Sustainable Development Goals

At Sarvodaya Development Finance PLC, contribution to the United Nations Sustainable Development Goals is a natural extension of our founding philosophy. The Sarvodaya principle of awakening all, the focus on fulfilling the Ten Basic Human Needs, and the values-based 'Artha Dharma' approach to finance, together align closely with the global goals. Our initiatives are designed to advance inclusive economic growth, protect the environment, and strengthen social well-being for the communities we serve.

During FY 2025/26, two milestone achievements significantly amplified SDF's SDG contribution: the issuance of Sri Lanka's first Sustainable Bond (LKR 2 billion) and the securing of new impact foreign funding of USD 9 million. These instruments provide dedicated long-term capital for SDG-aligned activities and reaffirm SDF's position as a recognised leader in purpose-driven finance, including continued status as the only Non-Banking Financial Institution globally with full membership of the Global Alliance for Banking on Values (GABV).

FY 2025/26 Milestones Advancing the SDGs

LKR 2 Billion Sustainable Bond
SDF issued Sri Lanka's first Sustainable Bond during the year, valued at LKR 2 billion, with proceeds dedicated to financing projects that directly support our SDG-aligned eligibility framework, including sustainable agriculture, women's empowerment, MSME development, and renewable energy.

USD 9 Million Impact Foreign Funding
SDF secured new impact foreign funding of USD 9 million during the year, deepening our global partnership base and providing long-term capital for SDG-aligned lending. This builds on the USD 3 million AgriFI facility previously secured from the European Union.

Our Alignment with the 17 Goals

SDF actively contributes to 16 of the 17 SDGs, with direct operational alignment with the goals listed below. The remaining goal, SDG 14 (Life Below Water), falls outside SDF's core operating footprint, although our negative-screening policy excludes financing of activities that would adversely impact marine ecosystems. Specific, measurable, achievable, relevant, and time-bound (SMART) targets continue to be progressively developed for each goal, with progress reported under the relevant capital sections of this Integrated Annual Report.



SDG and Underlying Targets	Initiatives Implemented by SDF in FY 2025/26	Page Reference
 **No Poverty** *Targets: 1.4, 1.5*	◉ Channelled financing into Sri Lanka's underserved rural communities through 56 branches, with 82% located outside the Western Province. ◉ Disbursed MSME financing of LKR 6,794 Mn, expanding the reach of formal credit to grassroots entrepreneurs and micro businesses. ◉ Issued Sri Lanka's first Sustainable Bond of LKR 2 billion, with proceeds earmarked for inclusive economic growth in line with the bond's eligibility framework. ◉ Continued financial inclusion through the network of 1,279 Sarvodaya Shramadana Societies and the village economy model.	80
 **Zero Hunger** *Targets: 2.3, 2.4*	◉ Secured new impact foreign funding of USD 9 million during the year, directed towards sustainable agriculture, SME and rural livelihoods. ◉ Continued deployment of the USD 3 million AgriFI facility from the European Union for smallholder farmers and agricultural value chain financing. ◉ Provided agricultural leasing facilities to support farm mechanisation, irrigation equipment, and post-harvest infrastructure.	195
 **Good Health and Well-Being** *Targets: 3.4, 3.8*	◉ Maintained comprehensive medical insurance cover, on-site gym and yoga facilities, and structured wellness programmes for all 652 employees. ◉ Conducted [200+] employee health and wellness sessions during the year, including mental-health awareness, ergonomic, and lifestyle programmes.	160
 **Quality Education** *Targets: 4.4, 4.6* GRI 404-1	◉ Delivered 16,955 hours of structured training to employees, an increase from 16,284 hours recorded in the prior year.	160
 **Gender Equality** *Targets: 5.1, 5.5, 5.a*	◉ Women customers accounted for 46 % of the total loan recipient base, reflecting a deliberate gender-inclusive lending approach. ◉ Continued dedicated business training and capacity building for women entrepreneurs, equipping them with the financial and managerial skills to grow their enterprises. ◉ Maintained equal-opportunity employment practices, with women representing 46 % of the total workforce, including 4% in management roles. ◉ Connected gender dedicated funding USD 5 million	64
 **Clean Water and Sanitation** *Targets: 6.1, 6.4*	◉ Ensured access to safe drinking water and adequate sanitation facilities for staff and customers across all 56 branches and the Head Office. ◉ Total water consumption for FY 2025/26 stood at 9.46 ML, compared with 8.23 ML in the previous year.	180

Contribution to the UN Sustainable Development Goals

SDG and Underlying Targets	Initiatives Implemented by SDF in FY 2025/26	Page Reference
 **Affordable and Clean Energy** *Targets: 7.2, 7.3*	◉ Maintained solar-powered operations at the Head Office and selected branches, generating 111,305 kWh of clean electricity during the year. ◉ Expanded the EV and hybrid vehicle leasing portfolio, supporting customer transition to lower-emission transport (LKR 158 Mn EV leasing in the prior year). ◉ Continued financing of sustainable agriculture solutions including solar irrigation, drip systems, and energy-efficient post-harvest equipment. ◉ Commissioned a new ATM at the Tea Research Institute, St. Coombs, Talawakele, serving plantation communities through energy-efficient self-service infrastructure.	180
 **Decent Work and Economic Growth** *Targets: 8.3, 8.5, 8.10*	◉ Recorded total income of LKR 6,423 Mn (46.8% YoY growth) and Profit After Tax of LKR 820 Mn (73.1% YoY growth), translating into broad-based economic value distribution. ◉ Generated and safeguarded local employment through a workforce of 652, with over 63% based outside the Western Province. ◉ Expanded ATM network to 8 (from 7 in the prior year), improving access to formal financial services in rural and plantation communities. ◉ Promoted decent work through fair pay, structured grievance and whistleblowing mechanisms, and continued investment in employee skills development.	189
 **Industry, Innovation and Infrastructure** *Targets: 9.1, 9.3*	◉ Maintained a network of 56 branches and 8 ATMs, with 82% of the branch network located outside the Western Province to serve under-served regions. ◉ Continued to expand digital infrastructure, with 30+ mobile and web-based applications enabling customers to transact without physical visits to branches. ◉ Sustained ISO 27001 certification for information security, anchoring innovation in resilient, standards-aligned infrastructure. ◉ Membership of LankaPay enabled customers to access services from any ATM across Sri Lanka, multiplying the convenience of the physical channel.	136
 **Reduced Inequalities** *Targets: 10.2, 10.3*	◉ Delivered targeted financial solutions to non-bankable and marginalised communities through the 1,279-strong Sarvodaya Shramadana Society network. ◉ Maintained over 80% branch presence outside the Western Province, narrowing regional disparities in formal financial access. ◉ Aligned with the Cerise+SPTF Client Protection Standards (with EDFI MC technical assistance) to ensure fair treatment of vulnerable borrowers. ◉ Continued support for the 'Coexist Sri Lanka' initiative and social entrepreneurs serving vulnerable communities.	138
 **Sustainable Cities and Communities** *Targets: 11.3, 11.a*	◉ Strengthened rural and small-town financial infrastructure through branch and ATM expansion, including the new ATM at St. Coombs, Talawakele commissioned in July 2025. ◉ Continued to enable rural-to-urban remittance and savings flows via digital channels, easing pressure on urban migration. ◉ Promoted community-based tourism and local economic diversification in regions such as Ratnapura through targeted financing and capacity building.	136

SDG and Underlying Targets	Initiatives Implemented by SDF in FY 2025/26	Page Reference
 **Responsible Consumption and Production** *Targets: 12.2, 12.5*	◉ Continued the 'Reduce, Reuse, Recycle' approach across all branches and the Head Office, with formal waste segregation logs maintained at all premises. ◉ Advanced paper digitisation initiatives remain a key focus, with paper waste recorded at 1.48 MT during the financial year 2025/26. ◉ Strengthened the negative-screening policy under 'Artha Dharma' principles, excluding lending to industries that drive unsustainable consumption.	178
 **Climate Action** *Targets: 13.1, 13.3*	◉ Continued systematic measurement of Scope 1, 2 and (partial) Scope 3 emissions, with total carbon footprint of 964 mtCO2e for the year, compared with 506.15 mtCO2e in the prior year. ◉ Expanded EV leasing portfolios, enabling customers to reduce their own carbon footprint while diversifying SDF's green asset base. ◉ Began the journey toward SLFRS S1 and S2 sustainability-related financial disclosures, aligning climate-risk reporting with international standards. ◉ Integrated climate-related risks into the risk management framework under BIRMC oversight, with focused attention on agricultural lending exposure to weather events.	179
 **Life on Land** *Targets: 15.2, 15.5*	◉ Continued financing for sustainable and regenerative agriculture, reducing land-use pressure on smallholder farms and supporting soil health. ◉ Maintained negative-screening criteria that exclude lending to deforestation-linked or biodiversity-damaging industries.	91
 **Peace, Justice and Strong Institutions** *Targets: 16.5, 16.6*	◉ Maintained a robust Anti-Money Laundering and Counter-Terrorist Financing framework, with 2 AML-related staff training sessions conducted during the year for 221 Staff. ◉ Operated a Board-approved Whistleblowing Policy with confidential reporting channels and a documented Board Audit Committee review process. ◉ Sustained a Senior Independent Director role and an entirely Non-Executive Board (8 directors, 5 of whom are Independent) to safeguard institutional integrity. ◉ Reinforced the Code of Conduct, Anti-Bribery and Corruption Policy, and Conflict of Interest Policy across all employees and Directors.	93
 **Partnerships for the Goals** *Targets: 17.3, 17.16, 17.17*	◉ Issued Sri Lanka's first Sustainable Bond, LKR 2 billion, demonstrating innovative public-private collaboration to mobilise capital for SDG-aligned outcomes. ◉ Secured new impact foreign funding of USD 9 million during the year, deepening SDF's network of global impact investor partnerships. ◉ Continued to be the only Non-Banking Financial Institution globally with full membership of the Global Alliance for Banking on Values (GABV). ◉ Continued AgriFI partnership with the European Union (USD 3 million senior debt facility) and engagement with EDFI Management Company on client protection. ◉ Participated for the second consecutive year in the Asia Financial Inclusion Forum (AFIFORUM) 2025, expanding regional partnerships in inclusive finance.	113

Sustainability Targets and Progress Scorecard

Setting ambitious yet credible targets, and reporting transparently on progress against them, is the discipline that converts intent into impact. At Sarvodaya Development Finance PLC (SDF), our Sustainability Targets and Progress Scorecard is the management instrument that connects board-level strategy with operational delivery. It translates the four pillars of our sustainability framework into measurable indicators, time-bound milestones, and assigned ownership across the organisation.

The scorecard is anchored to the United Nations Sustainable Development Goals (SDGs), aligned with the Central Bank of Sri Lanka's Sustainable Finance Roadmap, and informed by the disclosure expectations of SLFRS S1 and S2. Targets are structured across three reporting horizons: the financial year just ended (FY 2025/26), an interim milestone year (FY 2029/30), and our long-horizon ambition (FY 2049/50). The Board Integrated Risk Management Committee (BIRMC), supported by the Management Sustainability Committee, reviews progress quarterly and recommends corrective action where indicators fall behind plan.

FY 2025/26 marks a turning point in SDF's sustainability journey. The successful issue of Sri Lanka's first Sustainable Bond of LKR 2 billion, combined with the mobilisation of USD 9 million in new impact foreign funding, has fundamentally expanded the resource base available to deliver against these targets. Progress is therefore not only on track but, in several priority areas, ahead of the trajectory set out in our previous report.

FY 2025/26 Sustainability Snapshot

LKR 2 Bn Sustainable Bond (Sri Lanka's first)	**USD 9 Mn** new impact foreign funding	**8 ATMs** including new solar-served unit	**56 Branches** 82% outside Western Province

Strategic Pillars of Sustainability

Our scorecard is built on four mutually reinforcing pillars. Each pillar is anchored to specific SDGs, mapped to the six capitals we steward, and translated into quantitative KPIs that allow performance to be tracked over time.

Pillar	Strategic Focus	Primary SDGs	Capitals
Empowering Lives and Inclusive Growth	Deepening financial inclusion for rural communities, MSMEs, women entrepreneurs and smallholder farmers through a values-led, grassroots distribution model.	1, 2, 5, 8, 10	**FC, SRC, HC**
Advancing Climate and Environmental Action	Reducing our direct environmental footprint, accelerating renewable energy adoption, and financing the low-carbon transition of our customers and communities.	7, 12, 13, 15	**NC, FC, MC**
Building a Resilient Workplace	Cultivating an inclusive, learning-led culture where employees grow professionally, balance work and life, and contribute to long-term institutional capability.	3, 4, 5, 8	**HC, IC**
Strengthening Ethical Governance and Resilience	Embedding Artha Dharma principles, GABV standards and ISO-certified controls across decision-making, risk management and reporting.	16, 17	**IC, SRC, FC**

Capital legend: *FC = Financial Capital, MC = Manufactured Capital, IC = Intellectual Capital, HC = Human Capital, SRC = Social and Relationship Capital, NC = Natural Capital.*

Approach to Target Setting and Validation

Targets are constructed using the SMART discipline (Specific, Measurable, Achievable, Relevant, Time-bound). The baseline for each indicator is the audited or board-reviewed position at 31 March 2025. The FY 2029/30 milestone is set to align with the United Nations Decade of Action and Sri Lanka's Nationally Determined Contributions. The FY 2049/50 horizon is calibrated against our commitment to operational carbon neutrality and the country's net-zero ambition. Targets are reviewed annually by the Management Sustainability Committee, refreshed where new data or external benchmarks justify revision, and approved by the Board before publication.

The targets disclosed in this scorecard have not yet been validated by an independent third party. As a next step on our assurance roadmap, we are engaging with an external verifier to conduct limited assurance on selected environmental indicators in the upcoming reporting period, with the longer-term ambition of progressing to reasonable assurance under SLFRS S1 and S2.

Sustainability Targets and Progress Scorecard

The following scorecard sets out our material sustainability indicators, organised by Sustainable Development Goal, together with the FY 2024/25 baseline, FY 2025/26 progress, FY 2029/30 milestone, FY 2049/50 ambition, and the status of each indicator at year-end.

Progress Status Legend

Achieved	On Track	Watch	New / Baseline Year
●	▶	■	◆

Pillar 1: Empowering Lives and Inclusive Growth

Inclusive growth has been the founding purpose of SDF since its origin in the Sarvodaya movement. This pillar tracks how effectively we extend formal financial services to rural households, smallholder farmers, women entrepreneurs and MSMEs, and how the economic value we create is shared with stakeholders.

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 1 **No Poverty** *Empowering Lives, Strengthening Communities* **Capitals:** FC SRC	Number of smallholder farmers reached through financial inclusion services	47,000+	23,000+	+10,000 per year	300,000+	●
	Number of micro-businesses supported with credit and capacity building	4,400+	6,561+	+1,500 per year	50,000+ capacity built	●
	Local jobs created or safeguarded through SDF financing	13,000+	17,550+	+3,000 per year	200,000+	●
	MSME loan portfolio (LKR Mn)	4,026	2,780	15,000+	50,000+	■

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 2 **Zero Hunger** *Finance for Food Security* **Capitals:** FC NC	Land benefited from SDF agricultural investments (hectares)	26,000+	91,580+	+5,000 per year	500,000+	●
	Quality seed paddy distributed through sustainable agriculture programmes (kg)	77,000	201,970	20,000 per year	500,000	▶
	Funding directed to sustainable agriculture (LKR Mn)	900	2,864+	3,000+	10,000+	■

Sustainability Targets and Progress Scorecard

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 5 **Gender Equality** *Women First, Futures Flourish* **Capitals:** HC SRC	Women customers as percentage of total loan recipients (%)	51%	46%	≥ 55%	≥ 60%	▶
	Female staff participation in total workforce (%)	48%	46%	≥ 50%	≥ 65%	▶
	Gender-focused international funding mobilised (cumulative USD Mn)	3.0	5.0	USD 5+ Mn per year	USD 50+ Mn	●

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 8 **Decent Work and Economic Growth** *Creating Opportunities, Fostering Growth for All* **Capitals:** FC HC	Permanent direct employment opportunities created at SDF	603	652	+50 to 75 per year	+100,000 (direct and indirect)	▶
	Farmers equipped with modern agricultural equipment through leasing	1,300	1,724+	+200 per year	+100,000	●
	Economic value distributed to stakeholders (LKR Mn)	3,943+	4,423+	12,000+	Sustained growth	●

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 10 **Reduced Inequalities** *Empowering Progress Through Innovation and Digitalisation* **Capitals:** IC SRC	POS-enabled transactions facilitated for village societies (number)	350 Mn	517 Mn+	+100 Mn, +20% active societies	+500 Mn, +50% active societies	●
	Digital financial literacy programme reach (individuals)	Programme piloted	1,200+ trained	5,000 rural individuals	50,000 rural individuals	▶
	Branches outside Western Province (% of network)	82%	82%	≥ 80% sustained	≥ 80% sustained	●

Pillar 2: Advancing Climate and Environmental Action

SDF announced its carbon neutrality commitment on World Environment Day 2022, setting a 2030 target for operational neutrality. This pillar tracks both the management of our direct environmental footprint and the catalytic role we play in financing customers' transition to low-carbon livelihoods. The LKR 2 billion Sustainable Bond issued in FY 2025/26 materially expands the resources we can channel into green finance.

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 7 **Affordable and Clean Energy** *Green Energy Transition in Our Operations* **Capitals:** NC MC	Share of SDF operations powered by solar energy (%)	15%	15%	60% of feasible branches solarised	Net zero operations	■
	Solar electricity generated on SDF premises (kWh)	94,465	111,305	250,000+	1,000,000+	▶
	Rural farms supported with solar water pumps	Programme initiated	60	500+ rural farms	10,000+ rural farms	▶

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 12 **Responsible Consumption and Production** *Reducing Our Direct Footprint* **Capitals:** NC MC GRI 302-3	Total electricity consumption (kWh)	702,486	735,139	≤ 600,000 (15% reduction)	≤ 350,000 (50% reduction)	■
	Electricity intensity per LKR Mn of revenue (kWh)	103	114	≤ 70	≤ 40	■
	Total water consumption (megalitres)	8.23	9.46	≤ 7.5	≤ 5.0	■
	Paper waste reduction (cumulative vs FY 2023/24 baseline)	60% reduction	60% reduction	80% reduction	95% reduction	▶
	Workflow digitisation (% of internal processes)	85%	85%	100%	Continuous improvement	▶

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 13 **Climate Action** *Advancing Green Solutions* **Capitals:** FC NC	Total carbon footprint, Scope 1, 2 and partial Scope 3 (mtCO2e)	506.15	964	Operational carbon neutrality	Net zero including financed emissions	▶
	Specialised leasing for electric vehicles (LKR Mn, annual)	158	197	1,000+	5,000+	▶
	Electric motorbikes distributed cumulatively	411	1037	+300 additional e-mobility users per year	+10,000 e-mobility users	●
	Trees planted or distributed annually	3,140	5,243	5,000+ per year	100,000+ cumulative	▶
	Sustainable Bond proceeds deployed to eligible green and social projects (LKR Mn)	N/A	2,000	Full deployment with annual impact reporting	Multiple sustainable issuances	◆

Sustainability Targets and Progress Scorecard

Pillar 3: Building a Resilient Workplace

Our people are the channel through which sustainability translates into customer experience and community impact. This pillar tracks workforce composition, learning investment, employee wellbeing and ethical culture.

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 3 **Good Health and Wellbeing** *A Healthy, Engaged Workforce* **Capitals:** HC	Employee wellbeing survey participation (% of workforce)	85%	85%	≥ 95%	Embedded continuous listening	▶
	Employees covered by health insurance (%)	100%	100%	100% sustained	100% sustained	●

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 4 **Quality Education** *Empowering Employees Through Learning* **Capitals:** HC IC GRI 404-1	Total employee training hours (annual)	16,284	16,955+	25,000+	40,000+	▶
	Average training hours per employee	27	26	40	60	■
	Investment in training and development (LKR Mn)	6.3	8.9	15+	30+	▶
	Staff trained in sustainable operations and digital literacy	Baseline established	300+	100+ staff	70% of all staff	●

Pillar 4: Strengthening Ethical Governance and Resilience

Strong governance is the foundation on which all other sustainability outcomes are built. This pillar tracks board oversight, ethical culture, partnerships and the depth of our compliance and risk management infrastructure.

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 16 **Peace, Justice and Strong Institutions** *Artha Dharma in Practice* **Capitals:** IC SRC GRI 205-2	Board independence (% Independent Non-Executive Directors)	57% (4 of 7)	63% (5 of 8)	≥ 50% sustained	≥ 50% sustained	●
	Whistleblowing cases received and resolved within target timelines (%)	100%	100%	100% sustained	100% sustained	●
	Information Security Management System (ISO 27001) certification	Certified	Maintained	Certified and uplift to 2022 standard	Continuous certification	●
	Client Protection Standards (Cerise+SPTF) certification status	Aligned	Implementation progressing	Full certification	Continuous certification	▶

SDG Focus	Key Performance Indicator	Baseline FY 2024/25	FY 2025/26 Progress	FY 2029/30 Target	FY 2049/50 Ambition	Status
SDG 17 **Partnerships for the Goals** *Building Coalitions for Sustainable Finance* **Capitals:** FC SRC	Active sustainable finance partnerships (number)	5 GABV, EU AgriFI, Now Partners, EDFI MC, Araliya	7 GABV, EU AgriFI, Now Partners, EDFI MC, Araliya, Incofin, Browns EV	12+ partnerships	Embedded ecosystem	▶
	International impact funding mobilised cumulatively (USD Mn)	3	11 (LKR 2 Bn bond + USD 9 Mn impact)	50+	500+	●
	GABV full membership (first NBFI in Sri Lanka)	Achieved	Active member	Active member	Active member	●

Looking Ahead

In FY 2026/27, our scorecard development will advance along four priority workstreams. First, we will publish the inaugural Allocation and Impact Report for the LKR 2 billion Sustainable Bond, providing investors with verified, project-level disclosure of how proceeds have been deployed. Second, we will commission limited external assurance on selected environmental indicators (electricity, water, carbon footprint and green financing) to enhance the credibility of disclosed performance. Third, we will quantify the impact of sustainability-related and climate-related risks and opportunities under SLFRS S1 and S2, integrating them into our risk register and capital planning.

The targets and progress disclosed in this scorecard represent a living commitment. They will be refined as new data becomes available, recalibrated where ambition can be raised, and reported transparently regardless of whether performance is on or off plan. Through this discipline, SDF intends to demonstrate that values-led development finance and rigorous, measurable sustainability performance are not competing priorities but mutually reinforcing foundations of long-term value creation.

Dambulla

EMPOWERING VILLAGE EXPORT GROWERS

THREE HUNDRED MANGO TREES IN KANDALAMA, AND MOST OF THE FRUIT BOUND FOR EXPORT.

My name is Asela, and I farm in the Kandalama area. For the last five years I have grown TJC mango, and today I tend close to three hundred trees across two acres of land.

Sarvodaya Development Finance has supported me with loans from time to time, arriving when the season calls for them. Most of my mango is grown for the export market, and the fruit that remains finds ready buyers in the Dambulla market, where demand stays strong year after year.

At forty-five, I have built something steady from this land, and I have every intention of growing it further.

SDF Support: Agri loans provided from time to time, aligned to the cultivation season.
Customer Name: E W G P Asela





Financial Capital

Capital that Reaches the Village

Financial capital is the resource through which Sarvodaya Development Finance carries opportunity from the centre of our balance sheet to the edge of every village we serve. In a year of disciplined and purposeful growth, we lifted profit after tax by 73.1% to LKR 820 Million and expanded our asset base by 65.8% to LKR 37.4 Billion, while raising return on equity to 19.60%. We deepened that base in a landmark way, issuing Sri Lanka's first Sustainable Bond of LKR 2.0 Billion and attracting USD 9 Million in new impact funding. Every rupee we mobilise is a rupee made ready to work in a backyard, a field or a small workshop, turning humble beginnings into enduring value.

SDG Impacted



Capital Impacted

MC HC SRC

Financial Capital is the pool of funds that SDF draws together and deploys in service of its rural development mandate: equity contributed by shareholders, deposits mobilised from customers, borrowings from local banks and international impact investors the proceeds of Sri Lanka's first Sustainable Bond, and the profits generated and retained within the business. In FY 2025/26 this capital base expanded faster than in any year in the Company's history, and was channelled, in keeping with the Sarvodaya movement's Artha Dharma philosophy, toward the awakening of economic life in the communities we serve.

LKR 6,423 Mn
Total Income

LKR 820 Mn
Profit After Tax
+73.1% YoY

LKR 37,372 Mn
Total Assets
+65.8% YoY

19.60%
Return on Equity
FY24/25: 12.61%

2.74%
Return on Assets
FY24/25: 2.53%

4.93%
Gross NPA Ratio
FY24/25: 7.88%

22.13%
Total Capital Adequacy
Minimum: 12.5%

5.48
Earnings Per Share
FY24/25: LKR 3.17

Financial Capital

1. Financial Capital at a Glance

The year delivered record income and profitability alongside a step change in scale. Profit after tax rose 73.1% to LKR 820 Mn, the balance sheet grew 65.8% to cross LKR 37 Bn for the first time, and asset quality strengthened markedly as the gross non-performing advances ratio reduced by 37.4% year-on-year to 4.93%.

The Financial Capital Value-Creation Logic

Dimension	How it applied in FY 2025/26
Inputs	Shareholders' funds of LKR 4,423 Mn; customer deposits of LKR 10,609 Mn; borrowings from banks and development finance partners of LKR 18,427 Mn; LKR 2 Bn raised through Sri Lanka's first Sustainable Bond; USD 9 Mn in new impact foreign funding; and retained profits.
Strategic drivers	Grow the core lending and leasing book; protect net interest margins through disciplined pricing; reduce non-performing advances; diversify and lengthen the funding base; channel a rising share of capital into green and social lending under the Sustainable Bond Framework.
Approaches	Annual budgeting and rolling forecasts aligned to the FY 2029/30 medium-term plan; Board Integrated Risk Management Committee (BIRMC) oversight with scenario stress testing; asset and liability management; full compliance with LKAS / SLFRS, CBSL Directions and CSE Listing Rules; and transparent investor communication.
Challenges	A rising cost of funds as strategic mobilization of fundings for business expansion through borrowings margin compression as the balance sheet expanded ahead of earning-asset repricing; competitive pricing pressure; and an evolving regulatory and accounting landscape (SLFRS S1 / S2).
Key outputs	Record profit after tax of LKR 820 Mn; ROE of 19.60%; gross NPA down to 4.93%; capital adequacy maintained well above regulatory minima; and the inaugural deployment of Sustainable Bond proceeds into qualifying green and social assets.
Outlook	Scale assets toward the FY 2029/30 aspiration of LKR 101 Bn, lift ROE toward 22%, bring the cost-to-income ratio toward 42%, and raise sustainable finance to 40% of the portfolio.

2. Value Created, Preserved and Traded Off

Deploying Financial Capital involves continual judgement. The table below sets out how the Company created value for stakeholders during the year, how it preserved the resilience of its capital base, and the principal trade-offs it navigated.

Value created	Value preserved	Trade-offs navigated
Expanded credit access with 67.2% growth in loans and receivables and 34.0% growth in the lease book, widening reach across underserved districts.	Sustained service continuity and product affordability for rural and MSME customers through a period of rapid balance-sheet expansion.	Managed the tension between aggressive volume growth and the cost of funding that growth, which compressed net interest margins.
Delivered 73.1% growth in profit after tax and sustained returns to providers of capital, including dividends and interest.	Held ROE at 19.60% and ROA at 2.74% through disciplined cost management and recoveries.	Balanced the distribution of earnings against the reinvestment required to fund future lending and meet capital buffers.
Strengthened the funding base through Sri Lanka's first Sustainable Bond and USD 9 Mn of impact foreign funding.	Maintained capital adequacy well above CBSL minima and improved gross NPA from 7.88% to 4.93%.	Accepted higher financial leverage (debt to equity rose to 7.04 times) in exchange for accelerated, capital-efficient growth.
Advanced financial inclusion and the green and social finance agenda in line with the Company's GABV membership.	Preserved alignment with the Sustainable Bond Framework, the Sri Lanka Green Finance Taxonomy and ICMA principles.	Prioritised building the lending platform and funding architecture over the near-term scaling of some non-core initiatives.

3. Linking Financial Capital to Strategy and Material Matters

Financial Capital underpins every other capital: it funds the branch network and technology of Manufactured and Intellectual Capital, the people of Human Capital, and the community and environmental outcomes of Social and Relationship and Natural Capital. Its management connects directly to the Company's strategic pillars and material matters.

Strategic pillar	Contribution of Financial Capital	Related SDGs
Sustainable growth	Disciplined lending and robust capital generation to deliver consistent returns and scale the balance sheet toward LKR 101 Bn.	
Financial inclusion	Mobilising deposits and development funding responsibly to extend credit to rural and MSME customers outside the Western Province.	
Sustainable finance leadership	Channelling Sustainable Bond and impact-fund proceeds into qualifying green and social assets.	
Resilience and governance	Preserving financial integrity through strong credit quality, liquidity buffers and prudent capital allocation under Board oversight.	

Material matters addressed in this review: sustainably growing revenue and profitability; capital and risk management; asset-quality management; funding and liquidity resilience; and ethical, transparent and compliant reporting.

SWOT: Financial Capital

Strengths

- Five-time TAGS Gold Award winner with a strong governance and disclosure record
- Access to diversified funding, including Sri
- Lanka's first Sustainable Bond and impact foreign funding
- Sharply improving asset quality and a well-capitalised balance sheet
- First NBFI in Sri Lanka with full GABV membership

Weaknesses

- Net interest margin compression as the balance sheet expanded ahead of repricing
- Rising reliance on wholesale funding lifted the cost of funds and leverage
- Deposit growth (7.9%) lagging asset growth (65.8%)
- Earnings concentration in interest-based income

S W O T

Opportunities

- Scale green and social lending toward the 40% sustainablefinance target
- Deepen the deposit franchise to rebalance the funding mix
- Leverage development partnerships and blended finance
- Adopt data analytics for pricing and credit decisions

Threats

- Volatile interest and exchange-rate environments
- Competitive pricing pressure on margins
- Evolving regulatory and accounting requirements (SLFRS S1 / S2)
- Macroeconomic and credit concentration risk

Financial Capital

4. Financial Capital and Sustainability

Consistent with SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), the Company assesses the sustainability risks and opportunities that could affect its financial position. These include economic volatility, interest-rate and exchange-rate movements, climate-related transition and physical risks within the lending book, and the opportunity to grow climate-aligned and socially inclusive finance.

FY 2025/26 was a landmark year for sustainable finance. The Company issued Sri Lanka's first Sustainable Bond of LKR 2 Bn, structured under the SDF Sustainable Bond Framework (October 2025), which is aligned with the International Capital Market Association (ICMA) Green Bond, Social Bond and Sustainability Bond Guidelines and applies a 15-item exclusion list. Use of proceeds is tracked on the Experienz platform and follows the framework's green and social allocation split. A separate Sustainable Bond Allocation and Impact Report is forthcoming.

5. Six Pillars of Financial Stewardship

The Company assesses the strength of its Financial Capital across six key dimensions: capital adequacy, asset quality, management efficiency, earnings, liquidity, and sensitivity to market risks. Together, these dimensions provide a comprehensive view of the Company's financial soundness, performance, and capacity to create sustainable value, aimed at strengthening long-term resilience and stakeholder confidence.

C · Capital Adequacy

Way forward: Maintain total capital adequacy comfortably above the CBSL minimum, providing a buffer to support continued growth.

Metric	FY25/26	FY24/25	Way-forward / minimum
Core capital ratio (Tier I)	15.48%	20.52%	12.6%
Total capital ratio (Tier I & II)	22.13%	20.64%	19.0%
Equity to total assets	11.84%	17.50%	Funding-mix shift
Debt to equity (times)	7.04	4.41	Within risk appetite

A · Asset Quality

Way forward: Drive the gross NPA ratio below 4.0% through disciplined credit risk management and active recoveries.

Metric	FY25/26	FY24/25	Way-forward / minimum
Gross NPA ratio	4.93%	7.88%	Target < 4.0%
Net NPA ratio	2.94%	5.70%	Declining trend
Provision cover	42.60%	27.65%	Adequate coverage
Impairment to operating income	13.15%	14.88%	Declining trend

M · Management Efficiency

Way forward: Bring the cost-to-income ratio toward 35% by FY 2029/30 while continuing to invest in the platform.

Metric	FY25/26	FY24/25	Way-forward / minimum
Cost to income ratio	42.99%	46.51%	Target ~35%
Profit after tax per employee	LKR 1.26 Mn	LKR 0.79 Mn	Rising
Total assets per employee	LKR 57.2 Mn	LKR 37.4 Mn	Rising
Staff cost to net income	22%	24%	Stable / improving

E · Earnings

Way forward: Lift return on equity toward 22% by FY 2029/30 through profitable, capital-efficient growth.

Metric	FY25/26	FY24/25	Way-forward / minimum
Return on equity	19.60%	12.61%	Target ~22%
Return on assets	2.74%	2.53%	Rising
Net interest margin	9.70%	12.30%	Rebuild on repricing
Interest spread	10.39%	12.60%	Maintain

L · Liquidity

Way forward: Maintain the statutory liquid-assets ratio with a comfortable buffer and lengthen the funding maturity profile.

Metric	FY25/26	FY24/25	Way-forward / minimum
Liquid assets ratio	22.50%	17.10%	Above CBSL minimum
Liquid assets (LKR Mn)	2,660	1,834	Growing buffer
Customer deposits (LKR Mn)	10,609	9,833	Deepen franchise
Cash and cash equivalents (LKR Mn)	1,079	928	Adequate

S · Sensitivity to Market Conditions

Way forward: Use scenario-based stress testing under BIRMC oversight to keep interest-rate, exchange-rate and credit sensitivities within approved limits.

Metric	FY25/26	FY24/25	Way-forward / minimum
Interest-rate risk	Monitored	Monitored	Within limits
Exchange-rate exposure (USD funding)	Managed	Managed	Within limits
Cost of funds	9.68%	10.05%	Manage actively
Stress testing	BIRMC	BIRMC	Quarterly

With the growing contribution of local borrowings and foreign currency-denominated impact funding to the Company's funding mix, exposure to interest rate and exchange rate movements is subject to heightened monitoring. The Company maintains disciplined risk management practices, operating within Board-approved limits and regularly assessing resilience through stress-testing exercises overseen by the BIRMC.

Financial Capital

6. Horizontal Analysis of the Income Statement

Income grew at a five-year compound annual growth rate (CAGR) of 35%, with profit after tax compounding at close to 40% off a low base. The pace accelerated sharply in the year under review. CAGR is calculated over FY 2021/22 to FY 2025/26.

Income statement (LKR Mn)	CAGR	FY25/26	FY24/25	FY23/24	FY22/23	FY21/22
Income	35%	6,423	4,374	3,327	2,597	1,930
Interest income	34%	5,846	4,064	3,102	2,461	1,822
Interest expenses	42%	(2,271)	(1,424)	(1,322)	(1,222)	(562)
Net interest income	30%	3,575	2,639	1,780	1,240	1,260
Other operating income	52%	578	311	225	136	108
Total operating income	32%	4,153	2,950	2,004	1,376	1,368
Impairment charges	30%	(546)	(439)	(333)	(63)	(193)
Net operating income	32%	3,606	2,511	1,672	1,313	1,176
Operating expenses	22%	(1,785)	(1,372)	(1,081)	(867)	(800)
Tax on financial services	44%	(463)	(310)	(182)	(146)	(107)
Profit before income tax	50%	1,359	830	409	300	269
Income tax expense	78%	(539)	(356)	(160)	(78)	(53)
Profit for the year	40%	820	474	250	222	215

Total income rose from LKR 1,930 Mn to LKR 6,423 Mn over five years, a 35% CAGR, and grew 46.8% in the year under review alone. Net interest income compounded at 30% to LKR 3,575 Mn, while the rapid build-up of the funding base lifted interest expense at a faster 42% CAGR. Profit before income tax compounded at 50% and profit for the year at roughly 40%, with income tax expense rising fastest of all as profitability normalised. The trajectory reflects both the scaling of the lending platform and an improving earnings quality.

7. Vertical Analysis of the Income Statement

Expressed as a percentage of total income, the income statement shows a business that remains predominantly interest-led, with a growing contribution from fee and other operating income, and a rising profit margin.

Income statement	FY25/26 %	FY24/25 %	FY23/24 %	FY22/23 %	FY21/22 %
Income	100	100	100	100	100
Interest income	91	93	93	95	94
Interest expenses	35	33	40	47	29
Net interest income	56	60	53	48	65
Other operating income	9	7	7	5	6
Total operating income	65	67	60	53	71
Impairment charges	9	10	10	2	10
Operating expenses	28	31	32	33	41
Tax on financial services	7	7	5	6	6
Profit before income tax	21	19	12	12	14
Income tax expense	8	8	5	3	3
Profit for the year	13	11	8	9	11

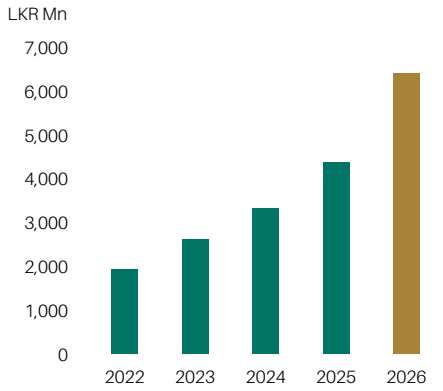
Interest income has consistently represented between 91% and 95% of total income, underscoring the core lending focus, while interest expense has ranged from 29% to 47% of income depending on the rate cycle and funding mix. The net profit margin improved to 13% of income, its strongest level in the five-year period bar one, reflecting better operating leverage and lower impairment intensity as asset quality improved.

8. Profitability Strength

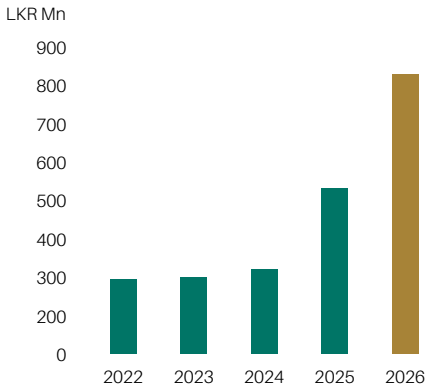
8.1 Income and profit trajectory

The Company generated total income of LKR 6,423 Mn in FY 2025/26, up 46.8% year on year, driven primarily by a 43.8% increase in interest income to LKR 5,846 Mn as the lending and lease books expanded. After interest expense of LKR 2,271 Mn, net interest income reached LKR 3,575 Mn. Together with other operating income of LKR 578 Mn and after impairment charges of LKR 546 Mn, operating expenses of LKR 1,785 Mn and total taxes of LKR 1,002 Mn, the Company recorded profit after tax of LKR 820 Mn, the highest in its history.

Total Income (LKR Mn)



Profit After Tax (LKR Mn)

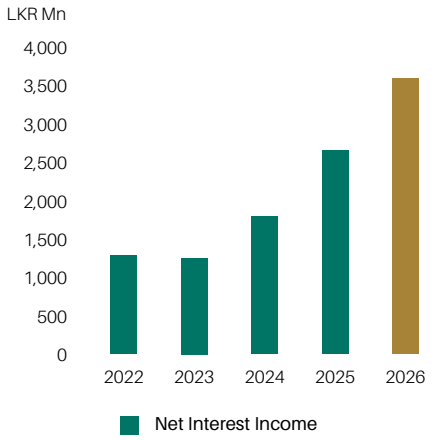


8.2 Net interest income and margin

Net interest income grew 35.4% to LKR 3,575 Mn. The result, however, reflects a deliberate trade-off between volume and margin. Interest income rose 43.8%, but interest expense rose faster, at 59.4%, as the Company drew down substantial bank and development funding through the year and issued its Sustainable Bond. As a consequence, the net interest margin compressed from 12.30% to 9.71%.

Importantly, the compression was driven by balance-sheet composition and timing rather than by deteriorating core economics: the interest spread on lending actually shrinked, from 12.60% to 10.39%. Margin was diluted because the balance sheet expanded sharply, including a late-year build-up of liquid and other financial assets (which rose to LKR 3,574 Mn as Sustainable Bond and impact-funding proceeds were received), ahead of those funds being fully repriced into higher-yielding lending. As proceeds are deployed, the margin is expected to recover toward historical levels.

Net Interest Income



8.3 Non-interest income

Other operating income grew strongly, up 86.0% to LKR 578 Mn, the fastest-growing income line over the five-year period (52% CAGR). The increase tracked the expansion in underlying business volumes and the growing contribution of fee-based and gold-centre activity, with gold centres operating within 54 branches at year end. Lifting non-interest income remains a strategic priority to reduce reliance on rate-sensitive revenue.

8.4 Impairment charges

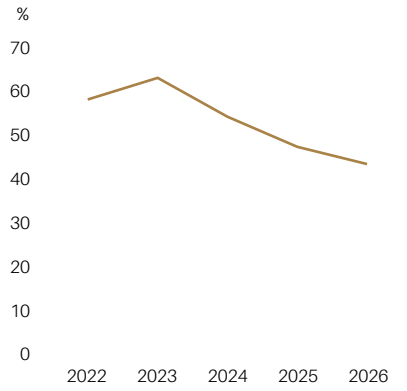
Impairment charges increased 24.4% to LKR 546 Mn in absolute terms as the lending book grew, yet impairment intensity eased: the impairment charge fell to 13.15% of total operating income, from 14.88% a year prior, and to 9% of total income. This was achieved alongside a marked improvement in asset quality, with the gross NPA ratio more than halving. The outcome reflects strengthened underwriting, active recovery efforts and a favourable shift in portfolio mix, even as provisioning kept pace with portfolio growth.

Financial Capital

8.5 Operating expenses and efficiency

Operating expenses rose 30.1% to LKR 1,785 Mn, well below the 46.8% growth in income. As a result, the cost-to-income ratio improved from 46.51% to 42.99%, continuing a multi-year downward trend and moving the Company closer to its FY 2029/30 aspiration of approximately 41.7%. The increase in absolute expenses was driven mainly by personnel costs as headcount grew from 603 to 653 to support the expanding network and book, together with technology and business-development investment. Profit after tax per employee improved to LKR 1.26 Mn, from LKR 0.79 Mn.

Cost to Income Ratio



8.6 Taxation

The Company remains a significant contributor to government revenue. Tax on financial services rose 49.4% to LKR 463 Mn and income tax expense rose 51.4% to LKR 539 Mn, taking total tax to LKR 1,002 Mn, equivalent to 15.6% of total income. The effective income tax rate normalised as profitability strengthened.

9. Position of Financial Health

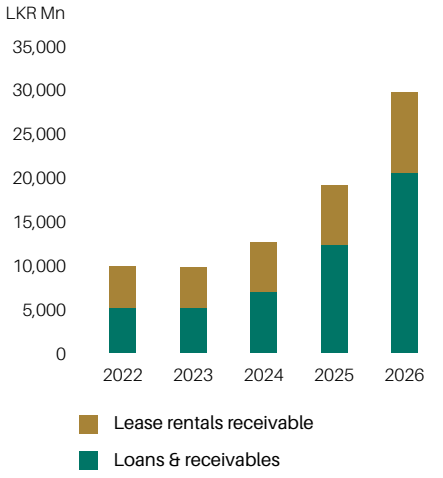
9.1 Total assets

Total assets grew 65.8% to LKR 37,372 Mn as at 31 March 2026, from LKR 22,542 Mn a year prior, the largest single-year expansion in the Company's history. Growth was led by the core lending and lease portfolio, which reached LKR 29,792 Mn and represented 80% of total assets. Liquid assets of LKR 2,659 Mn (7%) and other assets of LKR 4,920 Mn (13%), the latter elevated by Sustainable Bond and impact-funding proceeds held pending deployment, made up the balance.

9.2 Lending Portfolio

Loans and receivables grew 67.2% to LKR 20,602 Mn, while lease rentals receivable grew 34.0% to LKR 9,191 Mn. Growth in disbursements was broad-based, led by leasing (LKR 5,958 Mn), micro-business lending (LKR 1,462 Mn), SME lending (LKR 2,860 Mn) and housing (LKR 2,739 Mn). The shift toward micro-business and MSME lending is consistent with the Company's rural development mandate and inclusion agenda.

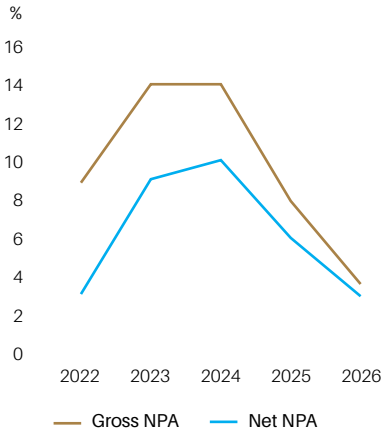
Lending Portfolio Composition



9.3 Credit quality

Asset quality strengthened markedly. The gross NPA ratio fell from 7.88% to 4.93%, and the net NPA ratio from 5.70% to 2.94%, the best levels in five years. The improvement reflects disciplined credit risk management, active recovery and the dilutive effect of a rapidly growing, better-quality book. While the headline ratios improved, the Company continues to monitor the seasoning of newly originated lending and maintains provisioning aligned to expected credit losses under SLFRS 9.

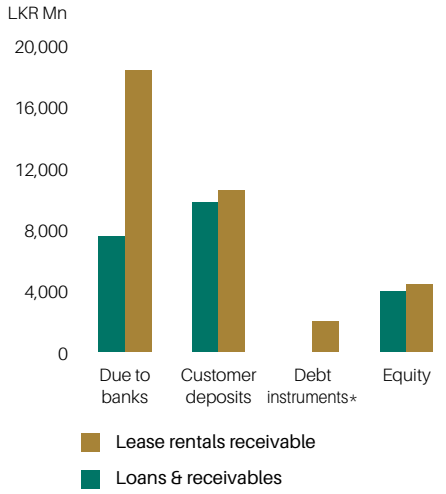
Asset Quality: Gross and Net NPA Ratio



9.4 Funding and liabilities

Total liabilities rose to LKR 32,948 Mn, from LKR 18,598 Mn. The funding mix shifted decisively toward wholesale sources during the year. Borrowings from banks and development finance partners grew 143.6% to LKR 18,427 Mn and became the single largest funding source, while customer deposits grew a more modest 7.9% to LKR 10,609 Mn. The Company also raised LKR 2 Bn through its inaugural Sustainable Bond. This shift accelerated growth and lengthened access to development capital, but it raised the cost of funds and financial leverage, reinforcing the priority of deepening the deposit franchise.

Funding Sources (LKR Mn)
***incl. Sustainable Bond**



9.5 Borrowings from Banks and International Impact Investors

Funds obtained from banks and development finance partners rose 143.6% to LKR 18,427 Mn. The increase was undertaken to meet strong credit demand and to secure longer-tenor, development-oriented funding, including USD 9 Mn of new impact foreign funding. Drawdowns weighted toward the second half of the year contributed to the temporary dilution of net interest margin as proceeds awaited deployment.

9.6 Customer deposits

Customer deposits grew 7.9% to LKR 10,609 Mn, comprising fixed deposits of LKR 8,864 Mn (84%) and savings of LKR 1,745 Mn (16%). The Company continues to prioritise a stable, granular deposit base as a lower-cost and more resilient funding source, with deposit mobilisation a clear strategic focus given the funding-mix shift during the year.

9.7 Sustainable Bond and debt instruments

The LKR 2 Bn Sustainable Bond issued during the year marked Sri Lanka's first such issuance and introduced a new, purpose-linked debt instrument to the funding base. Interest on the instrument (LKR 110 Mn for the part-year) is reflected within interest expense. Proceeds are ring-fenced for qualifying green and social assets under the SDF Sustainable Bond Framework and tracked on the Experienz platform.

9.8 Equity and capital adequacy

Shareholders' funds grew 12.2% to LKR 4,423 Mn, driven by retained profits, with stated capital unchanged at LKR 2,696 Mn and reserves rising to LKR 1,727 Mn. Net assets per share rose to LKR 29.57, from LKR 26.36. The total capital adequacy ratio of 22.13% and Tier I ratio of 15.48% remained comfortably above the CBSL minima of 12.5% and 8.5% respectively, providing ample headroom to support continued growth, even as the equity-to-assets ratio moderated to 11.84% with the rise in leverage.

10. Cash Flow Strength

The cash flow statement reflects a year of rapid, funded growth. Operating activities recorded a net outflow of LKR 11,408 Mn, driven by the expansion of the lending and lease book. Investing activities used LKR 813 Mn, principally for network and technology investment. Financing activities generated a net inflow of LKR 12,417 Mn, supported by increased bank and development borrowings and the Sustainable Bond. Overall, cash and cash equivalents increased by LKR 196 Mn during the year to LKR 722 Mn at the close, reflecting prudent management of liquidity through a period of balance-sheet expansion.

Cash flows (LKR Mn)	FY25/26	FY24/25
Net cash used in operating activities	(11,408)	(3740)
Net cash used in investing activities	813	(229)
Net cash from financing activities	12,417	4,414
Net increase in cash and cash equivalents	196	445
Cash and cash equivalents at year end	722	526

Cash and cash equivalents in the cash flow statement are stated net of bank overdrafts; the gross figure on the face of the statement of financial position is LKR 1,079 Mn.

Financial Capital

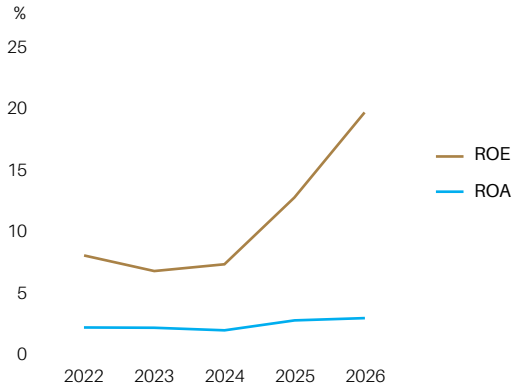
11. DuPont Analysis

DuPont analysis decomposes return on equity into net profit margin, asset turnover and financial leverage. ROE improved sharply from 12.61% to 19.60%, driven by a higher net profit margin and increased financial leverage, partially offset by lower asset turnover as the balance sheet expanded ahead of full income recognition.

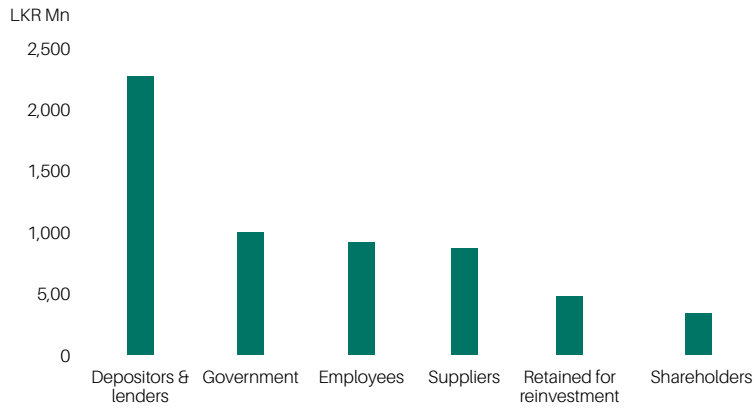
Component	FY25/26	FY24/25	Driver
Net profit margin (PAT / income)	12.77%	10.83%	Improved
Asset turnover (income / avg assets)	21.44%	23.36%	Lower
Equity multiplier (avg assets / avg equity)	7.16x	4.98x	Higher
Return on equity	19.60%	12.61%	Higher

The composition of the ROE improvement is healthy: roughly two-thirds came from genuine operating gains (a higher profit margin), with the balance from leverage. As the recently raised funding is deployed into earning assets, asset turnover and margin are expected to recover, supporting progress toward the medium-term ROE aspiration of 22%.

Return on Equity and Return on Assets



Economic Value Distributed, FY25/26 (LKR Mn)



12. Economic Value Generated and Distributed

GRI 201-1

The Company generated an economic value of LKR 6,423 Mn during the year and distributed the majority to its stakeholders, retaining the remainder to fund future growth.

Economic value distributed (LKR Mn)	FY25/26	Share
Depositors and lenders (interest)	2,271	38.7%
Payments to government (taxes)	1,001	17.0%
Employees (salaries and benefits)	920	15.7%
Suppliers (operating costs)	866	14.7%
Shareholders (dividends)	337	5.7%
Retained for reinvestment	479	8.2%

Distribution to shareholders reflects dividends recognised in the year; the proposed final dividend for FY 2025/26 is subject to Board and shareholder approval. Shares of value are expressed as a percentage of economic value distributed.

13. Delivering Shareholder Value

The Company delivered strong returns to shareholders in FY 2025/26. Earnings per share rose 73.1% to LKR 5.48, and net assets per share grew to LKR 29.57. The market responded positively: the share price closed at LKR 34.80, up 76.6% over the year, lifting market capitalisation to LKR 5,206 Mn while the price-earnings ratio held broadly stable at 6.35 times.

Investor indicator	FY25/26	FY24/25	Change
Earnings per share (LKR)	5.48	3.17	+73.1%
Net assets per share (LKR)	29.57	26.36	+12.2%
Market price per share (LKR)	34.80	19.70	+76.6%
Market capitalisation (LKR Mn)	5,206	2,947	+76.6%
Price-earnings ratio (times)	6.35	6.22	+0.13
Price to Book Value (times)	1.18	0.75	+57.5%
Return on equity	19.60%	12.61%	+6.99 pts

Dividend Payments to Sarvodaya and its Entities from 2023 to 2026

For the year ended 31st March	2026*	2025	2024	2023
Dividend applicable for the year (LKR)	80,948,776	102,483,406	53,291,371	61,468,294

** The figures for 2025/2026 only include the interim dividend paid during the year.*

In addition to a commitment to dividend distribution, the primary focus remains deeply anchored in local development finance. With the sole exception of the cash margin product, the entire portfolio is designed to empower income-generating activities. Supporting these initiatives helps expand employment opportunities in rural communities and contributes directly to broader economic growth.

Investor Relations

Sharing the value that awakened capital creates

GRI 2-1, 2-29, 201-1 | CSE Listing Rules 7.6 & 7.13 | Integrated Reporting <IR> Capitals Model

Sarvodaya Development Finance PLC (SDF) regards its shareholders and the wider investment community as essential partners in its mission to awaken economic life across rural Sri Lanka. The Company is committed to fair, timely and transparent disclosure, to equitable treatment of all shareholders, and to an open dialogue that allows providers of capital to understand both the financial returns and the development impact their investment makes possible.

1. Investor Information at a Glance

FY 2025/26 was a landmark year for shareholder value. The share price closed at LKR 34.80, up 76.6% over the year, lifting market capitalisation past LKR 5 Bn for the first time. Earnings per share rose 73.1% to LKR 5.48 and net assets per share grew to LKR 29.57, while the public holding of 43.70% kept the Company comfortably above the minimum public float requirement.

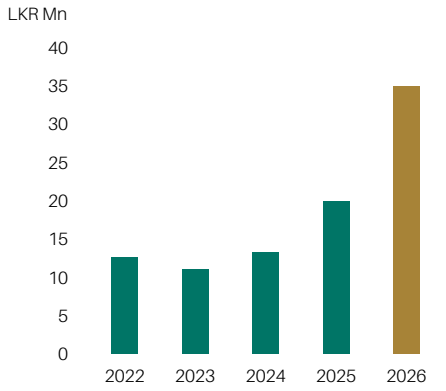
LKR 34.80 Market Price per Share +76.6% YoY	**LKR 5.21 Bn** Market Capitalisation +76.6% YoY	**LKR 5.48** Earnings per Share +73.1% YoY	**LKR 29.57** Net Assets per Share +12.2% YoY
6.35x Price-Earnings Ratio FY24/25: 6.22x	**43.70%** Public Holding 3,017 shareholders	**3,026** Total Shareholders as at 31 Mar 2026	**149.6 Mn** Shares in Issue unchanged YoY

Financial Capital

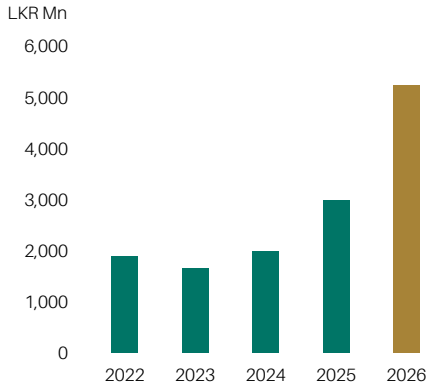
2. Share Price Performance

SDF's ordinary shares are listed on the Main Board of the Colombo Stock Exchange (CSE) under the symbol SDF.N0000. The share delivered one of its strongest years on record. From a low of LKR 17.00 early in the year, the price advanced to an intra-year high of LKR 54.40 in November 2025 before settling at LKR 34.80 at the close of the financial year. The closing price represented a gain of 76.6% over the prior-year close of LKR 19.70, comfortably ahead of the broader market and reflecting growing investor recognition of the Company's record earnings, improving asset quality and expanding funding base.

Market Price per Share



Market Capitalisation (LKR Mn)



Share Prices for the Year

Market price per share	LKR	Date
Highest during the period	54.40	04 November 2025
Lowest during the period	17.00	07 April 2025
Last traded during the period	34.80	31 March 2026

Source: Colombo Stock Exchange price data for the period 01 April 2025 to 31 March 2026 (SDF.N0000).

3. Share Trading Information

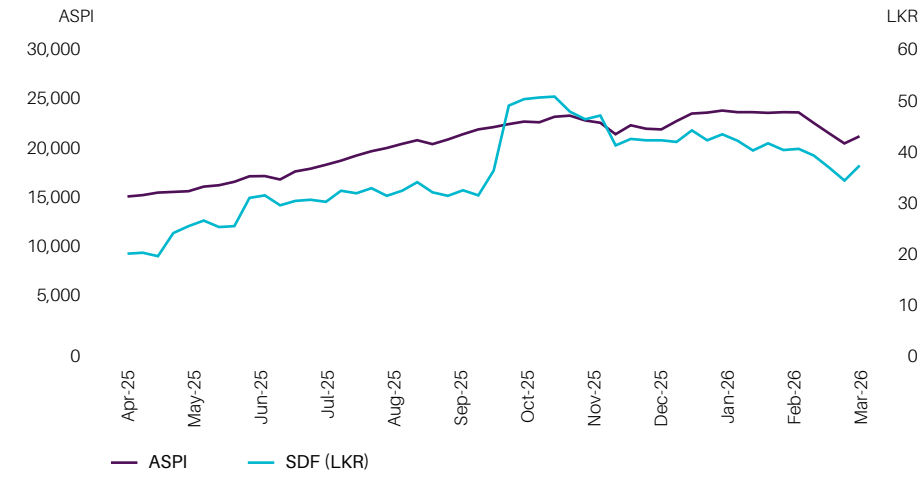
Trading in the Company's shares remained active throughout the year, with shares changing hands on 241 of the available market days. Turnover for the year exceeded LKR 2.2 Bn, equivalent to an average daily turnover of around LKR 9.3 Mn.

Share trading details	FY25/26	FY24/25
Highest price (LKR)	54.40	23.00
Lowest price (LKR)	17.00	11.80
Last traded price (LKR)	34.80	19.70
Number of transactions	19,914	2856
Number of shares traded	62,365,277	3,372,671
Value of shares traded (LKR Mn)	2,249	60
Number of days traded	241	222
Average daily turnover (LKR Mn)	9.33	0.27

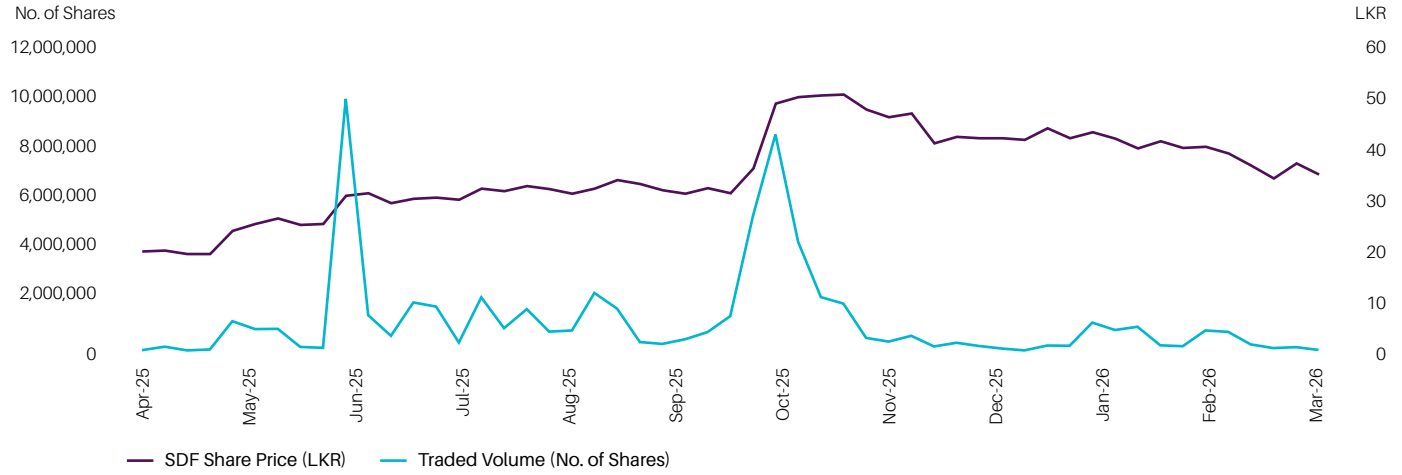
Source: Colombo Stock Exchange price data for the period 01 April 2025 to 31 March 2026 (SDF.N0000).

The company's share price grew strongly, closely tracking the All Share Price Index (ASPI). Despite a market-wide correction late in the year, the share stabilized to close at LKR 34.80, securing a substantial net gain.

SDF vs ASPI



SDF Share Price and Traded Volume



4. Market Capitalisation and Public Holding

Market capitalisation rose 76.6% to LKR 5,206 Mn, driven entirely by share price appreciation as the number of shares in issue remained unchanged at 149,596,052. The float-adjusted market capitalisation as at 31 March 2026 was LKR 2,275 Mn.

Market capitalisation	FY25/26	FY24/25
Number of shares in issue	149,596,052	149,596,052
Shareholders' funds (LKR Mn)	4,423	3,944
Market capitalisation (LKR Mn)	5,206	2,947
Float-adjusted market capitalisation (LKR Mn)	2,275	1,056

Public Holding and Compliance

Public holding	As at 31 March 2026
Public holding percentage	43.70%
Number of shareholders representing the public holding	3,017
Total number of shareholders	3,026
Float-adjusted market capitalisation (LKR)	2,275,186,172.40

The float-adjusted market capitalisation of the Company falls under Option 4 of Rule 7.13.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under that option throughout the year under review.

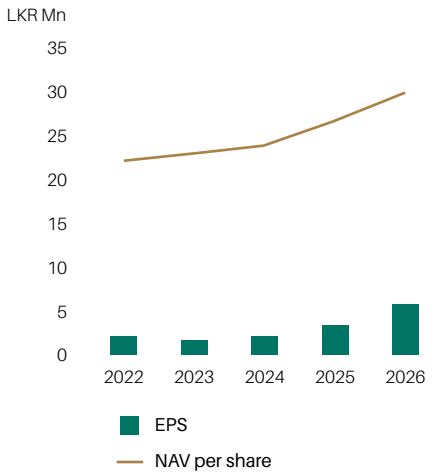
Financial Capital

5. Key Investor Indicators

The following five-year series sets out the principal market-based indicators for the Company's shares. Earnings and net assets per share have risen steadily, and the price-to-book ratio crossed one time for the first time in the period, reflecting strengthening investor confidence.

Indicator	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Market price per share (LKR)	12.50	11.00	13.10	19.70	34.80
Market capitalisation (LKR Mn)	1,870	1,646	1,960	2,947	5,206
Earnings per share (LKR)	1.86	1.48	1.67	3.17	5.48
Net assets per share (LKR)	22.09	23.06	23.87	26.36	29.57
Price-earnings ratio (times)	6.74	7.42	7.85	6.22	6.35
Price-to-book ratio (times)	0.57	0.48	0.55	0.75	1.18

Earnings and Net Assets per Share (LKR)



Dividends

The Company's dividend policy balances shareholder returns with the retention of earnings required to fund growth and maintain capital buffers well above regulatory minima. Driven by a commitment to delivering consistent returns, a dividend per share of LKR 1.00 was distributed for the 2025/2026 financial year as an interim dividend, resulting in a dividend payout ratio of 18% and a dividend yield of 2.9%.

Indicator	FY25/26*	FY24/25	FY23/24	FY22/23	FY21/22
Dividend per share (LKR)	1.00	1.25	0.65	0.75	0.50
Dividend payout ratio	18%	39%	39%	51%	35%
Dividend yield	2.9%	6.3%	5%	6.8%	4%

** The figures for 2025/2026 only include the interim dividend paid during the year.*

6. Distribution of Shareholdings

As at 31 March 2026 the Company had 3,026 shareholders. The shareholder base remained broad at the smaller end, with over 2,900 shareholders holding fewer than 10,000 shares each, while the ten largest holdings together accounted for 73.44% of the shares in issue.

Shareholding	No. of Shareholders	No. of shares	%	Cumulative %
1 - 1,000	1,046	277,168	0.19	0.19
1,001 - 10,000	1,078	6,416,346	4.29	4.48
10,001 - 100,000	854	22,343,013	14.94	19.41
100,001 - 1,000,000	38	10,692,845	7.15	26.56
Over 1,000,000	10	109,866,680	73.44	100.00
Total	3,026	149,596,052	100.00	

7. Composition of the Shareholder Base

The register is dominated by institutional and resident holders, reflecting the Company's anchoring in the Sarvodaya movement and the participation of strategic local and development-oriented investors.

By Residency

Category	No. of shareholders	No. of shares	%
Resident	3,020	135,767,548	90.76
Non-resident	6	13,828,504	9.24
Total	**3,026**	**149,596,052**	**100.00**

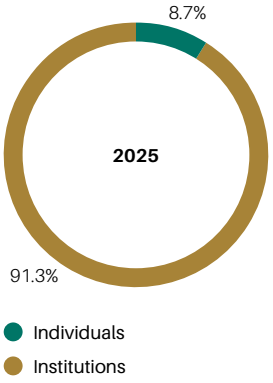
By Investor Category

Category	No. of shareholders	No. of shares	%
Individuals	1,668	12,951,216	8.66
Institutions	1,358	136,644,836	91.34
Total	**3,026**	**149,596,052**	**100.00**

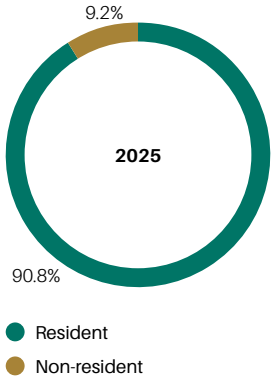
8. Twenty Largest Shareholders

The twenty largest shareholders held 77.46% of the shares in issue as at 31 March 2026. Sarvodaya Economic Enterprises Development Services (Gte) Ltd (SEEDS), the development arm of the Sarvodaya movement, remained the single largest shareholder with a 36.10% stake.

Shareholders by Category



Shareholders by Residency



Financial Capital

#	Name of Shareholder	No. of Shares	%
1	Sarvodaya Economic Enterprises Development Services (Gte) Ltd	54,000,000	36.10
2	Sampath Bank PLC / Senthilverl Holdings (Pvt) Ltd	13,649,988	9.13
3	Gentosha Media Consulting Inc.	13,500,004	9.02
4	Janashakthi Limited	16,089,270	10.76
	Seylan Bank PLC / Janashakthi Limited	11,365,000	7.60
	Commercial Bank of Ceylon PLC / Janashakthi Limited	4,724,270	3.16
5	Ideal Automobile (Pvt) Ltd	4,382,246	2.93
6	Lanka Jathika Sarvodaya Shramadana Sangamaya	4,335,051	2.90
7	Commercial Bank of Ceylon PLC / W. Jinadasa	1,423,921	0.95
8	Thalwila Pibidena Sarvodaya Shramadana Society	1,414,000	0.95
9	Mr. M.A.H. Esufally & Mrs. A.M. Esufally	1,072,200	0.72
10	Dialog Finance PLC / R. Arifeen	866,675	0.58
11	People's Leasing and Finance PLC / N.N. Dissanayaka	848,156	0.57
12	Commercial Bank of Ceylon PLC / Prempra Capital (Pvt) Ltd	830,000	0.56
13	People's Leasing & Finance PLC / Mr. D.M.P. Disanayake	656,569	0.44
14	Mr. A.C. Lokuge	500,000	0.33
15	Mr. G.H.S. Kumara	462,802	0.31
16	Mr. J.D. Ariyaratne	455,395	0.30
17	Mr. W.T.D. Ganegama & Mrs. N.H. Ariyaratne	365,000	0.24
18	People's Leasing and Finance PLC / Nagoya Ceylon Trading (Pvt) Ltd	352,850	0.24
19	Mr. A.D. Edussuriya	350,000	0.23
20	Sampath Bank PLC/ Ginige Channa Ajith de Silva	323,200	0.22
	Total — twenty largest shareholders	115,877,327	77.46
	Other shareholders	33,718,725	22.54
	Total	149,596,052	100.000

Shareholdings as at 31 March 2026 as per the register maintained by the Company's Registrars, Central Depository Systems (Pvt) Ltd.

9. Directors' and CEO's Shareholding

The interests of the Directors and the Chief Executive Officer in the shares of the Company as at 31 March 2026 are set out below.

Director / Officer	No. of Shares	%
Mr. Channa de Silva (Chairman) [1]	323,200	0.26
Mr. Dhammika Ganegama (Senior Director) [2]	437,400	0.29
Mr. Amrit CanagaRetna	Nil	-
Ms. Shehara de Silva	Nil	-
Ms. Suranjani Wickremeratne	Nil	-
Mr. Nandika Buddhipala	Nil	-
Mr. Senthi Nandhanan Senthilverl [3]	Nil	-
Mr. Ramesh Schaffter [4]	Nil	-
Mr. J K D N Pushpakumara (CEO)	105,500	0.07

1 *Held through Sampath Bank PLC / Ginige Channa Ajith De Silva.*

2 *Comprises 365,000 shares held jointly with Ms. N.H. Ariyaratne and 72,400 shares held individually.*

3 *Mr. Senthilverl is also connected to the holding of Senthilverl Holdings (Pvt) Ltd shown among the twenty largest shareholders.*

4 *Mr. Schaffter is also connected to the holding of Janashakthi Limited shown among the twenty largest shareholders.*

10. Credit Rating

Investor confidence of SDF has positively strengthened during the year under review with the credit rating upgrade to BBB- (Stable Outlook) on 30 September 2025 by Lanka Rating Agency (LRA). This has reaffirmed the Company's financial strength through the improved profitability, prudent risk management practices via enhanced assets quality, capital adequacy and long-term growth prospects. This achievement has validated the resilience of SDF's business model amid a dynamic operating environment and the positive market sentiment generated by the rating upgrade was further evidenced by the strong investor response to the Company's LKR 2.0 billion Sustainable Bond issuance, strengthening SDF's position as a trusted and credible institution within Sri Lanka's financial services sector.

11. Investor Relations Calendar and Contact

The Company maintains an active programme of disclosure and engagement. Quarterly interim financial statements are released to the Colombo Stock Exchange within the regulatory timelines, and the audited annual financial statements and this Integrated Annual Report are circulated ahead of the Annual General Meeting.

Event	Timing
Interim financial statements (Q1 to Q4)	Released to the CSE each quarter, within regulatory timelines
Audited financial statements for FY 2025/26	Released to the CSE on 5 June 2026
16th Annual General Meeting	On or before 30 June 2026
Proposed final dividend for FY 2025/26	Subject to CBSL and shareholder approval at the AGM

Shareholder and Investor Contact

Shareholders and prospective investors may direct enquiries to the Company Secretary, Ms. Shiromi Patabendige, at the registered office of the Company: Sarvodaya Development Finance PLC, No. 155, Dr. Danister de Silva Mawatha, Colombo 08, Sri Lanka. The Company's share register is maintained by its Registrars, Central Depository Systems (Pvt) Ltd, Corporate Solutions Unit, Ground Floor, M&M Center, 341/5, Kotte Road, Rajagiriya, Sri Lanka.

Useful References for Investors: Financial Capital review Page 116; Ten Year Statistical Summary page 368; quarterly financial statements pages 370 to 371; Notice of the 16th Annual General Meeting-page 426.



Manufactured Capital

Within Reach of Rural Enterprise

Manufactured capital is the physical presence that keeps Sarvodaya Development Finance within reach of the communities where ambition is shaped by resilience. Our network of 56 branches, most of them beyond the Western Province, anchors us in the towns and villages we were created to serve. During the year we chose to deepen rather than widen this footprint: relocating our Hatton branch to serve its catchment more effectively, commissioning a new automated teller machine at the Tea Research Institute in Talawakele, and investing LKR 167.58 Million in our facilities and systems, a rise of 77.9%. These are not branches at the periphery of the economy; they are the doorways through which villages connect to the wider value chains of the nation.

SDG Impacted

Capital Impacted

FC SRC NC

Manufactured Capital is the physical and digital infrastructure that SDF builds and maintains in service of its rural development mandate: the branch network that carries the Company into the towns and villages of the island, the ATMs and electronic channels that extend its reach beyond the counter and the working day, the core banking system that records and safeguards every transaction entrusted to it, and the premises and equipment that hold the daily work of the Company together. In FY 2025/26 this footprint was widened and strengthened, and was directed, in keeping with the Sarvodaya movement's Artha Dharma philosophy, toward carrying dependable financial services to the doorstep of the villages we serve.

56 Nos
Branches
(FY25: 56)

01 New
ATMs
(Talawakele)

08 Nos
ATM Network
(FY25: 7)

01 Branch
Relocations
(Hatton)

LKR
167.6 Mn
Capital Expenditure
((+77.9% YoY))

Manufactured Capital

Building the Physical and Digital Backbone of Inclusive Finance

SDF's Manufactured Capital comprises the essential physical and digital infrastructure that enables Sarvodaya Development Finance PLC to deliver efficient, accessible and inclusive financial services. During the year under review, our strategic focus shifted from network expansion to network optimisation. We maintained our 56 branch footprint, relocated the Hatton branch to better serve customers in the central highlands, commissioned a new ATM at the Tea Research Institute in Talawakele to extend financial access to plantation-sector workers, and significantly stepped up investments in IT systems, motor vehicles and branch infrastructure. Total capital expenditure of LKR 167.58 million for the year was 77.9% higher than the LKR 94.19 million invested in FY 2024/25, reflecting deliberate reinvestment in operational capability.

Strategic Overview

Inputs GRI 203-1	◉ Branch network of 56 outlets, with over 90% located outside the Western Province ◉ ATM network of 8 machines, integrated with LankaPay (access to over 4,500 ATMs island-wide) ◉ Core banking system, disaster recovery site and workflow management platform ◉ Property, plant, equipment and right-of-use assets valued at Rs. 499 Mn (as at 31 March 2025)
Strategic Drivers	◉ Strengthening grassroots accessibility through fit-for-purpose branches ◉ Accelerating digital transformation and process automation ◉ Expanding ATM and self-service touchpoints into underserved geographies ◉ Building infrastructure resilience aligned with the CBSL Sustainable Finance Roadmap
Approach	◉ Optimising the existing branch network rather than expanding the footprint ◉ Investing in in-house developed and licensed digital platforms ◉ Maintaining ISO 27001 certified information security standards ◉ Embedding sustainability considerations in infrastructure decisions
Key Outputs	◉ 01 branch relocation completed during FY 2025/26 (Hatton) ◉ 01 new ATM commissioned at the Tea Research Institute, Talawakele ◉ Continued roll-out of workflow management applications supporting a paperless environment ◉ Capital expenditure of LKR 167.58 Mn invested in physical and digital infrastructure, up 77.9% year on year
Challenges	◉ Rising cost of keeping pace with rapid technological change ◉ Balancing physical branch investment against digital channel expansion ◉ Cyber-security exposures across an increasingly digital operating model ◉ Climate-related physical risks affecting branches in rural and agricultural areas

Contribution to Value Creation

Our Manufactured Capital generates value, preserves value and requires the careful management of trade-offs. The table below summarises how investments in physical and digital infrastructure flowed through to outcomes during FY 2025/26.

Value Creation	Value Preservation	Trade-offs
◉ Hatton branch relocated to a more accessible, customer-friendly premises ◉ New ATM at the Tea Research Institute, Talawakele, extending financial access to plantation-sector workers ◉ LankaPay integration giving customers reach across 4,500+ ATMs island-wide	◉ Maintenance and refurbishment of existing branch facilities ◉ Disaster recovery site sustaining business continuity ◉ ISO 27001 certification renewed for information security	◉ Balancing capital allocation between physical branch upgrades and digital channel build-out ◉ Sustaining service quality through physical channels while shifting volumes to digital
◉ Capital expenditure of LKR 167.58 Mn invested in PPE, IT and infrastructure, up 77.9% year on year ◉ 30+ in-house workflow applications now in production, advancing the paperless agenda	◉ Right-of-use asset base maintained to support branch network stability ◉ Regular fixed asset verification by Internal Audit, reported to the Audit Committee	◉ Cost of technology refresh cycles against the need for tariff-competitive pricing for rural customers
◉ Continued contribution to financial inclusion in non-Western provinces (over 80% of operations) ◉ Solar power meeting approximately 35% of Head Office electricity needs	◉ Branch-level data integrated into a centralised performance dashboard with 200+ KPIs ◉ Continuous monitoring, vulnerability assessment and penetration testing across IT systems	◉ Capital investment in green infrastructure against short-term return expectations

Unifying Manufactured Capital with SDF Strategy

Our Manufactured Capital is aligned with SDF's strategic pillars and contributes directly to our mission of fulfilling the Ten Basic Human Needs through inclusive finance.

Strategic Pillar	Manufactured Capital Contribution	Related SDGs
Financial Inclusion	Branch and ATM network strategically positioned in rural and underserved geographies to bring financial services within reach of low and mid-income communities.	SDG 1, 8, 10
Sustainable Growth	Modernised branches and digital platforms drive operational efficiency, supporting scalable growth while controlling cost-to-income.	SDG 8, 9
Customer Centricity	Branch relocations, refurbishments and ATM expansion enhance customer convenience and reduce travel cost for rural and plantation-sector members.	SDG 8, 10
Digital Transformation	Workflow management, data analytics and core banking investments reduce manual effort and accelerate decision-making.	SDG 9
ESG and Climate Action	Solar-powered Head Office operations and digital paperless processes lower the environmental footprint of our infrastructure.	SDG 7, 13

Manufactured Capital

Material Matters Linked to Manufactured Capital

The material matters that most directly shape our Manufactured Capital agenda, identified through our materiality assessment, are summarised below.

Material Theme	Material Matter	Why It Matters
Indirect Economic Impact GRI 203-2	Local community engagement	Physical presence in rural villages and plantation communities strengthens grassroots livelihoods and supports Sarvodaya Shramadana Societies.
Customer Care	Customer experience	Well-located, well-equipped branches and reliable ATMs are central to the everyday service experience for SDF customers.
Energy and Emissions	Sustainable infrastructure	Energy-efficient buildings and renewable energy integration reduce environmental impact and operational risk.
Legal Compliance	Information security and continuity	ISO 27001 certified controls and a colocation disaster recovery site protect customer data and ensure operational resilience.

SWOT Analysis

Strengths

- Branch network with strong rural presence (over 90% outside Western Province)
- Modern Head Office in Colombo 08 with full facilities
- ISO 27001 certified information security framework
- 30+ in-house workflow applications supporting a paperless model
- Integration with the LankaPay national ATM network

Weaknesses

- Limited ATM density relative to larger peers
- Capital constraints on simultaneous physical and digital expansion
- Branches in remote areas face higher unit operating costs
- Core banking platform requires upgrade to the latest version

S W O T

Opportunities

- Branchless transactions via handheld devices for last-mile reach
- Expanding self-service touchpoints in interior regions
- Roll-out of solar power and green building practices across branches
- Leveraging AI and data analytics for credit decisioning and service
- ISO 20022, CEFTS and GDPP integration to broaden payment capability

Threats

- Cyber-security and fraud risks from a deepening digital footprint
- Climate-related physical risks to branches in rural areas
- Rising hardware, software and connectivity costs
- Regulatory expectations on operational resilience and data protection
- Competitive pressure from banks and larger NBFIs in regional markets

Manufactured Capital and Sustainability

Sustainability-related Risks and Opportunities (SRROs and CRROs)

The management of our Manufactured Capital incorporates sustainability-related risks and opportunities aligned with SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures). Key risks addressed include branch energy inefficiency, technology obsolescence and physical climate exposure across the rural branch

footprint. The corresponding opportunities, which we actively pursue, include green infrastructure investment, digitalisation, renewable energy integration and the gradual shift to lower-carbon operations.

Manufactured Capital Governance

SDF applies a structured governance framework to manage and safeguard Manufactured Capital. Procurement of physical and digital assets is governed by Board-approved policies that set out clear guidelines for supplier selection, quality evaluation and negotiation. The Fixed Assets Procedure Manual provides the operating framework for asset protection and management. Regular fixed-asset verifications are conducted by the Internal Audit function, with findings reported to the Board through the Audit Committee, ensuring transparency and accountability.

Catalysts of Manufactured Capital

Building a Distinctive Physical Presence

Our branch network remains one of the strongest elements of our Manufactured Capital. Unlike most peers, SDF's branch expansion is guided by a financial inclusion philosophy rather than purely commercial considerations. The majority of our branches are deliberately located in regions where access to formal financial services is limited, including some of the most underserved areas of Sri Lanka such as Kataragama, Monaragala, Thambuttegama, Parakramapura, Kebithigollewa, Dehiaththakandiya and Kethsirigama.

Our 56 branches serve customers across all nine provinces, organised into 11 operational regions structured by geographic distribution and business segmentation. Over 80% of our operations are located outside the Western Province, with 46 of our 56 branches serving rural, semi-urban and plantation communities outside Colombo and its suburbs.

Network Strategy in FY 2025/26

During the year under review, SDF deliberately maintained its branch count at 56 and did not open new branches. This was a considered strategic choice. With the macroeconomic recovery still taking root and rate normalisation reshaping the NBFI competitive landscape, the priority for the year was to deepen the productivity and customer experience of existing locations rather than add new fixed costs. Capital that would otherwise have been deployed for new openings was redirected to the Hatton branch relocation, the new Talawakele ATM, IT infrastructure, vehicles and asset refresh. This approach preserves SDF's geographic reach while strengthening unit-level economics across the network.

Branch Distribution by Province

Branch Relocation During FY 2025/26

During the year under review, SDF completed one branch relocation: the Hatton branch was relocated to bring our offices closer to customers, enhance accessibility and provide a more welcoming service environment. The relocation decision was supported by an assessment of customer footfall, accessibility to public transport, parking availability, premises quality and the cost-benefit of the new location. Hatton is a key gateway to Sri Lanka's central highlands and tea country, where SDF serves a customer base that includes plantation-sector workers, smallholder farmers and traders. A more accessible Hatton branch directly supports this catchment.

Hatton Branch Relocation

Field	Details
Branch	Hatton
Region	Central Region
Previous location	No. 3 Dambulla Road , Hatton
New location	No. 20 Circular Road, Hatton.
Catchment served	Plantation-sector workers, smallholder farmers, traders and households across the Hatton and Nuwara Eliya District corridor



Manufactured Capital

Customer Impact of the Hatton Relocation

The relocation has delivered tangible benefits for customers and staff:

- Enhanced visibility and footfall in a higher-traffic commercial area
- Improved access to public transport, reducing travel time for plantation-sector and rural customers
- A larger, better-designed customer space including dedicated waiting and consultation areas
- Upgraded facilities for staff, contributing to retention and service quality

Expanding ATM Reach into the Plantation Sector

SDF added one new ATM during the year, taking the total ATM network from 7 to 8 machines. Consistent with our approach in previous years, the new ATM has been placed in an interior, high-impact location: the premises of the Tea Research Institution of Sri Lanka (TRI) at St. Coombs, Talawakele, in the Nuwara Eliya District. The ATM was commissioned on 23 July 2025.

Talawakele sits at the heart of Sri Lanka's tea country. The Tea Research Institute is one of the country's most important research institutions and a significant employer, while the surrounding region is densely populated with tea estate workers, factory staff, government and private-sector employees, traders and small businesses. Banking access in this catchment has historically been concentrated around payroll services and a small number of branch locations, leaving many workers reliant on long-distance travel for routine cash needs. The new ATM addresses this gap directly. It also reflects SDF's strategic location concept: placing self-service touchpoints where they generate the highest social return per rupee of capital, not simply where commercial footfall is greatest.

New ATM Commissioned During the Year

Field	Details
ATM location	Talawakele, Nuwara Eliya District
Address	Premises of the Tea Research Institution of Sri Lanka, St. Coombs, Talawakele
Date of commissioning	23 July 2025
Nearest branch	Hatton
Communities served	TRI officers and research staff, tea pluckers, plantation labourers, government and private-sector employees, and local traders and businessmen operating across the Talawakele and Nuwara Eliya region





Wider ATM Access through LankaPay

SDF customers with savings accounts are issued ATM debit cards that give them access to our own 8-machine network as well as the LankaPay national network, which provides reach across more than 4,500 ATMs island-wide. This combination of own-network and shared-network access delivers a level of geographic reach far in excess of what our standalone footprint would suggest, while keeping infrastructure costs proportionate to our size.

SDF Head Office

Our Head Office in Colombo 08 is strategically located in a high-value area with easy public transport access to all parts of Colombo and onward to the regions. The modern, state-of-the-art building is equipped with contemporary amenities and facilities that support employee productivity and wellbeing, including a cafeteria, gym and recreational spaces. Solar panels commissioned on the rooftop in 2019 continue to meet approximately 35% of the building's monthly electricity requirement, contributing to both cost savings and our wider sustainability ambitions.

IT Infrastructure and Digital Transformation

Our IT infrastructure is the digital backbone of SDF, integrating branches, supporting customer transactions and enabling effective decision-making across the organisation. As a values-driven institution operating across geographically dispersed communities, digital infrastructure also plays a critical inclusion role, allowing us to extend services into areas that would not justify a full physical branch. Capital expenditure on computer equipment alone amounted to LKR 44.97 million during the year, supporting the ongoing modernisation of branch-level infrastructure and data-centre capability.

Core Systems and Platforms

In-House Developed	Licensed from Established Vendors
Workflow Management System	Core Banking System
MIS Reporting Services	HRIS System
Leasing Module	Data Visualisation and Modelling Software
Fixed Deposit Module	Call Centre Application
Gold Loan Module	Board Pack Application
Savings Module	Information Security Suite (ISO 27001 aligned)
General Ledger Module	

Process Automation Progress

SDF has actively pursued process automation through workflow-driven solutions developed by our in-house team. To date, the Company has successfully built and deployed over 30 proprietary applications, significantly advancing the goal of a paperless operational environment. Benefits realised include:

- Reduction in paper usage and elimination of unnecessary physical storage
- Faster turnaround times for credit and operational workflows
- Improved audit trail and document traceability across functions
- Lower operational risk through standardised, system-enforced controls

Data Analytics and Decision Support

All branch-level data is integrated into a centralised system, providing real-time insights for day-to-day operations. A custom-built internal dashboard incorporating over 200 performance parameters supports the senior management team in data-driven decision-making, with role-based access ensuring the right information reaches the right people. This dashboard is actively used in business reviews, credit committees and operational planning sessions across the year.

Business Continuity and Information Security

Business Continuity Planning is anchored in a formal BCP policy and a Board-approved crisis management plan that meets global standards. Our colocation data centre, established in 2020 as a BCP measure, continued to provide critical support throughout the year. Information security measures are certified under ISO 27001, complemented by continuous monitoring, regular vulnerability assessments and periodic penetration testing to safeguard customer data and operational integrity.

Manufactured Capital

Alignment with National Digital Payments Architecture

Sri Lanka's payments architecture continues to deepen, with the new ISO 20022 compliant RTGS system, expansion of the Common Electronic Fund Transfer Switch (CEFTS) and operationalisation of the Government Digital Payments Platform (GDPP) all reshaping the operating context. SDF continues to maintain readiness across these national platforms through our LankaPay membership and ongoing IT investments. Our forward roadmap includes deeper integration with emerging digital payment rails to support a richer, more interoperable customer experience.

Property, Plant and Equipment

Our property, plant and equipment represent the tangible foundation on which we deliver consistent value to customers. These physical assets support both customer engagement and service delivery across the country. SDF remains committed to preserving the condition and utility of these assets while managing depreciation prudently to sustain long-term value.

Total fixed asset additions during FY 2025/26 amounted to LKR 167.58 million, an increase of 77.9% over the LKR 94.19 million invested in FY 2024/25. The step-up reflects the year's strategic priorities: refurbishing the relocated Hatton branch and other branch premises (driving the increase in Furniture and Fittings), continued investment in branch-level computer equipment and data-centre capability, the addition of motor vehicles to support field operations, and the new Talawakele ATM. No additions to Land and Buildings were made during the year.

Fixed Asset Additions

Fixed Asset Additions	FY 2025/26 (LKR)	FY 2024/25 (LKR)
Land and Buildings	-	-
Furniture and Fittings	51,324,209	17,671,760
Office Equipment	12,214,919	17,729,268
Computer Equipment	44,970,588	49,984,985
Plant and Machinery	9,173,925	8,808,030
Motor Vehicle	49,900,000	-
Total Additions	**167,583,641**	**94,194,043**

Commentary on the Year's Asset Investment

Three observations are worth highlighting. First, investment in Furniture and Fittings rose almost three-fold to LKR 51.32 million, driven by the Hatton branch relocation and the refurbishment of other branch premises to maintain a consistent customer-facing standard across the network. Second, the LKR 49.90 million addition to Motor Vehicles reflects a deliberate expansion of our field-operations capacity, supporting branch-level outreach, credit verification and collections in remote geographies. Third, Computer Equipment investment of LKR 44.97 million, marginally below the prior year, sustains the multi-year modernisation of branch-level infrastructure that underpins our digital transformation programme.

Gaining Competitive Advantage through Manufactured Capital

Inclusion-led Physical Footprint

While most peers concentrate physical infrastructure in commercially attractive urban areas, SDF's branch network is intentionally weighted towards rural, semi-urban and plantation communities. This presence is a durable competitive advantage that is difficult for new entrants to replicate quickly, and that aligns directly with national priorities articulated in the CBSL Sustainable Finance Roadmap. The new Talawakele ATM is a textbook illustration of this approach: a self-service touchpoint placed inside a major research and employment hub, serving a community that mainstream commercial logic would otherwise overlook.

Digital Connectivity at the Grassroots

Our IT systems make SDF one of the most digitally connected financial service providers serving village communities in Sri Lanka. Integration with LankaPay, in-house workflow applications and a centralised analytics platform allow us to deliver service quality at par with much larger institutions, while preserving the personal relationships that define our value proposition.

Operational Resilience

ISO 27001 certification, a colocation disaster recovery site and a formal BCP plan together support service continuity even during disruption. This resilience is increasingly important to customers, depositors, regulators and impact funders evaluating SDF as a long-term counterparty.

ESG-aligned Infrastructure

Solar generation at the Head Office, the paperless workflow agenda and an emerging focus on green branch design contribute to a lower environmental footprint per unit of business volume. This positions SDF favourably with international impact funders, including those backing the USD 9 million in new impact foreign funding received during the year and the LKR 2 billion Sustainable Bond, which together reflect growing recognition of SDF's responsible operating model.

Manufactured Capital Journey

2020/21	◉ Established colocation data centre as a BCP measure ◉ Commenced building of in-house workflow management system
2021/22	◉ Expanded the suite of in-house workflow applications ◉ Strengthened ISO 27001 information security posture
2022/23	◉ Integrated branch-level data into a centralised analytics dashboard ◉ Extended digital workflow coverage to additional business processes
2023/24	◉ Relocated and refurbished selected branches to improve customer access ◉ Strengthened disaster recovery and information security testing
2024/25	◉ Network of 56 branches and 7 ATMs ◉ Relocated Ruwanwella and Hatton branches ◉ Commissioned new ATM in Lewangama (5 July 2024) ◉ Capital expenditure of LKR 94.19 Mn
2025/26	◉ Maintained network of 56 branches; no new openings, focus on optimisation ◉ Completed 01 branch relocation (Hatton) ◉ Commissioned 01 new ATM at the Tea Research Institute, Talawakele (23 July 2025) ◉ ATM network grown to 8 machines, all but one located outside the Western Province ◉ Capital expenditure stepped up to LKR 167.58 Mn (+77.9% year on year)

Crafting the Future

Our forward agenda for Manufactured Capital is shaped by three convictions: that rural and plantation Sri Lanka deserves world-class financial infrastructure, that digital and physical channels must complement rather than compete with each other, and that infrastructure investment must support our sustainability ambitions, not undermine them.

◉ Near-term Priorities (FY 2026/27)

◉ Upgrade the core banking system to the latest version

◉ Expand the scope of the internal audit plan to cover non-critical systems

◉ Pilot a branchless transactions model using handheld devices for last-mile service delivery

◉ Continue targeted branch relocations and selective new openings in priority underserved geographies

◉ Extend ATM coverage in interior regions with limited banking access, following the Talawakele model

Medium-term Ambitions

◉ Roll out solar power and green building practices across additional branches

◉ Deeper integration with national digital payment rails (CEFTS, GDPP, ISO 20022)

◉ AI-enabled customer service and credit decisioning, supported by appropriate governance

◉ Continued investment in cyber-security maturity in line with sector best practice

◉ Strategic expansion of digital touchpoints to support our continued asset-base growth ambition

Capital Trade-offs and Discipline

Investment decisions across Manufactured Capital are subject to disciplined trade-off analysis. We weigh the relative impact of physical and digital investment, the balance between coverage and depth in our branch footprint, and the tension between short-term cost and long-term resilience. The FY 2025/26 capital allocation, with a deliberate pause on new branch openings and a 77.9% increase in capital expenditure directed to branch relocation, ATM expansion, IT and field-operations capacity, illustrates this discipline in practice. Our objective is to allocate capital where the marginal contribution to financial inclusion, customer experience and operational efficiency is greatest, while preserving the financial flexibility to respond to opportunities such as the recent international impact funding line and the Sustainable Bond issuance.



Intellectual Capital

Knowing the Village Well

Intellectual capital is the accumulated understanding that allows Sarvodaya Development Finance to read a rural economy correctly. It is rooted in our heritage within the Sarvodaya Movement, in the Artha Dharma philosophy that guides our lending, and in the local knowledge our teams bring to every credit decision. This year that understanding earned wider recognition. We became the first non-banking financial institution in Sri Lanka to attain full membership of the Global Alliance for Banking on Values, and we secured our fifth CA Sri Lanka TAGS Gold Award for corporate reporting in the total assets below 25 Bn. An investment of LKR 59 Million in our ICT and digital platforms further sharpened the systems through which this knowledge reaches the field. Understanding context, more than any single product, is our enduring advantage.

SDG Impacted

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Capital Impacted

FC

SRC

Intellectual Capital is the knowledge, reputation, and systems that SDF accumulates and applies in service of its rural development mandate: the trust and standing built on the Sarvodaya name over decades of service to rural Sri Lanka, the deep understanding of rural and agricultural livelihoods gathered across years of work in the field, the policies, processes, and risk frameworks that guide how the Company lends and safeguards what is entrusted to it, and the memberships, certifications, and pioneering credentials, among them full membership of the Global Alliance for Banking on Values, that hold its practice to global standards.

179,088
Customer Base

Times
5
TAGS GOLD

LKR
2 Bn
Sustainable Bond issued

1,200+
Sarvodaya Societies Linked

USD
9 Mn
New Impact Funding

8
ATMs

82%
Branches Outside Western Province

[BBB-] Stable Outlook
Credit Rating

Intellectual Capital

At Sarvodaya Development Finance PLC, intellectual capital is the connective tissue that links a six-decade Sarvodaya heritage with a modern, technology-enabled development finance institution. It is the combined product of our purpose-driven brand, our deepening institutional knowledge of rural and agricultural economies, our control and information-security frameworks, and the in-house digital systems we have built to deliver financial services across geographies that the formal banking sector has historically struggled to reach.

During FY 2025/26 this capital was significantly enhanced through three structural milestones: the issuance of Sri Lanka's first Sustainable Bond valued at LKR 2 billion, the inflow of USD 9 million in new impact funding from international development-finance partners, and continued recognition of our reporting and governance standards. These outcomes validate the credibility of our model and strengthen the platform from which we will scale impact in the years ahead.

1. Capital Snapshot

The table below summarises the principal inputs we draw on to build intellectual capital and the outcomes those investments delivered during FY 2025/26.

Inputs	Outputs and Outcomes
◉ The Sarvodaya brand, established in 1958 and the parent of SDF's development finance mandate ◉ A network of 1,279 Sarvodaya Shramadana Societies acting as community partners ◉ 30+ proprietary applications developed in-house ◉ A core banking platform with a dedicated Disaster Recovery site ◉ Information security certified to ISO 27001 ◉ Board-approved Business Continuity Plan, Information Security Policy, and Whistleblower Policy ◉ Partnerships with EDFI Management Company (EU AgriFI), the Global Alliance for Banking on Values (GABV), Now Partners, and impact investors ◉ 16,284 training hours delivered across the workforce in the prior year, sustained through FY 2025/26	◉ Sri Lanka's first Sustainable Bond issued at LKR 2 billion ◉ USD 9 million in new impact foreign funding secured during the year ◉ Profit After Tax growth of 73.1% to LKR 820 million ◉ Cost-to-Income Ratio improved to 42.99% from 46.51% ◉ Continued recognition through four TAGS Gold Awards at CA Sri Lanka ◉ Membership of GABV retained, the only Licensed Finance Company in Sri Lanka to hold this status ◉ Centralised data warehouse and internal dashboard tracking 200+ performance parameters ◉ Workflow-driven, near-paperless operations across the branch network

2. Contribution to Value Creation

Intellectual capital underpins every other capital we deploy. The table below sets out the value our intellectual capital created during the year, the value it preserved, and the principal trade-offs we managed.

Value Created	Value Preserved	Trade-offs
◉ Structured Sri Lanka's first Sustainable Bond at LKR 2 billion, opening a new channel of long-term, purpose-aligned funding ◉ Mobilised USD 9 million of fresh impact funding linked to sustainable agriculture, women entrepreneurs, and housing in underserved communities ◉ Lifted the loans and lease portfolio by over 60% on the back of digitally enabled credit workflows	◉ Sustained the Sarvodaya brand's position as a trusted development finance brand across rural Sri Lanka ◉ Maintained 100% uptime of the core banking platform supported by a hot Disaster Recovery site ◉ Retained ISO 27001 certification for information security through periodic external audits	◉ Balancing investment in technology upgrades against near-term cost-to-income pressure ◉ Balancing automation of routine processes against the need to retain personal, advisory contact with rural customers ◉ Balancing the cost of compliance with global ESG and client-protection standards against the speed of product roll-out

3. Linking Intellectual Capital with Strategy

Intellectual capital is the principal enabler of our four strategic pillars. The brand and the Sarvodaya network anchor inclusive reach. Our digital systems and proprietary applications drive operational efficiency. Our control and information-security frameworks safeguard the trust on which a development finance business depends. Our knowledge management and continuous-learning programmes equip our people to compete with both bank and non-bank players in an increasingly digital market.

Together, these elements convert the Sarvodaya philosophy of grassroots upliftment into a scalable, financially sustainable, and regulator-compliant business model.

4. Material Matters Connected to Intellectual Capital

Material Theme	Material Matter	SDF Response
Future-fit Organisation	Process excellence and digital transformation across credit, deposits, and customer service	Continued roll-out of workflow-driven applications, planned upgrade of the core banking system, and a branchless transactions model using handheld devices
Good Governance and Risk Optimisation	Ethics and transparency, regulatory compliance, data security, and customer privacy	Compliance with Finance Business Act Direction No. 5 of 2021, ISO 27001 information security certification, continuous vulnerability testing, and an updated Whistleblower Policy
Supporting Social Cohesion	Training, development, and the build-up of institutional knowledge of rural and agricultural finance	Structured training programmes including the Leadership Excellence Program with the Postgraduate Institute of Management, internal mentorship, and external study tours to India and Thailand

5. SWOT Analysis for Intellectual Capital

Strengths

- A trusted Sarvodaya brand with over six decades of grassroots credibility
- Exclusive Global Alliance for Banking on Values membership among Sri Lankan Licensed Finance Companies
- Membership with FHA
- A skilled in-house technology team that has built 30+ proprietary applications
- Strong governance and control frameworks reinforced by ISO 27001 certification

Weaknesses

- Pockets of knowledge concentration in a small number of long-tenured employees
- Need to deepen new-product development capabilities, particularly in digital lending
- Brand recognition outside the Sarvodaya catchment is still maturing

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Opportunities

- Investing in employee development to nurture advanced digital and credit-analysis skills
- Partnering with fintech providers to expand the digital product suite
- Leveraging the global recognition of GABV membership to attract long-tenor impact funding
- Using data analytics and AI-driven credit decisioning to deepen rural reach efficiently

Threats

- Risk of employee skill sets lagging behind rapid technological change, particularly in AI and cyber-security
- Heightened competition from digital-native financial services with superior technology budgets
- Cyber-security threats continue to evolve in scope and sophistication

Intellectual Capital

6. Intellectual Capital and Sustainability

The sustainability disclosure requirements set out in SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures) require us to identify and report on material risks and opportunities that affect our intellectual capital. The principal items we monitor are summarised below.

6.1 Sustainability-related Risks and Opportunities

Knowledge Erosion.
The departure of long-tenured employees can result in the loss of institutional knowledge of rural credit, agricultural value chains, and the Sarvodaya network. SDF mitigates this risk through structured succession planning, cross-functional rotation, and the codification of standard operating procedures inside our workflow applications.

Innovation Lag.
Insufficient investment in new financial products and digital channels could weaken our ability to compete with digitally native financial institutions. The Company manages this risk through a multi-year ICT roadmap, the build-out of an in-house data analytics function, and active scanning of fintech partnerships.

Cyber and Information-Security Risk.
The shift to digital channels has materially increased the attack surface of every financial institution. SDF maintains ISO 27001 certification, conducts regular penetration tests and vulnerability assessments, and operates a Disaster Recovery site that supports continuous business operations.

The principal opportunities we are pursuing include strategic talent development through partnerships with universities and professional institutes, enhanced knowledge-sharing across our branch network using digital collaboration tools, and digital transformation built around fintech alliances and AI-enabled credit decisioning.

6.2 Intellectual Capital Governance

Business Continuity Planning.
SDF maintains a Board-approved Business Continuity Plan and Crisis Management Plan that meets global standards. The plan is reviewed annually and tested through simulation exercises. A colocation data centre established in 2020 continues to support our continuity programme.

Information Security.
All information security controls are governed by the SDF Information Security Policy, which is aligned to ISO 27001. The Company has invested in network segmentation, end-point security, encryption of customer data, and centralised log monitoring.

Customer Privacy.
Customer information is collected, stored, and processed in accordance with the Personal Data Protection Act, Central Bank directions, and our internal Data Protection Policy. Consent is obtained where required, and data is encrypted at rest and in transit.

Information Systems Audits.
Independent Information Systems audits are conducted periodically by qualified external auditors. Findings feed directly into the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee.

7. Catalysts of Intellectual Capital

7.1 The Sarvodaya Brand

The Sarvodaya brand is the single most distinctive asset on our balance sheet. Built over six decades by the Sarvodaya Movement, the brand carries an unmatched reservoir of trust across the rural communities and Micro, Small and Medium Enterprise (MSME) segments that SDF serves. It embodies an enduring commitment to non-violence, community empowerment, ethical conduct, and inclusive finance.

We protect and strengthen the brand through three lines of work. The first is unwavering ethical conduct, anchored by our Code of Conduct, Whistleblower Policy, and the explicit negative-screening criteria embedded in our credit policy. The second is sustained community engagement through the network of 1,279 Sarvodaya Shramadana Societies, which provides a continuous flow of feedback on customer needs and the impact of our products. The third is excellence in disclosure: SDF has won the Gold Award at CA Sri Lanka's annual report competition four times under the Transparency, Accountability, Governance and Sustainability (TAGS) framework, including three consecutive years.

Externally, the strength of the Sarvodaya brand has translated into tangible commercial outcomes. During FY 2025/26 it underpinned the successful issuance of Sri Lanka's first Sustainable Bond at LKR 2 billion and the closing of USD 9 million of new impact-aligned foreign funding. It also continues to anchor our membership of the Global Alliance for Banking on Values, where SDF remains the only Licensed Finance Company in Sri Lanka admitted to the network.

7.2 Technology and Digital Capabilities

Our information technology environment positions SDF as one of the most digitally connected financial services providers in the village economy. Investment over the past several years has been built around a balanced model of in-house development and licensed software from credible global vendors.

Software developed in-house includes the Workflow Management System, the Management Information System reporting suite, modules for Leasing, Fixed Deposits,

Gold Loans, Savings, and the General Ledger, as well as the Human Resources Information System. Licensed solutions provide data visualisation and modelling capability, the Call Centre application, and the Board Pack application. Together these systems support a 56-branch network and 8 ATMs across the country, including the new ATM commissioned in July 2025 at the Tea Research Institute, Talawakele.

SDF has also strengthened decision-making and operational efficiency through a dedicated investment in data analytics. All branch-level data has been integrated into a centralised platform, and a custom-built dashboard tracking over 200 performance parameters allows senior management to make data-driven decisions in real time. Dashboard access is role-based, enabling branch managers and product heads to monitor performance against their own targets.

Process automation continues to be a strategic priority. The in-house team has built and deployed more than 30 proprietary applications, advancing our goal of a near-paperless operating environment. The benefits delivered through these initiatives include a measurable reduction in paper usage and physical storage, faster service-level-agreement-based responses to customer requests, remote access for field officers using mobile devices, automated customer notifications, simplified internal audit processes, and uninterrupted business continuity during periods of disruption.

7.3 Control Systems and Frameworks

Our control systems and frameworks are designed to keep business functions running seamlessly, including during periods of disruption. As a regulated Licensed Finance Company, SDF prioritises business continuity, information security, and regulatory compliance. The colocation data centre established in 2020 continues to provide critical support for the Company's Business Continuity Programme.

Information security measures are certified under the ISO 27001 standard. We conduct continuous monitoring, regular vulnerability assessments, and external penetration testing to ensure compliance with the highest standards and to provide protection against emerging threats. Information Systems audits are carried out on a periodic basis by independent firms, with findings reported directly to the Board Audit Committee and the Board Integrated Risk Management Committee.

Internal control over financial reporting is supported by the Internal Audit Department, which reports functionally to the Board Audit Committee, and by the Company's external auditor, Messrs. Deloitte Associates, Chartered Accountants.

7.4 Knowledge-Based Systems and Processes

Human resource development. Investment in our people is the foundation of intellectual capital. Newly recruited employees complete an orientation and training programme that covers company protocol, regulatory awareness, professional conduct, and an Information Security Awareness module that covers password practices, ransomware threats, and incident reporting. Mid-career and senior employees benefit from the Leadership Excellence Program run in partnership with the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Process re-engineering. We continuously evaluate internal workflows to identify and eliminate inefficiencies, improve resource utilisation, and accelerate service delivery. The workflow management system enables Service Level Agreement-based monitoring across the credit lifecycle, from origination to disbursement.

Innovation capabilities. A dedicated in-house development team continues to build and refine proprietary applications. The Company has also embarked on the application of artificial intelligence and data-driven credit decisioning in selected product areas, supported by external technology partners.

Intellectual Capital

Building intellectual capital. Beyond systems and software, intellectual capital is reinforced by codified policies, manuals, and standard operating procedures that capture institutional knowledge. These are reviewed periodically and updated to reflect changes in regulation, technology, and customer requirements.

8. Strategic Partnerships

Intellectual capital is amplified by the quality of our external partnerships. The principal partnerships that contributed to the development of our intellectual capital during FY 2025/26 are summarised below.

Partner	Nature of Engagement	Benefit to SDF
Global Alliance for Banking on Values (GABV)	Full member status from FY 2024/25, the only Licensed Finance Company in Sri Lanka to hold this status	Access to a global peer network of values-based banks; alignment with international standards on impact and client protection
EDFI Management Company (EU AgriFI)	Funding line under the European Union's Agriculture Financing Initiative, plus technical assistance for client protection certification under Cerise+SPTF	Long-tenor funding for sustainable agriculture; external validation of our impact framework
Postgraduate Institute of Management, University of Sri Jayewardenepura	Leadership Excellence Program for middle and senior management	Structured development of leadership capability and succession-ready talent
Agricultural institutions in Thailand and Andhra Pradesh, India	Knowledge exchange on drip irrigation, efficient water use, organic fertilisation, and natural farming	Direct transfer of agronomic know-how to selected farmer-clients in Sri Lanka, deepening the relevance of our agri-lending





9. Looking Ahead

Our intellectual capital agenda for the coming year is built around four priorities. The first is a planned upgrade of the core banking platform to its latest version, which will deliver enhanced functionality, improved straight-through processing, and a more flexible foundation for future digital products. The second is the roll-out of a branchless transactions model using handheld devices, allowing field officers to extend services to customers who cannot easily reach a branch. The third is the expansion of our internal audit coverage to include non-critical systems, supported by additional automation of audit testing. The fourth is the continued strengthening of our talent base in data science, cyber-security, and digital finance.

Together, these initiatives will sharpen the operational excellence that underpins SDF's development finance proposition. They will also support our broader ambition to remain the most digitally connected and impact-aligned financial services provider serving the village economy of Sri Lanka, while continuing to honour the values that the Sarvodaya Movement has stood for since 1958.



Human Capital

The People Behind Empowerment

Human capital is the human face of empowerment: the relationship officer who walks a village lane and the trainer who helps turn an idea into a viable enterprise. Our people convert accessible finance and tailored advisory services into trust, one conversation at a time. During the year we continued to grow, develop and reward a workforce of 652, delivering 17,955 hours of learning and sustaining a balanced gender composition in which women represent 48% of our team. Their feel for local context is what allows micro and small enterprises to move beyond subsistence. When our people grow, the villages they serve grow alongside them.

SDG Impacted

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Capital Impacted

FC

Our people are the engine of Sarvodaya Development Finance PLC's ("SDF" / "the Company") value-creation model. The skills, commitment, and integrity of our 652-strong team translate the company's grassroots development mandate into measurable outcomes for customers and communities across the country. In FY 2025/26, we deepened our investment in talent, expanding the workforce to support an execution-led growth phase, strengthening leadership capability through international exposure.

652
Total Team Strength
(↑ 8.1% YoY)

46:54
Gender Ratio
(F : M)

LKR 17.4 Mn
Investment in Training

17,355
Training Hours Delivered

39.6%
Employee Turnover Ratio
(↓ from 45%)

Zero
Labour-Law Non-Compliances

31
Top Performers Rewarded with an Overseas Study Tour

100%
Permanent, Full-Time Workforce

Human Capital

1. Value Creation Through Our People

1.1 Our Human Capital Value-Creation Logic

SDF's Human Capital comprises the knowledge, skills, experience, well-being and shared values of our employees. We convert this capital into stakeholder value by attracting capable people, equipping them with the right skills, and embedding them in a culture that is fair, inclusive and performance-driven. The framework below summarises the inputs we draw on, the strategic priorities that guide our people agenda, the outcomes delivered in FY 2025/26, and the areas we are prioritising for future growth prospects.

Inputs	Strategic Drivers	FY 2025/26 Outcomes	Looking Ahead
◉ A team of 652 full-time, permanent employees ◉ Skilled and semi-skilled multi talented workforce ◉ 12 board-approved HR policies ◉ Competitive pay, benefits and insurance cover ◉ Training infrastructure and leadership partnerships	◉ Build the right team for execution-led growth ◉ Strengthen leadership and technical capability ◉ Improve retention in a competitive talent market ◉ Reinforce a fair, inclusive, values-based culture	◉ Workforce expanded 8.1% to 652 ◉ Turnover improved to 39.6% (FY24/25: 45%) ◉ Senior managers developed through international executive training ◉ 31 top performers recognised with an overseas study tour ◉ Zero labour-law non-compliances	◉ Embed structured succession planning ◉ Move towards automated performance evaluation and HR analytics ◉ Lift training intensity per employee ◉ Investment in LMS for technology driven training and development

Challenges we are Managing

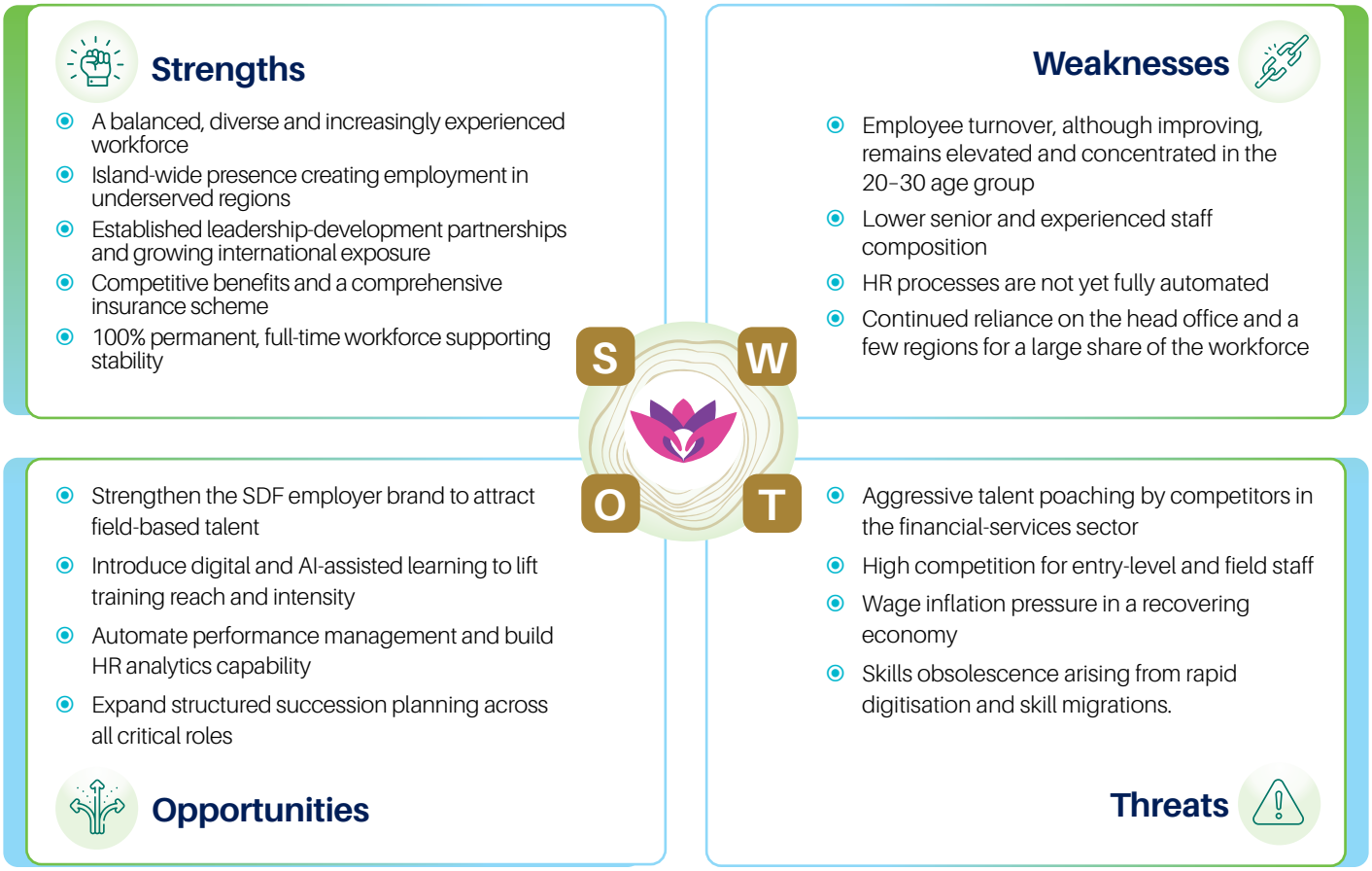
- Attracting and retaining skilled staff — particularly for field-based credit and marketing roles — in a highly competitive non-bank financial services labour market.
- Sustaining employee engagement and mental well-being through a period of rapid business expansion.
- Managing the change associated with increasing digitisation and process automation.
- Maintaining a strong leadership pipeline as the Company scales its branch network and product range.

1.2 Linking Human Capital to SDF's Strategy

Our people agenda is deliberately aligned to the Company's strategic pillars and to the United Nations Sustainable Development Goals (SDGs) that SDF supports through its development-finance mandate.

SDF Strategic Pillar	How Human Capital Contributes	Related SDGs
Sustainable, inclusive growth	Building a skilled, motivated and diverse workforce that can extend financial inclusion into underserved communities.	
Customer centricity	Investing in technical and service-excellence training so that front-line teams deliver a consistent, high-quality customer experience.	
Digital enablement	Equipping employees with digital skills and using technology to improve workplace efficiency and decision-making.	
Empowering people	Providing equal opportunity, career progression and a safe, inclusive workplace, and engaging staff in community and sustainability initiatives.	
Good governance	Full compliance with labour law and ethical, board-approved HR policies that ensure fair treatment of every employee ethics.	

1.3 Human Capital SWOT Analysis



2. Human Capital Governance, Risk & Compliance

2.1 Human Resource Governance

Human Resource governance at SDF is centralised under the Human Resources Department, led by the Head of Human Resources, who reports to the Chief Executive Officer. The function works closely with the Board Human Resources and Remuneration Committee and the Board Nomination and Governance Committee on remuneration, succession, key appointments and policy. The Department is responsible for ensuring full compliance with applicable labour law and for implementing human-capital development initiatives within board-approved policy frameworks.

Human Capital

2.2 Human Capital Risks and Opportunities

In line with the Company's commitment to the Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and S2), SDF integrates environmental, social and governance considerations into its management of Human Capital and transparently reports the related risks and opportunities.

Risk / opportunity	Potential impact	Our response
Talent attrition	Loss of experienced staff increases recruitment and training cost and disrupts customer relationships.	Competitive remuneration, enhanced benefits, recognition programmes and clearer career paths; turnover improved to 39.6%.
Skills gaps	Rapid digitisation and product expansion can outpace existing employee capability.	Structured training, leadership-development partnerships and international executive exposure.
Leadership continuity	Gaps in the leadership pipeline could constrain the Company's growth trajectory.	Succession planning, the Leadership Excellence Programme and senior-management capacity building.
Engagement & well-being	Growth-related workload pressures can affect morale and mental well-being.	Open-door culture, well-being facilities, engagement events and a confidential whistle-blower channel.
Diversity as an opportunity	A workforce that mirrors the communities we serve strengthens trust and broadens perspective.	Equal-opportunity recruitment across age, gender, ethnicity and region; near gender balance maintained.

2.3 Compliance with Labour Regulations

As a responsible employer, SDF maintained zero fines or penalties for non-compliance with any labour law during the year under review. We adhered to the timeframes stipulated by applicable laws and regulations for all staff-related payments — including salaries, increments, bonuses and statutory payments such as EPF, ETF and APIT. We are fully compliant with all applicable labour legislation, including laws on child labour, forced labour and compulsory labour.

2.4 SDF HR Policy Framework

The regulation and management of Human Resources at SDF are guided by a comprehensive framework of 12 policies, systematically categorised into seven key areas spanning the entire employee lifecycle — from recruitment and onboarding, to compensation and benefits, performance evaluation, training and development, and grievance handling. These policies are reviewed periodically to ensure they remain relevant and adaptable to evolving workplace dynamics, regulatory change and employee expectations. This structured approach ensures consistency, fairness and strategic alignment with the Company's objectives, while fostering a productive and engaging work environment. As an equal-opportunity employer, SDF ensures that all employment decisions are made without bias or discrimination, irrespective of gender, ethnicity, religion or other personal attributes.

3. Our People Management Model

SDF's approach to managing its people rests on three connected pillars. Together they create a workforce that is capable, engaged and aligned to the Company's development mission.

Building the Right Team	Developing the Right Skills	Creating the Right Culture
◉ Diversity-led recruitment across age, gender, ethnicity and region ◉ An island-wide footprint that creates employment in underserved communities ◉ Workforce planning aligned to the Company's growth trajectory	◉ Structured induction and continuous development ◉ Leadership-development partnerships and international exposure ◉ Performance evaluation linked to development planning	◉ A fair, inclusive and values-based workplace ◉ Competitive reward, recognition and well-being support ◉ Open communication and effective grievance handling

Outcome a future-ready workforce
These pillars converge to develop employees who are aligned with SDF's values and equipped with the skills, mindset and purpose to drive sustainable growth for the Company and the communities it serves.

4. Building the Right Team — Our Workforce Profile

GRI 2-7

4.1 Employee Profile and Overview of Our Team

Our employees are the foundation on which the organisation is built. We are proud to have an exceptionally talented team, many of whom have been educated at leading schools and universities in Sri Lanka and abroad. Our staff are well-versed in technology and data analytics, and demonstrate diligence and efficiency in their work. We provide comprehensive internal training for new recruits and continuous development opportunities throughout their journey at SDF.

As at 31 March 2026, SDF's team strength increased to 652, up from 603 a year earlier — an 8.1% expansion that reflects workforce growth to support the Company's execution-led growth phase. SDF does not employ part-time or temporary staff; all employees are full-time and permanent.

Total Employees by Gender

Gender	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
Female	302	46.32	278	46.10
Male	350	53.68	325	53.90
Grand Total	**652**	**100**	**603**	**100**

The Company sustained a near gender-balanced workforce, with women representing 46% of the team.

SDF has generated employment opportunities across all districts and regions through its island-wide branch network. Importantly, we have established branches in some of the most underserved and remote communities in Sri Lanka — including Kataragama, Monaragala, Thambuttegama, Parakramapura, Kebithigollewa, Dehiattakandiya and Kethsirigama. Our branch network is organised into 11 regions, structured according to both geographical distribution and business segmentation.

Total Employees by Region

Region	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
Head Office	166	25.46	154	25.54
Region 1	34	5.21	36	5.97
Region 2	49	7.52	48	7.96
Region 3	49	7.52	46	7.63
Region 4	34	5.21	29	4.81
Region 5	44	6.75	39	6.47
Region 6	42	6.44	38	6.30
Region 7	41	6.29	46	7.63
Region 8	50	7.67	43	7.13
Region 9	38	5.83	33	5.47
Region 10	56	8.59	47	7.79
Region 11	49	7.52	44	7.30
Total	**652**	**100**	**603**	**100**

Human Capital

GRI 2-8

4.2 Workers Who Are Not Employees

SDF engages workers who are not employees of the Company to perform non-core operational functions such as security and janitorial services. Outsourced non-core service individuals during the year under review included 62 janitorial staff, 3 security staff and 01 IT staff.

GRI 2-21

4.3 Annual Total Compensation Ratio

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all other employees (excluding the highest-paid individual) is approximately 3 : 1. The ratio of the percentage increase in annual total compensation for the highest-paid individual to the median percentage increase for all other employees is approximately 1.3 : 1.

GRI 401-1

4.4 New Recruitment and Employee Turnover

During the year under review, 299 new staff members joined the SDF team to contribute to the Company's growth trajectory, while 249 employees left the organisation. Encouragingly, the employee turnover ratio improved to 39.6% for the year, from 45% at the end of the previous financial year — the best level in three years and a clear signal that our retention and benefits initiatives are taking effect. SDF continues to refine its retention and benefits schemes to remain competitive in talent acquisition and retention within the industry.

New Recruitment by Gender

Gender	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
Female	134	44.82	138	43.40
Male	165	55.18	180	56.60
Grand Total	**299**	**100**	**318**	**100**

New Recruitment by Region

Region	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
Head Office	49	16.39	81	25.47
Region 01	20	6.69	17	5.35
Region 02	18	6.02	14	4.40
Region 03	22	7.36	27	8.49
Region 04	23	7.69	21	6.60
Region 05	29	9.70	27	8.49
Region 06	20	6.69	25	7.86
Region 07	26	8.70	21	6.60
Region 08	18	6.02	24	7.55
Region 09	26	8.70	24	7.55
Region 10	20	6.69	18	5.66
Region 11	28	9.36	19	5.97
Grand Total	**299**	**100**	**318**	**100**

New Recruitment by Age

Age Category	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
20-30	205	68.6%	207	65.09%
30-40	73	24.4%	79	24.84%
40-50	19	6.4%	28	8.81%
Above 50	2	0.6%	4	1.26%
Grand Total	**299**	**100**	**318**	**100**

Employee Turnover by Gender

Gender	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
Female	110	44.18	124	47.15
Male	139	55.82	139	52.85
Grand Total	**249**	**100**	**263**	**100**

Employee Turnover by Age Group

Age Category	31 March 2026		31 March 2025	
	Head Count	%	Head Count	%
20-30	153	61.45	160	60.84
30-40	71	28.51	78	29.66
40-50	21	8.43	21	7.98
Above 50	4	1.61	4	1.52
Grand Total	**249**	**100**	**263**	**100**

As in previous years, turnover remains concentrated in the 20–30 age group, which accounted for 61% of all departures — a pattern consistent with a youthful workforce and high mobility across Sri Lanka's financial-services sector. SDF's retention initiatives, including the overseas recognition tour, enhanced benefits and structured career development, are specifically designed to address this segment.

5. Developing the Right Skills — Training & Development

GRI 404-2

SDF devotes substantial internal resources to training and development, ensuring that learning reaches both genders and all employee categories. All new recruits are trained on company etiquette, protocol, professional conduct and regulation, grooming and other performance-related matters. Additional online and virtual training covers legal frameworks and matters relevant to employee performance. Our training programmes are continually refined based on employee feedback and management decisions, and we provide regular coaching sessions to update and improve staff skill sets. A budgetary allocation is made within the Human Resources Department each financial year to fund all training, development and coaching.

Human Capital

Training Hours by Gender

Gender	Number of Hours
Male	9,156
Female	7,799
Total	**16,955**

Training Hours by Employee Category

Employee Category	Number of Hours
Senior Management	2,266
Manager	2,209
Assistant Manager	2,198
Senior Executive	2,661
Executive	2,847
Junior Executive	3,123
Trainee	2,051
Total	**17,355**

5.1 Leadership Development and International Exposure

SDF values its people as its greatest asset and continues to invest in developing leadership skills during FY 2025/26.
The Company sustained its Leadership Excellence Programme in partnership with the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, building strategic and managerial capability across the leadership tier.
In a significant new initiative, SDF sponsored its senior management team to attend an executive training programme at Kasetsart University, Thailand. The programme exposed senior leaders to international best practice in management, strategy and sustainable finance, strengthening the leadership pipeline and equipping the team to guide the Company through its next phase of growth. This investment reflects SDF's belief that world-class leadership development is essential to building an organisation that can scale responsibly.

GRI 404-3

5.2 Performance Evaluations

At SDF, performance evaluation is a cornerstone of our talent-development strategy. Moving beyond traditional appraisal methods, we have adopted a dynamic, employee-centric approach in which performance reviews are treated not merely as assessments but as collaborative dialogues identifying individual skill gaps, setting personalised development goals, and aligning training needs with organisational objectives. The reviews also serve as a platform for agreeing clear, mutually understood performance targets.

Importantly, the results of these evaluations are directly linked to key employee rewards including annual salary increments, performance-based bonuses and promotions ensuring a transparent, merit-based system that recognises high performance while encouraging continuous improvement. During the year under review, employees, including those who had completed six months of service, underwent formal performance evaluations as part of our continuous development framework.

5.3 Succession Planning

SDF's succession-planning process ensures that the right skills and talent occupy key management positions. Our employees' talents are honed and developed through continuous coaching and training across both branches and the head office, building a steady internal pipeline for critical roles and reducing key-person risk as the Company expands.

6. Creating the Right Culture Engagement, Reward & Well-being

6.1 Our Employee Value Proposition

SDF's Employee Value Proposition brings together the tangible and intangible reasons people choose to build their careers with us. It is built on five connected commitments.

Reward & benefits	Career growth	Well-being & balance	Inclusive culture	Purpose & impact
Competitive pay, performance bonuses and a comprehensive insurance scheme	Training, coaching, leadership programmes and internal promotion	CrossFit, yoga, gym, library and music studio; an open-door culture	Equal opportunity across gender, ethnicity, religion and region	Work that extends financial inclusion to underserved communities

GRI 201-3, 401-2, 401-3

6.2 Remuneration and Employee Benefits

SDF offers a competitive remuneration package aligned with industry standards, along with a range of benefits accessible to employees on joining the organisation. The Company meets all statutory obligations, including contributions to the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF), and annual provisions to the Gratuity Fund for all eligible employees.

- Insurance scheme: coverage extends to the parents of unmarried employees and the spouses and children of married employees. It includes outpatient (OPD) medical coverage, a critical-illness cover of LKR 1 million, and a life-insurance policy exceeding LKR 2 million for all staff. A critical-illness cover of up to LKR 5 million is available for emergency situations. Employees are also entitled to accident-insurance coverage of up to LKR 2 million and life insurance of the same value.
- Annual bonus: during FY 2025/26, SDF awarded employees an annual bonus equivalent to four months' salary (FY 2024/25: three months).
- Well-being facilities: staff have access to CrossFit training and Yoga, a fully equipped gym, a library and a music studio at the head office, and are permitted to use these facilities during office hours.
- The Company provides 84 working days of paid maternity leave for mothers. After this period, employees may take additional leave from their own leave entitlement, subject to approval, and subsequently return to work

Total staff benefits for FY 2025/26 amounted to LKR 920 Mn (FY 2024/25: LKR 688 Mn).

6.3 Reward and Recognition

Recognising and celebrating high performance is central to SDF's culture. During the year, the Company hosted its annual staff gathering, bringing the full team together to honour outstanding achievements from the 2024/25 financial year. A total of 71 employees were recognized across 17 distinct award categories, with an allocated budget of LKR 17 million for the event.

Signature initiative - International recognition tour to Thailand

In FY 2025/26, SDF introduced a flagship recognition reward: a fully sponsored overseas study tour to Thailand for the Company's 31 highest-performing employees. The tour combined recognition with exposure to a new business and cultural environment, reinforcing SDF's commitment to celebrating excellence and motivating its top talent. The Company invested LKR 8.18 million in the initiative.

Cost Component	Amount (LKR)
Air tickets	2,994,600
Per diem	3,906,000
Accommodation	919,200
Visa cost	357,000
Total investment	**8,176,800**

GRI 405-1

6.4 Diversity and Inclusion

SDF employs a diverse workforce, with staff recruited from all parts of the country and all ethnic and religious groups, including minorities. Our recruitment policies actively promote diversity across age, gender and experience, and the composition of our team broadly reflects the communities we serve.

Diversity of Employees by Gender and Ethnicity / Religion - 31 March 2026

Category	Female	%	Male	%	Total
Buddhist	256	84.77	288	82.29	544
Catholic	23	7.62	26	7.43	49
Tamil	23	7.62	32	9.14	55
Muslim	0	0.00	4	1.14	4
Grand Total	**302**	**100**	**350**	**100**	**652**

Diversity of Employees by Age Group — 31 March 2026

Category	Below 30	30-50	Above 50	Grand Total
Buddhist	268	245	31	544
Catholic	25	22	2	49
Tamil	36	19	0	55
Muslim	0	4	0	4
Grand Total	**329**	**290**	**33**	**652**
%	50.46	44.48	5.06	100.00

Human Capital

GRI 403-1, 403-3, 403-5, 403-6

6.5 Occupational Health and Safety

While the nature of our operations does not expose employees to significant occupational health and safety risks, SDF is fully committed to fostering a safe and healthy work environment. We adhere strictly to all applicable national health and safety regulations and maintain our facilities to high safety standards. To ensure preparedness, we regularly monitor our safety infrastructure, conduct emergency drills, and hold safety-training sessions covering preventive measures and emergency protocols. As part of our proactive approach, SDF provides employees with both health and accident insurance coverage, including access to routine medical check-ups.

6.6 Grievance Management

SDF upholds an open-door policy that encourages transparent communication, allowing any employee regardless of level to approach the Chief Executive Officer or the Head of Human Resources directly. The CEO holds monthly meetings with the HR team to discuss and resolve employee concerns proactively. In addition, the SDF Whistle-blower Policy provides a confidential and anonymous channel for employees to raise grievances, ensuring that all voices are heard and addressed without fear of retaliation.

6.7 Employee Engagement

The management of SDF is fully aware of the need to sustain a high level of employee engagement, particularly during a period of workforce expansion. Throughout FY 2025/26 the Company continued to spearhead initiatives that empower employees and equip them with the skills and confidence to discharge their duties effectively. Engagement highlights during the year included:

- **Abhimani:** a celebration held in conjunction with International Women's Day to witness the strengths, spirit and stories of our female staff.
- **Health and Well-Being:** dedicated CrossFit & Yoga sessions held during office hours on two weekdays, reflecting our belief that health is true wealth.
- **Cultural and Religious Celebrations:** events such as Christmas carols, Bakthi Gee and the Sinhala–Tamil New Year festival, Taipongal Celebration embracing and celebrating the diversity of all communities within SDF.
- **International Recognition Tour:** the overseas study tour to Thailand for 31 top performers (see Section 6.3).

7. Our Human Capital Journey

The Company's investment in its people has grown steadily alongside its business, building a larger, more capable and more stable workforce year on year.

Year	Human Capital milestones
FY 2022/23	Team strength of 453; 118 new recruits; foundations laid for an island-wide regional structure.
FY 2023/24	Workforce grew to 554; 360 new recruits; branch network extended into underserved communities.
FY 2024/25	Team strength of 603; 318 new recruits; 16,284 training hours; annual bonus raised to three months' salary; Leadership Excellence Programme launched with PIM; turnover of 45%.
FY 2025/26	Workforce expanded to 652; 299 new recruits; turnover improved to 39.6%; senior management developed at Kasetsart University, Thailand; 31 top performers rewarded with an international study tour; zero labour-law non-compliances.









8. Crafting the Future

SDF's people agenda for the period ahead is focused on rebuilding training intensity, strengthening the leadership pipeline, advancing HR automation, and deepening diversity ensuring our Human Capital keeps pace with the Company's growth ambitions.

Horizon	Priorities	Targets / metrics
Short term (< 1 year)	◉ Rebuild training hours per employee and confirm the training-investment budget ◉ Strengthen retention initiatives for the 20–30 age group ◉ Improve employee engagement and camaraderie	◉ Increase total training hours year on year ◉ Further reduce the employee turnover ratio ◉ 100% of new recruits completing structured induction ◉ Implement the Learning Management System (LMS)
Medium term (1–3 years)	◉ Embed structured succession planning across all critical roles ◉ Roll out digital and AI-assisted learning ◉ Sustain leadership and compliance training	◉ Identified successors for all key positions ◉ Turnover ratio in line with or better than industry ◉ Majority of employees active on a digital learning platform
Long term (> 3 years)	◉ Automate performance evaluation and build HR analytics ◉ Uphold diversity, equity and inclusion ◉ Maintain a steady internal leadership pipeline	◉ Automated, data-driven performance management ◉ Sustained gender balance, including at management levels ◉ Majority of leadership roles filled internally



Social and Relationship Capital

Partners in Shared Progress

Social and relationship capital is the web of trust that connects Sarvodaya Development Finance to the people, partners and communities at the heart of rural Sri Lanka. It is the reason a farmer, a youth entrepreneur or a woman-led enterprise turns to us first. This year we strengthened those bonds in tangible ways, attracting USD 9 Million in new impact-focused foreign funding and serving a customer base of 179,088, to whom we disbursed LKR 15 Billion in new facilities. As village enterprises grow, so does their impact, generating employment, uplifting families and contributing to a more balanced and resilient national economy. These are not transactions; they are partnerships in shared progress.

SDG Impacted



Capital Impacted

FC NC

Social and Relationship Capital represents the network of trust, partnerships and shared purpose that SDF has cultivated with customers, Sarvodaya related social development entities, the wider community, business partners, regulators and local and international impact investors. As a development finance institution born of the Sarvodaya Movement, this capital is not a supporting asset; it is the foundation on which our entire value-creation model rests.

179,088
Customer Base

56
Branches

LKR
2 Bn
Sustainable Bond issued

1,200+
Sarvodaya Societies Linked

USD
9 Mn
New Impact Funding

8
ATMs

82%
Branches Outside Western Province

[BBB-] Stable Outlook
Credit Rating

Social and Relationship Capital

1. Overview

1.1 Contribution to Value Creation

Social and Relationship Capital captures the meaningful connections and sustained engagement across the stakeholder network SDF has built over fifteen years of operations and on the back of the six-decade legacy of the Sarvodaya Movement. The collective trust and collaboration that flow through these relationships enhance value for every participant in our ecosystem: rural and underserved customers, the Sarvodaya Shramadana Societies, our employees, shareholders, impact funders, business partners and the regulator.

Value Creation	Value Preservation	Trade-offs
◉ Issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, channelling proceeds to inclusive and green lending ◉ Mobilised an additional USD 9 million in international impact funding for high-impact rural lending ◉ Maintained a customer base of approximately 179,088 with 82% of branches outside the Western Province ◉ Strengthened the Sarvodaya Society network as a structural relationship channel with over 1,200 affiliated societies	◉ Continued the journey toward CERISE+SPTF Client Protection Certification, deepening third-party-validated client safeguards ◉ Maintained full compliance with CBSL Financial Consumer Protection Regulations and zero compliance breaches relating to product information ◉ Strengthened the 24-hour customer hotline (1319) and complaint-handling framework ◉ Preserved the Sarvodaya brand trust through ethical lending and responsible market conduct	◉ Balancing the cost of community investment and concessional product pricing against commercial returns to shareholders ◉ Allocating resources between physical branch coverage of underserved geographies and accelerated digital onboarding ◉ Channelling impact-fund flows into the highest-impact rural segments while meeting funder ESG conditions ◉ Managing the long horizon of community-development outcomes against short-term performance reporting

1.2 Inputs and Outputs

Inputs	Outputs
◉ Sarvodaya Movement legacy and brand equity built over six decades ◉ 1,200+ affiliated Sarvodaya Shramadana Societies as a grassroots channel ◉ 56-branch network with 82% reach outside Western Province ◉ 8 ATMs (including the new Talawakele ATM serving the Tea Research Institute community) ◉ Marketing and brand-building investment, including localised below-the-line campaigns ◉ International impact funding partners and concessional capital lines ◉ Customer-protection framework and 24-hour hotline (1319) ◉ Strategic partnerships with agri-equipment suppliers and fintech enablers	◉ Disbursements of approximately LKR 19.6 billion channelled to rural and MSME segments ◉ Loans and Receivables grew 67.2% to LKR 20.6 billion, deepening financial inclusion ◉ Approximately 51% of loan recipients are women, advancing SDG 5 ◉ Sri Lanka's first Sustainable Bond issued at LKR 2 billion, financing inclusive and green assets ◉ USD 9 million in new international impact funding mobilised ◉ Expanded digital reach via Pay&Go-enabled PoS terminals at Sarvodaya Societies and Megapay partnership ◉ Zero penalties or fines for non-compliance with regulatory marketing or product-information directives ◉ Continued reduction in Gross NPA ratio to 4.93%, reflecting prudent and responsible lending

1.3 Unifying Social and Relationship Capital with SDF Strategy

Our strategic objective is to deepen and broaden the Sarvodaya-anchored relationships that uniquely define SDF, while modernising the channels through which we serve them. Social and Relationship Capital underpins every pillar of our corporate strategy:

◉ Sustainable rural and agri-finance growth: every relationship-building initiative is designed to widen access to ethical, affordable credit for the segments traditional banking under-serves.

- Customer centricity: branch teams, the call centre, the SSS network and digital channels are aligned to deliver consistent, locally-relevant service in all three national languages.
- Inclusive digital leadership: digital tools (palmtop devices at SSS, Pay&Go PoS terminals, mobile-first journeys) are deployed to close, rather than widen, the rural-urban digital divide.
- Positive impact and shared value: international impact funding and the LKR 2 billion Sustainable Bond convert global capital into local livelihoods.
- Empowering people: our employees, our customers' families and the wider Sarvodaya movement form a single value chain in which empowerment circulates.

1.4 Material Matters and Related Topics

Material Theme	Material Matter	Related Topic
Sustainable rural growth	Brand trust and Sarvodaya legacy	Brand building and customer awareness
Customer centricity	Serving and meeting customer needs	Product responsibility and selling practices
Future-fit organisation	Process excellence and digital transformation	Personalisation and financial inclusion
Good governance and risk	Ethics, transparency and information security	Data privacy and customer privacy
Supporting social cohesion	Corporate citizenship and social license to operate	Community capital and Sarvodaya Society engagement
Financial inclusion agenda	Reaching under-served segments	Women empowerment, agri-finance, MSME credit

1.5 SWOT Analysis for Social and Relationship Capital

Strengths

- Sarvodaya brand trust built over six decades of grassroots presence
- 1,200+ Sarvodaya Shramadana Societies acting as a unique, low-cost rural channel
- Strong relationships with international impact funders, evidenced by the LKR 2 Bn Sustainable Bond and USD 9 Mn new impact funding
- Highly diversified gender mix in lending, with women representing approximately 51% of loan recipients

Weaknesses

- Relative reliance on physical branch and SSS channels compared with larger competitors with broader digital reach
- Limited brand visibility in urban markets and among younger customer cohorts
- Capacity constraints in scaling community-investment monitoring and impact-reporting infrastructure
- Dependence on the goodwill of the wider Sarvodaya ecosystem, which requires continuous nurturing

S W O T

Opportunities

- Deepen digital channels (mobile and PoS-enabled SSS) to enhance customer engagement without losing rural authenticity
- Co-create blended-finance products with impact funders, building on the Sustainable Bond precedent
- Convert the SSS network into a fuller-service ecosystem covering payments, insurance and advisory
- Leverage CERISE+SPTF certification to attract additional global impact capital

Threats

- Growing competitive pressure from digital-first fintechs and BNPL providers in micro-credit segments
- Reputational risk from misinformation, including via social media, in sensitive rural markets
- Concentration risk in agri-portfolio exposure to climate volatility
- Regulatory tightening of consumer-protection requirements that lifts compliance cost

Social and Relationship Capital

2. Social and Relationship Capital and Sustainability

2.1 SRC-Related Sustainability Risks and Opportunities

SDF addresses sustainability-related risks and opportunities arising from Social and Relationship Capital in line with the disclosure requirements of SLFRS S1. These cover material risks and opportunities that could reasonably be expected to affect enterprise value over the short, medium and long term. Further detail on integrated risk management is provided in the Risk Management Review.

2.2 Social Capital Governance

Our governance framework is designed to uphold stakeholder trust, support inclusive growth and strengthen social impact. Oversight is provided by the Board of Directors and is reinforced by the Board Integrated Risk Management Committee (BIRMC), the Board Nomination and Governance Committee, and the Management Sustainability Committee.

Key mechanisms underpinning the framework

- Stakeholder engagement: a formal process to identify, prioritise and address stakeholder concerns through community forums, branch-level consultations, financial literacy workshops, quarterly investor calls and direct dialogue with the SSS network.
- Community investment and CSR governance: strategic guidance by the Management Sustainability Committee ensures alignment with national priorities, the Sarvodaya Ten Basic Human Needs framework and the UN Sustainable Development Goals.
- Partnership management: evaluation of business and social partnerships is based on shared values, ESG alignment, risk exposure and potential for social value creation.
- Sustainability reporting: transparent disclosure of SRC performance is provided in this Integrated Report, with progress toward CERISE+SPTF Client Protection Certification reinforcing third-party validation.

3. Customer Capital

Customers are the centre of SDF's value creation. Our customer base is concentrated in the geographies and segments mainstream banking has historically under-served: rural and semi-rural communities, MSMEs, agri-businesses and women entrepreneurs.

3.1 Customer Profile

Segment	Number of Customers	Share of Total
Female (Individual)	92,346	52%
Male (Individual)	82,420	46%
Corporate	909	1%
Sarvodaya Shramadana Societies	3,413	2%
Total	**179,088**	**100%**

Women customers accounted for approximately 51% of total loan recipients during the year, underlining SDF's role as a financier of women-led economic activity and reinforcing our alignment with SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth). Approximately 82% of branch outlets are located outside the Western Province, ensuring our footprint follows the geography of financial exclusion rather than the geography of urban concentration.

3.2 Brand Building and Customer Outreach

During the year, SDF continued to strengthen brand visibility through grounded, below-the-line activities designed to build trust at the village level. Door-to-door promotional campaigns, branch-led localised activations and joint engagement with Sarvodaya Society events extended the SDF name into communities that conventional advertising rarely reaches. We also continued to partner with business organisations whose values align with our operating model, including our leasing partners who supply agricultural vehicles and equipment to SDF customers.

The Sarvodaya brand itself remains our most distinctive marketing asset. The trust accumulated by the Sarvodaya Movement over more than six decades enables SDF to enter a village not as a financial institution seeking customers but as a partner already known to the community, with shared values around non-violence, self-reliance and dignified livelihoods.

3.3 Product Portfolio for Inclusive Finance

Our product portfolio is shaped by the needs of our target segments rather than the convenience of the institution. Lending products include Micro Loans, Personal Loans, SME Loans, Housing Loans, Leasing, Gold Loans, Society Bulk Loans and Cash-Back Loans. Deposit products include Fixed Deposits, Fixed Saver, General Savings and Pancha Children's Savings each structured to suit the income patterns and savings culture of rural households.

Joining the LankaPay Network allows SDF customers to transact at more than 4,500 ATMs island-wide. Membership of LankaPay multiplies the convenience of our 56-branch and 8-ATM footprint without requiring proportionate capital outlay.

3.4 Expanding Our Footprint

SDF closed the financial year with 56 branches, of which 46 (82%) operate outside the Western Province. We did not open new branches during the year, instead focusing resources on relocating the Hatton branch into a more accessible location and commissioning a new ATM at the Tea Research Institute, St. Coombs, Talawakele on 23 July 2025. The Talawakele ATM, our 8th, is the result of a deliberate policy of locating cash-access points in interior regions where banking penetration is thin. It serves TRI officers, tea pluckers, plantation labourers and rural professionals who previously had to travel long distances to access their funds.

3.5 Digital Platforms for Inclusion

Digital strategy at SDF is explicitly inclusive: tools are designed to bring rural communities into the digital financial system rather than to disintermediate them. During the year, we continued to operate the SDF corporate website and social media platforms as integrated channels for customer inquiries, financial-awareness updates, lead generation and brand engagement. To close the digital divide between urban and rural communities, we maintained approximately 100 Sarvodaya Societies equipped with handheld devices that enable society members to transact on their behalf for a nominal fee, an arrangement that gives rural micro-entrepreneurs digital financial access without requiring smartphone ownership.

Pay&Go-enabled PoS terminals remain deployed at most Sarvodaya Shramadana Societies, allowing customers to pay utility bills and other payments conveniently from within their village. Our partnership with Megapay (Pvt) Ltd continues to extend payment functionality across the network. Combined, these initiatives translate Sri Lanka's broader digital-finance progress into tangible, village-level access.

3.6 Customer Privacy and Protection

Safeguarding customer privacy is a regulatory requirement and a moral one. SDF has adopted in full the customer-protection guidelines issued by the Central Bank of Sri Lanka and complies with the Financial Consumer Protection Regulations No. 01 of 2023. The Customer Protection Framework is published on the SDF website together with information on the Financial Ombudsman's Office.

Employees receive regular training on data-privacy obligations and ethical sales practices. SDF also uses its corporate website, social media accounts and direct messages to inform customers of potential security threats and to provide guidance on safeguarding themselves from fraud and phishing. As per the Personal Data Protection Act (PDPA), Company has also appointed the Head of Compliance as the Data Protection Officer.

Protecting customers beyond local boundaries

SDF continued its journey toward the CERISE+SPTF Client Protection Certification (CPC) during the year. The CPC is an internationally recognised certification that subjects an institution's customer-treatment practices to rigorous third-party validation and is a prerequisite for securing impact funding from many global investors. Pursuing this certification reinforces SDF's commitment to ethical, transparent and responsible financial practices, particularly for customers in under-served communities.

3.7 Complaint Management

SDF complies fully with CBSL customer protection directives. Our formal Complaints Handling Policy has been published on our corporate website. the 'Contact Us" tab on the corporate website guides how a customer compliant can be lodged. Even the Company has introduced a QR code for directly submission of the complaints.

The Company has established a centralized Customer Care Unit and the Head of Compliance has been appointed as the Key Responsible Person (KRP) to oversee the customer complaints independently.

Apart from these initiations, this is supported by the 24-hour customer hot-line (1319), through which social-media inquiries are also routed outside normal working hours. Complaints are reviewed by the Head of Credit, Head of Gold Loan and the Product Head, Deposit Mobilisation, and are documented and handled within board-approved workflows and timelines of which the process is overseen by the Head of Compliance who would directly report to the BIRMC.

During the year, SDF received no fines or penalties for non-compliance with marketing or product-information regulations, and no customer complaints regarding misleading or incorrect information in our brand communications. We responded to all customer complaints within the timelines specified in the Customer Complaint Handling Policy.

4. Sarvodaya Shramadana Society Capital

The Sarvodaya Shramadana Society (SSS) network is the single feature that most distinguishes SDF from any other licensed finance company in Sri Lanka. The 1,200+ affiliated societies serve simultaneously as shareholders, channel partners, last-mile distributors and trustees of the Sarvodaya brand in their villages.

4.1 The Reinforcing Cycle

Profits from SDF's lending and deposit activities are distributed to the SSS shareholders as dividends. The societies re-inject those dividends back into rural community projects, financing the very economic activity that creates demand for SDF's financial services. This circular value

Social and Relationship Capital

chain converts financial returns into community development and back into financial returns over time.

4.2 How We Engage the SSS Network

- Direct participation in SSS activities and workshops to maintain real-time understanding of rural conditions
- Special market-linkage activities and enhanced advisory services for SSS members, including partnerships with local agricultural-extension services
- Below-average micro-credit lending rates to prevent exploitation by informal village lenders, while maintaining professional service standards
- Approximately 100 SSS equipped with handheld digital devices and Pay&Go PoS terminals to bring digital financial services to the village level

4.3 Strengthening the Channel

Strategic priorities for the SSS network during the year included expanding the digital tools available to society agents, refreshing training programmes for society-level cashiers and developing standardised advisory content for distribution through the network. The SSS channel remains a structural relationship moat for SDF in a market where most competitors must build digital reach to compensate for an absence of village-level trust.

GRI 204-1

5. Business Partner Capital

5.1 Supply Chain Management Approach

SDF's supply chain is managed against principles of responsibility, transparency and long-term value creation. We partner with suppliers who demonstrate alignment with our sustainability values and adhere to fair procurement practices. Rigorous due diligence, regular evaluations and digital procurement systems support accountable relationships.

5.2 Supply Chain Profile

Category	Coverage
Agricultural equipment partners	DIMO, Hayleys Agriculture, Browns Agri Solutions (Pvt) Ltd
Regenerative agriculture partners	Araliya Agro Holdings Ltd, Araliya Seeds Ltd, Now Partners, agricultural experts from Andhra Pradesh, India
Digital and payments partners	LankaPay, Megapay (Pvt) Ltd, Pay&Go platform
International impact funders	EDFI Management Company (AgriFI, EU-funded), additional impact investors backing the USD 9 million in new funding mobilised during the year
Local funding partners	Domestic banks providing wholesale funding lines and counterparties to the LKR 2 billion Sustainable Bond
Technology and IT	Core banking system providers, cybersecurity and ISO 27001 implementation partners, mobile and web platform providers
Professional services	External Auditor (Messrs. Deloitte Associates, Chartered Accountants), legal counsel, consultancy and corporate-services providers

5.3 Developing Suppliers as Strategic Partners

Strategic partnerships with leasing equipment suppliers, agri-input providers and impact funders have moved over time from transactional purchasing arrangements toward longer-horizon collaborations. We engage suppliers on training, ESG alignment and process improvement, and we involve key partners in product-design conversations so that their inputs reflect end-customer needs.

5.4 Risks and Challenges

A resilient business-partner network underpins our operations, and the structure currently presents no material risks. Proactive supplier assessment, clear procurement guidelines and continuous engagement support timely identification and mitigation of emerging risks, preserving operational continuity and mutual trust.

6. Community Capital

As an institution founded on the Sarvodaya philosophy of 'the awakening of all', community investment is not a discretionary CSR overlay at SDF. It is intrinsic to the business model. The Ten Basic Human Needs framework that underpins the Sarvodaya Movement provides the structuring lens for our community-investment priorities.

Sarvodaya Movement being the oldest Not For Profit Organization, is well known for the social activities and stepping forward for the country's and communities' most ful times. SDF has extended the donations to these needful times such as during Ditwah impact, so the Movement has distributed the goods to the needful people.

6.1 Community Investment Strategy

SDF's community-investment strategy prioritises under-served and rural areas across Sri Lanka, with a focus on agriculture, education, health, livelihood development and digital inclusion. We deliver this

through targeted programmes, strategic partnerships and employee volunteerism, aligning our efforts with national priorities and global sustainability goals to ensure impact is both meaningful and measurable.

6.2 Key Programmes During the Year

Supporting Rural Entrepreneurship

SDF continued to back rural entrepreneurs whose enterprises have grown into employers within their communities. These businesses now create local employment, contribute to village development and demonstrate the multiplier potential of patient, mission-aligned credit.

Sustainable Agriculture and Regenerative Practices

Through partnerships with Araliya Agro Holdings Ltd, Araliya Seeds Ltd and Now Partners, we are actively introducing regenerative agricultural practices in Sri Lanka. Collaboration with agricultural experts from Andhra Pradesh, India, brings additional technical expertise into the picture, with a focus on regenerative techniques that improve soil health and reduce dependence on chemical inputs. Solar water pumps are being deployed to support sustainable irrigation, reduce reliance on fossil fuels and enable efficient water management.

Investing in Education

SDF continues to support educational infrastructure in rural areas. Building on the FY 2024/25 housing-loan-supported renovation of the only preschool in Batawala, Padukka, we have maintained our focus on improving learning environments for children who would otherwise lack access to early-childhood education.

Digital Literacy and Access

Recognising that access to modern communication facilities is itself a basic human need, SDF has continued to equip Sarvodaya Societies with handheld digital devices that enable village-level financial transactions, bridging the urban-rural digital divide.

Promoting Local Economies

SDF's community-based tourism programme in Ratnapura continued to connect local businesses with potential tourists, fostering economic diversification. Initiatives like 'Coexist - Sri Lanka' continued to support social entrepreneurs and vulnerable communities on their journey toward self-reliance.

Empowering Women Entrepreneurs

Women represented approximately 51% of total loan recipients during the year, sustained by targeted business training, capacity-building initiatives, micro-insurance products and flexible repayment schedules aligned to seasonal income. Through this work, SDF aims to drive a wider cultural shift in attitudes toward women in leadership and enterprise.

6.3 Tracking the Effectiveness of Community Investment

Community-investment outcomes are tracked through formal feedback mechanisms with community members and Sarvodaya Societies, regular management oversight and post-programme evaluations of significant initiatives. Quarterly meetings with SSS leaders and community elders ensure that programmes remain community-led and needs-driven, and that outcomes are measured against the lived experience of beneficiaries rather than against institutional targets alone.

7. Partnerships and Collaboration

7.1 Sri Lanka's First Sustainable Bond

The most significant social-relationship milestone of the year was the issuance of Sri Lanka's first Sustainable Bond by SDF, valued at LKR 2 billion. The proceeds are channelled into lending that meets defined social and environmental criteria, demonstrating SDF's capacity to translate the Sarvodaya philosophy into a capital-markets instrument. Beyond the capital mobilised, the bond establishes SDF as a credible domestic counterpart for sustainable-finance investors and creates a template that other Sri Lankan financial institutions can build upon.

7.2 New International Impact Funding of USD 9 Million

Building on the USD 3 million AgriFI line secured in the prior year from EDFI Management Company (EU-funded), SDF mobilised an additional USD 9 million in international impact funding during the year under review. These funds are earmarked for high-impact sectors, with a strategic focus on empowering women entrepreneurs, agricultural smallholders and housing development in under-served communities.

7.3 AFIFORUM and Global Engagement

SDF participated in the Asia Financial Inclusion Forum (AFIFORUM) during the year, continuing direct engagement with regional and global leaders in inclusive finance, development finance institutions and impact investors. The platform was used to showcase SDF's community-based financial model and to initiate strategic dialogue with prospective impact funders on blended-finance mechanisms aligned to SDF's mission.

Social and Relationship Capital

8. Looking Ahead

8.1 Customer Capital

Horizon	Metric	Target
Short Term (< 1 year)	Customer satisfaction score; digital transaction volume	Maintain customer satisfaction above 80%; 25% growth in digital transactions
Medium Term (1 to 3 years)	Customer retention rate; CERISE+SPTF Client Protection Certification	Achieve 80% retention; secure full CPC certification
Long Term (> 3 years)	Inclusive digital channel reach	Achieve digital service availability across 100% of SSS network points

8.2 Sarvodaya Society Capital

Horizon	Metric	Target
Short Term	Active digital SSS points	Expand to 150 SSS equipped with handheld devices and PoS terminals
Medium Term	SSS-channel disbursements	Grow SSS-originated lending by 30% over the FY 2025/26 baseline
Long Term	Full-service SSS ecosystem	Convert SSS network into a full-service rural ecosystem covering credit, deposits, payments, micro-insurance and advisory

8.3 Business Partner Capital

Horizon	Metric	Target
Short Term	On-time supplier payment ratio	Maintain 100% on-time settlement
Medium Term	Impact-funder concentration ratio	Mobilise a further USD 15 to 20 million in impact funding across at least three new funders
Long Term	Sustainability-linked funding mix	Issue follow-on sustainable or social bonds and structure blended-finance products with global impact partners





8.4 Community Capital

Horizon	Metric	Target
Short Term	Number of community programmes	Deliver 60+ community programmes across financial literacy, livelihoods and sustainable agriculture
Medium Term	Women-borrower share	Sustain women lending share above 50% and grow women-only enterprise lending by 25%
Long Term	Long-term beneficiary uplift	Demonstrate measurable improvements in household income, education and resilience among programme beneficiaries through periodic impact assessments

9. Social and Relationship Capital Journey

FY	Milestones
2021/22	Listed on the Colombo Stock Exchange (December 2021); deepened engagement with Sarvodaya Shramadana Societies as channel partners
2022/23	Strengthened customer-protection framework; expanded digital service touchpoints through Pay&Go partnerships
2023/24	Joined LankaPay Network to extend ATM access; expanded SSS-enabled digital transactions; first participation in AFIFORUM
2024/25	Secured first international impact funding of USD 3 million from EDFI Management Company (EU-funded AgriFI); won Gold Award at TAGS for the fourth time and third consecutive year; commenced CERISE+SPTF Client Protection Certification journey
2025/26	Issued Sri Lanka's first Sustainable Bond at LKR 2 billion; mobilised an additional USD 9 million in international impact funding; commissioned the new Talawakele ATM serving the Tea Research Institute community; relocated the Hatton branch; continued progress toward CERISE+SPTF Client Protection Certification







Natural Capital

Prosperity that Endures

Natural capital recognises that the villages we serve are rooted in the land, and that a resilient rural economy depends on a healthy environment. Sarvodaya Development Finance manages its own footprint while directing finance toward a greener future for the communities we serve. Our first Sustainable Bond set aside LKR 500 Million for green lending under the Sri Lanka Green Finance Taxonomy, supporting renewable energy, cleaner transport and climate-smart livelihoods. Within our own operations we expanded solar generation and continued to measure and reduce our impact. For us, caring for natural capital is inseparable from empowering villages, because the prosperity we help create must be able to endure for the generations who will inherit it.

SDG Impacted



Capital Impacted

FC MC

SDF recognises Natural Capital not merely as a resource to be protected, but as a foundational asset critical to societal prosperity and to our own business resilience in the face of climate change and resource scarcity. As a development finance institution rooted in the Sarvodaya philosophy of holistic, grassroots development, our stewardship of the environment is inseparable from our purpose. This section sets out SDF's management approach and performance against natural capital indicators for FY 2025/26, alongside the strategic direction we are charting toward our 2030 carbon-neutral commitment.

964 $mtCO_2e$

Carbon Footprint

LKR

2 Bn

Sustainable Bond

LKR

313.4Mn

Green Lending Portfolio

GJ

3,167

Energy Consumption

USD

9 Mn

New Impact Foreign Funding

63%

Solar Power Share (Head Office)

9.46 ML

Water Consumption

626

Cumulative:

1,037

E-Motorbikes Distributed

Natural Capital

1. Natural Capital at a Glance

GRI 302-5, 305-4

Our natural capital performance for the year is summarised below. Where assurance-readiness or data-collection processes are still being finalised, figures will be updated prior to publication.

2. Inputs, Outputs and Outcomes

Our value-creation model for natural capital flows from the resources we apply, through the activities we undertake, to the measurable outputs and outcomes we generate for the environment and society.

Inputs	Strategic Drivers	Key Outputs (FY 2025/26)	Outcomes
◉ Environmental Management System (under development, ISO 14001 alignment) ◉ Carbon footprint calculation and Scope 1 & 2 measurement ◉ Solar PV installation at Head Office and selected branches ◉ Employee participation in environmental initiatives ◉ ESG and Sustainability Policy Framework ◉ Sarvodaya Shramadana Society partnerships	◉ Carbon-neutral commitment by 2030 ◉ Sustainable Finance Roadmap (CBSL) alignment ◉ Green Operations policy (in development) ◉ Sustainable agriculture and e-mobility focus ◉ GABV principles and Client Protection Standards	◉ Sri Lanka's first Sustainable Bond: LKR 2 Bn ◉ New impact foreign funding: USD 9 Mn ◉ Green lending: 313.4 LKR Mn ◉ Solar-powered ATM at Kethsirigama (100% solar) ◉ 1,037 e-motorbikes financed cumulatively	◉ Reduced operational carbon footprint ◉ Greater paperless adoption (over 85% back office) ◉ Climate-resilient agricultural livelihoods through solar irrigation ◉ Customer access to low-carbon mobility ◉ Validated sustainable finance credentials through international funders

3. Contribution to Value Creation

The table below sets out how our natural capital choices create value, preserve value, and where trade-offs are consciously made.

Value Creation	Value Preservation	Trade-offs
◉ Issuance of Sri Lanka's first Sustainable Bond (LKR 2 Bn) ◉ USD 9 Mn in new impact foreign funding for sustainable lending ◉ Specialised leasing for hybrid and electric vehicles ◉ Solar PV at Head Office meeting approximately 63% of monthly electricity demand ◉ Solar water pumps supporting sustainable irrigation for farmers ◉ 626 electric motorbikes distributed under the e-mobility programme (Rs. 158 Mn invested as at FY 2024/25, with further expansion in FY 2025/26)	◉ Long-term portfolio resilience through screening of environmentally harmful activities ◉ Reduced exposure to transition risk through diversification into renewable and climate-smart sectors ◉ Strategic partnerships with BAW Partners, Araliya Agro and GABV reinforcing values-based finance ◉ Climate risk integration into credit policy and field monitoring of agricultural borrowers	◉ Short-term cost of digital and energy-efficiency investments versus long-term operational savings ◉ Concessional pricing for green products versus margin on conventional alternatives ◉ Investment in environmental awareness and capacity building versus immediate productivity ◉ Compliance and disclosure investment (TCFD, SLFRS S2) versus near-term reporting cost

4. Unifying Natural Capital with SDF's Strategy

Natural capital is woven into the heart of our strategic plan. By aligning environmental stewardship with our development finance mission, we ensure that climate action, resource efficiency and green financing reinforce rather than constrain our growth ambitions.

Material Themes and Related Topics

Material Theme	Material Matters	Related Topic	Page
Climate action and resilience	Environmental stewardship Energy and emissions Climate-related financial disclosure	Operational footprint, financed emissions, transition risks and opportunities	181
Sustainable lending	Green and sustainability-linked finance Sustainable agriculture and e-mobility	Green leasing, solar loans, regenerative agriculture finance, e-mobility	179
Resource efficiency	Energy, water, waste management	Branch-level resource monitoring, paperless operations, recycling	180
Community and ecosystem stewardship	Biodiversity and conservation Community engagement	Tree planting, awareness campaigns through Sarvodaya networks	111

5. SWOT Analysis for Natural Capital

Strengths

- Heritage and credibility through the Sarvodaya movement and grassroots networks
- First-mover advantage with Sri Lanka's first Sustainable Bond (LKR 2 Bn)
- Recognised by international impact investors (USD 9 Mn new funding; AgriFI; GABV membership)
- Established solar footprint at Head Office and selected branches
- Carbon-neutral commitment by 2030 endorsed at Board level

Weaknesses

- Relative reliance on physical branch and SSS channels compared with larger competitors with broader digital reach
- Limited brand visibility in urban markets and among younger customer cohorts
- Capacity constraints in scaling community-investment monitoring and impact-reporting infrastructure
- Dependence on the goodwill of the wider Sarvodaya ecosystem, which requires continuous nurturing

S W O T

Opportunities

- Sri Lanka's commitment to 70% renewable electricity by 2030 (USD 12 Bn investment required)
- Climate-smart agriculture lending across the rural and Sarvodaya Society network
- Expansion of e-mobility financing as vehicle imports normalise
- Access to thematic ESG and SDG-linked international funding pools
- Sustainable finance disclosure (TCFD/ISSB/SLFRS S2) as competitive differentiator

Threats

- Physical climate risks affecting rural and agricultural portfolios (e.g. late-2025 weather events)
- Heightened competition for green-financing market share from larger NBFIs and banks
- Evolving regulatory expectations and compliance complexity
- Energy and commodity-price shocks (e.g. 2026 Middle East conflict) impacting operating costs

Natural Capital

6. Natural Capital Governance

Effective governance of natural capital begins at the Board and cascades through senior management into branch-level execution. The structure below ensures clear accountability, oversight and policy alignment.

- Board of Directors: ultimate oversight of ESG and sustainable finance, with environmental matters considered as part of the Board Integrated Risk Management Committee (BIRMC) agenda.
- CEO and Key Responsible Persons (KRPs): execute the Risk Management Policy, Sustainable Development Policy, with review and reporting taking place in once in two years time.
- Risk Management Department: identifies, evaluates and manages environmental and social risks, including emerging climate-related risks integrated into the risk register.
- Operations and Sustainability Committee: tracks branch-level performance on energy, water and waste; coordinates green branch initiatives.
- Sustainability Champions Network: branch-level employee volunteers driving awareness, conservation behaviours and reporting culture.

Policy Framework

SDF's environmental policy framework is anchored in the broader Sustainable Development Policy approved by the Board, with topic-specific commitments aligned to international best practice and the Central Bank of Sri Lanka's Sustainable Finance Roadmap.

Energy Policy

- Objective: Optimise energy consumption, accelerate transition to renewable sources, and improve energy efficiency across operations.
- Commitments
- Expand solar PV coverage across feasible branches
- Replace legacy lighting and HVAC with energy-efficient equivalents
- Monitor and report energy performance monthly
- Set annual energy-intensity reduction targets (kWh per employee and per branch)

Water Policy

- Objective: Promote sustainable water management and ensure adequate access for staff, customers and the communities we serve.
- Commitments
- Optimise water usage through awareness and leak-detection
- Conduct monthly plumbing checks at high-usage branches
- Support community water access through Sarvodaya partnerships
- Track and disclose monthly water consumption

Emissions and Climate Policy

- Objective: Reduce greenhouse-gas emissions across operations and the portfolio, advancing toward carbon neutrality by 2030.
- Commitments
- Annual Scope 1 and Scope 2 inventories under the GHG Protocol
- Develop Scope 3 (financed emissions) methodology by 2027
- Align disclosures with TCFD and prepare for SLFRS S2
- Implement decarbonisation roadmap with milestone targets

Waste Management Policy

- Objective: Minimise waste generation, promote circularity and ensure responsible disposal.
- Commitments
- Adopt Reduce, Reuse, Recycle principles across operations
- Eliminate paper through workflow automation (over 85% of back office already paperless)
- Segregate e-waste and partner with certified disposal vendors
- Track waste volumes at branch level (rolling out in FY 2026/27)

7. Climate Action and Energy Transition

GRI 201-2

Climate change is a defining challenge of our time, and SDF is responding with focused action across our own operations and the portfolios we finance. Our climate strategy rests on three pillars: reducing our direct footprint, enabling our customers' transition to low-carbon livelihoods, and integrating climate risk into our lending decisions.

7.1 Reducing Our Direct Footprint

During the year we continued to expand renewable energy adoption, drive energy efficiency at branches, and accelerate the paperless transition that has been a strategic priority since 2022.

- Head Office solar PV: approximately 63% of monthly electricity now sourced from rooftop solar (commissioned 2019).
- Kethsirigama branch ATM: continues to operate fully on solar power, demonstrating the feasibility of off-grid renewable banking infrastructure.
- LED retrofits, energy-efficient air-conditioning, and behavioural campaigns ("switch-off" reminders) maintained across the branch network.
- Over 80% of back-office processes now operate paperless through more than 30 workflow applications deployed over the past four years.

7.2 Enabling Customer Transition

Our green financing portfolio empowers customers to invest in renewable energy, energy-efficient assets, hybrid and electric vehicles, and sustainable agriculture. The flagship initiatives during FY 2025/26 include:

Green Financing Product	FY 2024/25 Performance	FY 2025/26 Performance
EV leasing	No. of facilities: 376, LKR 158 Mn	No. of facilities: 626, LKR 197 Mn
E-motorbike distribution programme	556 units distributed; Rs. 275 Mn invested (cumulative)	1,037; LKR 369 Mn
Sustainable agriculture (solar water pumps, regenerative inputs)	USD 554 Mn AgriFI funding deployed for sustainable agriculture	LKR 991 Mn AgriFI funding deployed for sustainable agriculture
Sri Lanka's first Sustainable Bond	Not applicable (issued in current year)	LKR 2 Bn issued; proceeds allocated to qualifying green and social assets per the Sustainable Finance Framework
Total green lending portfolio	LKR 171 Mn	LKR 313 Mn, with 83% growth

Sustainable Bond Issuance Highlight: The issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, marks a transformative milestone for SDF and for the country's sustainable finance market. Proceeds are earmarked for eligible green and social projects under our Sustainable Finance Framework. Combined with new impact foreign funding of USD 9 million secured during the year, SDF's capacity to channel capital toward climate-smart agriculture, renewable energy, e-mobility and inclusive finance has been materially strengthened.

7.3 Climate Risk Integration

The late-2025 weather events that affected agricultural districts underscored the materiality of climate physical risk to our portfolio. In response, we have:

- Embedded climate-risk criteria into credit policy for agricultural and rural lending.
- Tightened sector-concentration KRIs and accelerated borrower monitoring through the Sarvodaya Society field network.
- Aligned our reporting trajectory with SLFRS S2 and TCFD recommendations, while making use of available transition reliefs.

Natural Capital

8. Resource Management: Energy, Water and Waste

Effective stewardship of operational resources is central to reducing our environmental footprint and demonstrating that sustainability and efficiency are mutually reinforcing.

8.1 Energy

GRI 302-1, 302-4

Energy Indicator	FY 2023/24	FY 2024/25	FY 2025/26
Total electricity consumption (kWh)	466,720 kWh	702,486 kWh	735,139 kWh
Solar power contribution (kWh)	86,470 kWh	94,465 kWh	111,305 kWh
Fuel consumption (litres)	15,090 L	12,360 L	14,613 L
Total energy consumption (GJ)	3710 GJ	2,529 GJ	3,167 GJ

8.2 Water

GRI 303-1, 303-5

Water consumption is monitored at branch level and reviewed centrally for anomalies. Water use is principally for sanitation, hygiene and drinking water for staff and customers. While our direct impact on water resources is limited, we continue to invest in awareness, leak prevention and the broader public-health objective of ensuring safe water access.

Water Indicator	FY 2024/25	FY 2025/26
Total water consumption (ML)	8.23	9.46

8.3 Waste

GRI 306-3, 306-4

Through systematic digitisation, SDF has materially reduced its primary waste stream (paper). Over 85% of back-office operations are paperless, supported by more than 30 workflow applications introduced over the past four years. Residual paper is reused where possible and disposed of through a recycling partner certified by the Central Environmental Authority. Electronic waste is handled by a specialised vendor to ensure environmentally sound processing.

Waste Stream (MT)	FY 2024/25	FY 2025/26
Paper	0.012	1.49
Plastic	0.012	0.72
Food waste	2.74	2.76

9. Emissions and Carbon Footprint

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

SDF's carbon footprint inventory covers Scope 1 (direct emissions from fuel use) and Scope 2 (indirect emissions from purchased electricity), measured under the GHG Protocol. Scope 3 (financed emissions and other value-chain emissions) is at an early development stage, with a target to publish a baseline by 2027.

Emissions Category	FY 2024/25 (mtCO2e)	FY 2025/26 (mtCO2e)
Scope 1: direct emissions (fuel, generators)	34.03 mtCO2e	49 mtCO2e
Scope 2: purchased electricity	470.77 mtCO2e	360 mtCO2e
Scope 3: limited categories	In development	555 mtCO2e
Total measured carbon footprint	506.15	964 mtCO2e

Avoided Emissions: Our green financing portfolio also enables emissions avoided in the wider economy. Quantification of avoided emissions from solar loans, EV and e-motorbike financing, and sustainable agriculture is 960.92 mtCO2e.

12. Our Natural Capital Journey

Our progress on natural capital has been built incrementally, year on year, and the milestones below capture the trajectory of that journey.

2019	◉ Commissioned rooftop solar PV at Head Office, achieving approximately 63% renewable share of monthly electricity
2022	◉ On World Environment Day, SDF announced its commitment to become carbon-neutral by 2030 ◉ Initiated solar-powered operations at the Head Office and select branches
2023	◉ Partnered with organisations in Andhra Pradesh, India, to promote natural farming practices in Sri Lanka ◉ Selected farmers from Kethsirigama trained in India, fostering sustainable agriculture through international collaboration
2024	◉ Secured an international impact fund from the European Union (AgriFI: USD 3 Mn) aimed at advancing sustainable agriculture ◉ Distributed 556 electric motorbikes (cumulative investment Rs. 275 Mn) ◉ Carbon footprint disclosed at 506.15 mtCO2e (FY 2024/25)
2025	◉ Became the first Non-Banking Financial Institution to receive full membership in the Global Alliance for Banking on Values (GABV) ◉ Aligned with Cerise+SPTF Client Protection Standards
FY 2025/26	◉ Issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion ◉ Secured USD 9 million in new impact foreign funding

Natural Capital

13. Forging the Path to Carbon Neutral by 2030

SDF has committed to achieving carbon neutrality by 2030, with a longer-term ambition to expand renewable coverage and decarbonise the wider portfolio through to 2050. The roadmap below sets out phased milestones consistent with our SDG 13 strategy and Sri Lanka's national climate ambitions.

Phase 1	Phase 2	Phase 3
FY 2025/26 to FY 2026/27	**By 2030**	**By 2050**
◉ Complete baseline Scope 1 and Scope 2 inventory across all branches	◉ Achieve carbon-neutral operations for Scope 1 and Scope 2	◉ Extend renewable coverage to 60%+ of operations
◉ Develop Scope 3 methodology, with priority on financed emissions	◉ Transition 35%+ of total operational energy to renewable sources	◉ Support 10,000+ farms using solar irrigation
◉ Expand solar PV to additional branches (target 5 branches)	◉ Publish first full Scope 3 financed-emissions disclosure	◉ Finance 10,000+ e-mobility users
◉ Strengthen green financing taxonomy and reporting	◉ Scale green lending portfolio to LKR 2 Bn.	◉ Embed climate scenario analysis as a standard credit-policy input
◉ Initiate SLFRS S2 readiness programme	◉ Achieve at least 500+ farms using solar irrigation	◉ Pursue verified carbon offsets for residual emissions

14. Future Outlook and Commitments

Our journey to enhance natural capital management is continuous. Building on the foundations of FY 2025/26, including Sri Lanka's first Sustainable Bond and the USD 9 million in new impact foreign funding, SDF commits to the following priority actions in the year ahead:

- Operationalise the Sustainable Finance Framework and publish the first allocation and impact report for the LKR 2 Bn Sustainable Bond.
- Deploy USD 9 Mn impact foreign funding into eligible green, climate-smart agriculture and inclusive finance segments.
- Develop and pilot a Scope 3 financed-emissions methodology consistent with the GHG Protocol and PCAF guidance.
- Initiate the certified Environmental Management System (ISO 14001-aligned) at the Head Office, with branch roll-out planned in subsequent years.
- Continue expansion of solar PV at branches and refresh the energy-efficiency programme.
- Strengthen branch-level data systems for energy, water and waste, enabling more granular target-setting from FY 2026/27.
- Expand the e-motorbike and solar irrigation programmes to additional districts.
- Build climate-scenario analysis capability and align disclosures with SLFRS S2 by the regulatory adoption timeline.

SDF's vision is to be a leader in sustainable finance within Sri Lanka, continuously innovating our operations and leveraging our financial services to foster a resilient and environmentally conscious economy. By treating natural capital as both a stewardship responsibility and a strategic asset, we aim to create long-term value for our stakeholders and contribute meaningfully to the country's transition to a low-carbon, climate-resilient future.




SARVODAYA
DEVELOPMENT FINANCE
PERSONAL LOANS
MICRO LOANS
GOLD LOAN
327,200/-
074 0989611

Badulla

EMPOWERING VILLAGE GREENHOUSE GROWERS

ONE GREENHOUSE BECAME THREE, AND A BADULLA HARVEST NOW TRAVELS THE WORLD.

I hold a government post, so when my husband and I decided to build a greenhouse, it was a serious step into something new. We started with one, supported by a loan from Sarvodaya Development Finance. We focused on gherkin, with chillies alongside, and learned the discipline that protected, controlled cultivation demands.

The results gave us the confidence to grow, and one greenhouse has since become three. Most of our gherkin is destined for the export market, which means our small operation in Badulla is now connected to buyers far beyond our hills. My husband manages the day to day, and together we are already planning the next stage of the business.

What began as a careful experiment has become a livelihood with reach, and proof that a village enterprise can hold its own on an international shelf.

SDF Support: loan of Rs. 5.0 million for the first greenhouse, since expanded to three.
Customer Name: D M Swarnalatha Hemamali and Bandara Dissanayaka



Business Model Performance by Segment

Sarvodaya Development Finance PLC (SDF) translates its business model into financial value through three reportable operating segments defined in accordance with SLFRS 8, Operating Segments: Lease, Loan and Other Business. This segmentation mirrors the way the Management Committee, acting as the Company's chief operating decision maker, organises its business units, allocates resources and assesses performance. Each segment is the financial expression of the Artha Dharma philosophy that guides the Sarvodaya movement, directing capital towards the micro, small and medium enterprises (MSMEs) and households that anchor SDF's grassroots mandate, with 82% of the branch network located outside the Western Province.

Segment performance is evaluated on the basis of profit or loss and is measured consistently with the financial statements. Transfer prices between segments are determined on an arm's length basis. No revenue from transactions with a single external customer amounted to 10% or more of total revenue during the year, and there were no transactions between reportable segments. A complete reconciliation is presented in Note 49 to the Financial Statements on page 364.

FY 2025/26 was a year of broad-based expansion. Combined gross income rose 46.8% to LKR 6,423.3 Mn and the aggregate segment result grew 59.9% to LKR 1,821.4 Mn, lifting profit after tax 73.1% to LKR 820.1 Mn. Growth was led decisively by the Loan segment and reinforced by a strong contribution from Other Business, while the Lease segment delivered healthy balance sheet growth against a backdrop of margin compression. The issuance of Sri Lanka's first Sustainable Bond (LKR 2 Bn) and USD 9 Mn of new impact foreign funding broadened the funding base that supported this growth across all three segments.

Segmental Performance Summary

LKR Mn	Lease	Loan	Other Business	Total 2025/26	Total 2024/25	Change %
Interest income	1,807.7	3,806.1	231.8	5,845.7	4,063.8	+43.8
Net fee and commission income	153.6	303.0	(1.2)	455.4	268.0	+69.9
Other operating income	66.3	22.1	33.8	122.2	42.6	+186.9
Gross income	2,027.6	4,131.3	264.4	6,423.3	4,374.4	+46.8
Less: Interest expenses	928.5	1,278.0	64.2	2,270.7	1,424.3	+59.4
Total operating income	1,099.2	2,853.2	200.2	4,152.6	2,950.1	+40.8
Less: Credit loss expenses	328.3	217.1	0.8	546.2	438.9	+24.4
Net operating income	770.9	2,636.1	199.5	3,606.5	2,511.2	+43.6
Less: Other expenses	659.8	908.2	45.6	1,613.7	1,228.8	+31.3
Less: Depreciation and amortisation	70.1	96.5	4.8	171.5	143.2	+19.7
Segment result	41.0	1,631.4	149.0	1,821.4	1,139.2	+59.9
Segment assets	9,190.5	20,601.8	7,569.3	37,361.6	22,541.9	+65.7
Segment liabilities	8,102.4	18,162.6	6,673.1	32,938.2	18,597.9	+77.1

Expense lines are presented as positive amounts and shown net within each subtotal. Figures are extracted from Note 49, Financial Reporting by Segment. Totals may differ marginally from the sum of segments due to rounding.

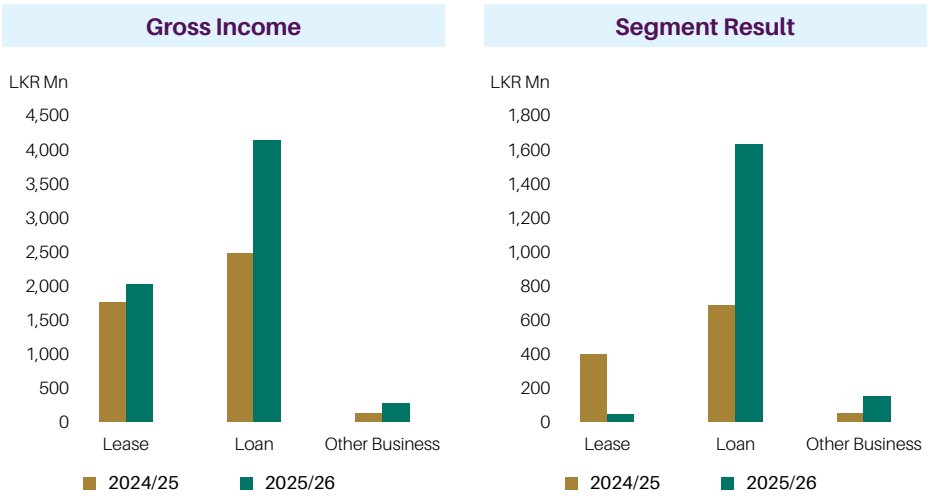


Figure 1: Gross income and segment result by segment, FY 2024/25 versus FY 2025/26 (LKR Mn).

Segment Contribution at a Glance

The Loan segment is the engine of the business, generating close to two thirds of gross income and nearly nine tenths of the segment result while operating at the lowest cost-to-income ratio. Other Business, although modest in scale, is highly margin-accretive, and the Lease segment remains a significant contributor to the asset base even as its earnings rebuild.

Indicator (FY 2025/26)	Lease	Loan	Other Business
Share of gross income	31.6%	64.3%	4.1%
Share of total operating income	26.5%	68.7%	4.8%
Share of segment result	2.2%	89.6%	8.2%
Share of segment assets	24.6%	55.1%	20.3%
Cost-to-income ratio	66.4%	35.2%	25.2%
Year-on-year asset growth	+34.0%	+67.2%	+125.3%

Shares are computed on FY 2025/26 segment figures. Cost-to-income ratio is calculated as other expenses plus depreciation and amortisation, divided by total operating income.

Share of Gross Income, Segment Result and Segment Assets

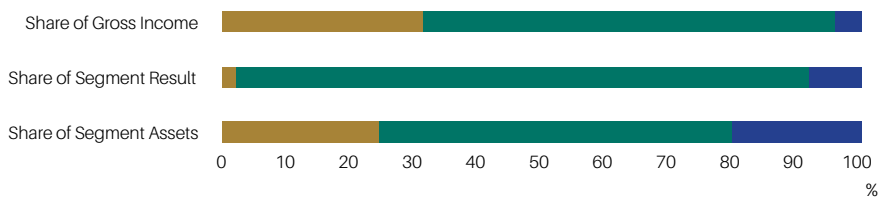


Figure 2: Each segment's share of gross income, segment result and segment assets, FY 2025/26.

Loan Segment

The Loan segment, comprising Micro, SME, Personal and Gold loans, is at the heart of SDF's developmental purpose and was the principal driver of the year's performance. Gross income climbed 66.9% to LKR 4,131.3 Mn and net interest income grew by the same proportion to LKR 2,528.1 Mn, while the segment result more than doubled, rising 137.4% to LKR 1,631.4 Mn. The lending book expanded 67.2% to LKR 20,601.8 Mn, taking the segment to 55.1% of total assets.

Critically, this growth was achieved without compromising credit quality. The segment's credit loss expense rose only 1.1% even as the book grew by more than two thirds, evidence of disciplined underwriting, strengthened collections and the resilience of SDF's MSME borrower base; the Company's gross non-performing advances ratio closed the year at 4.93%. At a cost-to-income ratio of 35.2%, the Loan segment is also the most efficient part of the business, converting scale into operating leverage.

Financing Inclusion at Scale

The Loan segment is the primary channel through which SDF directs the Sustainable Bond and impact funding into the real economy, financing women-led enterprises, agriculture and rural micro-businesses. MSME disbursements of LKR 6,794 Mn and women borrowers representing 46.1% of the portfolio underscore the segment's role in advancing financial inclusion in line with the Company's GABV commitments.

Lease Segment

The Lease segment continued to meet strong demand for asset-backed financing, with segment assets growing 34.0% to LKR 9,190.5 Mn and gross income rising 14.9% to LKR 2,027.6 Mn. Profitability, however, came under pressure: the segment result fell to LKR 41.0 Mn from LKR 399.0 Mn, and total operating income declined 7.0% to LKR 1,099.2 Mn as net interest income contracted 16.0%.

Two factors drove the compression. First, the segment's interest expense rose 59.4% as the cost of funds increased, while leasing yields repriced more slowly given the fixed-rate, longer-tenor nature of the book. Second, credit loss expense increased 47.6% to LKR 328.3 Mn, reflecting a more cautious provisioning stance on the expanding portfolio. Together with a cost-to-income ratio of 66.4%, these pressures absorbed much of the segment's operating income. Management is responding through selective repricing of new facilities, intensified collections and tighter cost discipline, positioning the segment to rebuild margins as the funding environment normalises.

Business Model Performance by Segment

Other Business Segment

The Other Business segment captures treasury operations, investments and the management of surplus liquidity, together with other activities outside the core lending and leasing lines. Although it accounts for only 4.1% of gross income, it is highly margin-accretive: at a cost-to-income ratio of 25.2%, the segment result rose 181.5% to LKR 149.0 Mn, contributing 8.2% of the aggregate result.

Segment assets expanded 125.3% to LKR 7,569.3 Mn. This sharp increase reflects the temporary holding of newly raised funds, including the LKR 2 Bn Sustainable Bond and USD 9 Mn of impact funding, in liquid assets and the investment portfolio ahead of their deployment into developmental lending, as well as improved yields on the portfolio. The segment underpins the Company's regulatory liquidity position, which closed the year at 17.10%, and provides the balance sheet flexibility to fund continued growth in the lending franchise.

Distribution of Assets and Liabilities

The shape of the balance sheet reflects SDF's lending-led business model. The Loan segment holds 55.1% of total assets and a corresponding 55.1% of segment liabilities, consistent with a funding structure in which customer deposits and borrowings are channelled primarily into the lending book. The Lease segment accounts for 24.6% of assets, and Other Business for 20.3%. Across the year, total segment assets grew 65.7% to LKR 37,361.6 Mn and segment liabilities grew 77.1% to LKR 32,938.2 Mn, the faster liability growth reflecting the new wholesale and impact funding raised during the period.

Looking Ahead

Across the segments, SDF's priorities for the coming cycle are clear:

- Sustaining the momentum of the Loan segment within a disciplined risk appetite, with continued emphasis on MSME, micro and women-led lending;
- Restoring the earnings contribution of the Lease segment through repricing, cost efficiency and active portfolio management;
- Progressively deploying the liquidity held within Other Business into developmental and sustainable lending, consistent with the Sustainable Bond Framework.

Product Portfolio Review

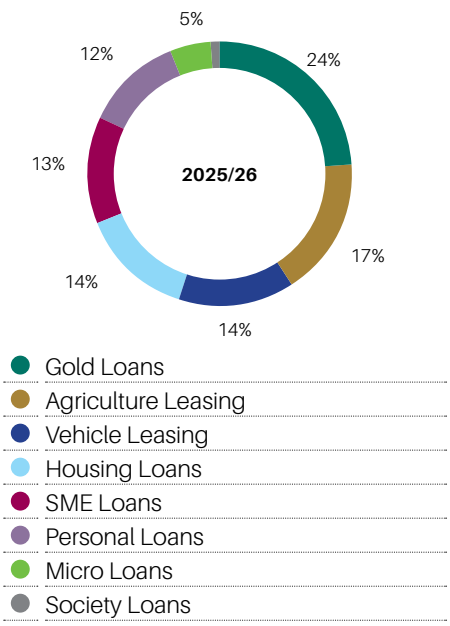
GRI 417-1

This review provides an in-depth account of SDF's lending and deposit portfolio for the financial year ended 31 March 2026. Each product is examined through its operating context and strategy, the challenges and opportunities encountered and our response, financial performance, asset quality, customer-service enhancements, and forward focus. The analysis should be read together with the Operating Environment, Financial Capital, and Capital-Wise Forward Targets sections of this report.

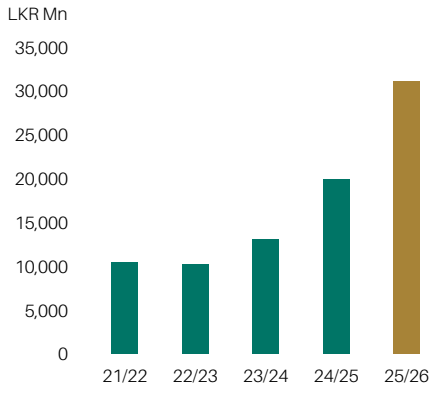
Portfolio Overview

SDF's gross lending portfolio grew 55.3% during FY 2025/26 to reach LKR 30,991million, the strongest annual expansion in the Company's history, while overall asset quality improved markedly. Growth was broad-based across all product lines and was complemented by a 47.5% increase in disbursements to LKR 15,489.7 million. The portfolio remains anchored by Gold Loans, leasing (agriculture and vehicle), housing, and SME finance, with microfinance recording the fastest growth of any product. This performance was underpinned by an accommodative interest-rate environment, the normalisation of vehicle imports, recovering rural and SME credit demand, and the deployment of new impact and sustainable funding, including Sri Lanka's first Sustainable Bond (LKR 2 billion) and USD 9 million in new impact foreign funding.

FY 2025/26 Portfolio Mix



Total Portfolio Growth



Portfolio by Product

Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26	YoY	Share
Gold Loans	1,047.2	2,170.4	2,549.5	4,240.1	7,302.3	+72.2%	23.5%
Agriculture Leasing	989.9	1,683.9	2,789.8	4,016.2	5,423.0	+35.0%	17.5%
Vehicle Leasing	3,936.0	3,178.9	3,021.4	3,124.5	4,242.7	+35.8%	13.7%
Housing Loans	1,087.5	795.3	1,254.9	2,444.3	4,260.2	+74.3%	13.7%
SME Loans	1,565.5	1,175.3	1,569.4	2,515.4	4,200.3	+67.0%	13.5%
Personal Loans	710.7	531.4	1,158.5	2,495.6	3,612.4	+44.8%	11.6%
Micro Loans	564.5	305.2	449.8	800.4	1,501.4	+90.6%	4.9%
Society Loans	488.0	360.3	332.2	340.1	448.7	+31.9%	1.4%
Total Portfolio	10,389.4	10,200.8	13,125.6	19,976.6	30,991	+55.3%	100.0%

Product Portfolio Review

SOAR Analysis

Strengths

- Agriculture-focused, community-rooted model
- 65 years of socially excellence brand name.
- Diversified product portfolio with 96% collateralisation.
- International recognition and existing collaboration with impact investors.

Opportunities

- Re-activate the market after the economic crisis and the trusted government policy and practices.
- Rising SME, agriculture, and leasing credit demand
- USD 30 million worth of new funding lines from international impact investors.
- Women-led enterprise, green, and e-mobility finance space.

Aspirations

- Market leader in inclusive rural finance
- Growing sustainable-finance share of the portfolio
- Deepened financial inclusion of underserved communities

Results

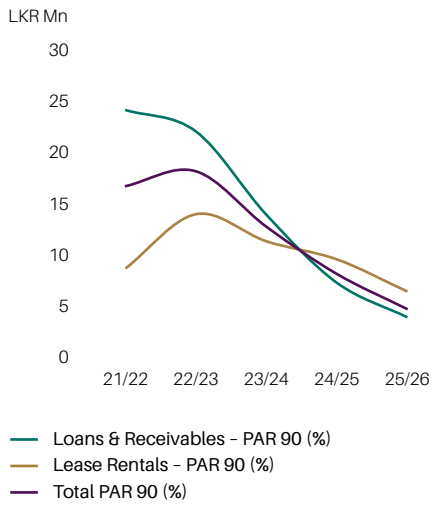
- Portfolio up 55.3% to LKR 31.0 billion
- PAR 90 reduced to 4.4% (FY 2024/25: 7.9%)
- Female portfolio share up to 35.3%
- Micro-loan portfolio up 90.6%

Asset Quality and Disbursement

Portfolio quality improved substantially during the year. The total Portfolio at Risk (PAR 90) ratio fell to 4.4% from 7.9% in the prior year, and the absolute PAR 90 balance declined to LKR 1,362.9 million despite a 55.3% larger portfolio. Both the lending book and the leasing book contributed to the improvement, supported by recovering customer cash flows, the lower interest-rate environment, and strengthened collection mechanisms. With 96% of the loan book secured by physical or financial collateral, the Company maintains a robust and resilient credit profile.

PAR 90 by Sector	2021/22	2022/23	2023/24	2024/25	2025/26
Loans and Receivables (Rs. Mn)	1,309.1	1,169.9	1,002.4	898.5	768.4
Loans and Receivables PAR 90 (%)	24.0%	21.9%	13.7%	7.0%	3.6%
Lease Rentals Receivables (Rs. Mn)	419.9	675.6	649.7	674.4	594.5
Lease Rentals PAR 90 (%)	8.5%	13.9%	11.2%	9.4%	6.2%
Total PAR 90 (%)	16.6%	18.1%	12.6%	7.9%	4.4%

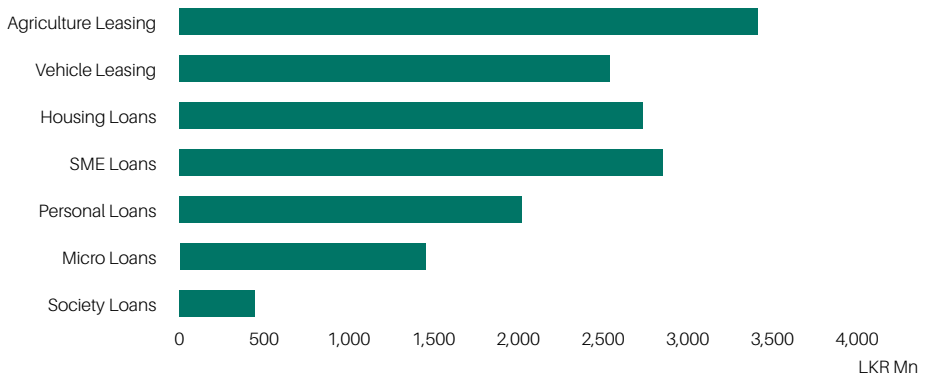
Portfolio at Risk (PAR 90) — Improving Asset Quality



Disbursement by Product

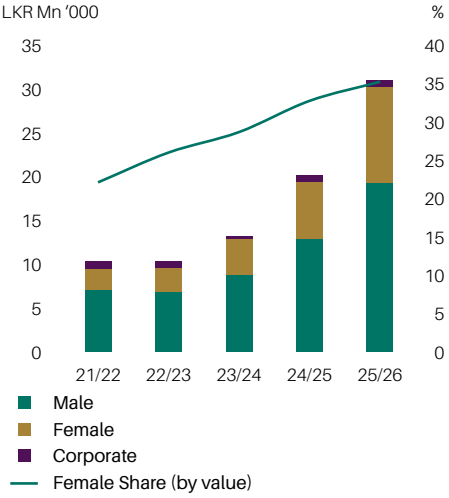
Total disbursements rose 47.5% to LKR 15,489.7 million, led by vehicle leasing, SME finance, and housing, with microfinance disbursements increasing the most in proportional terms. Gold Loan advances, which are short-tenor and revolving in nature, are not separately reported as fresh disbursements.

Disbursement by Product, FY 2025/26

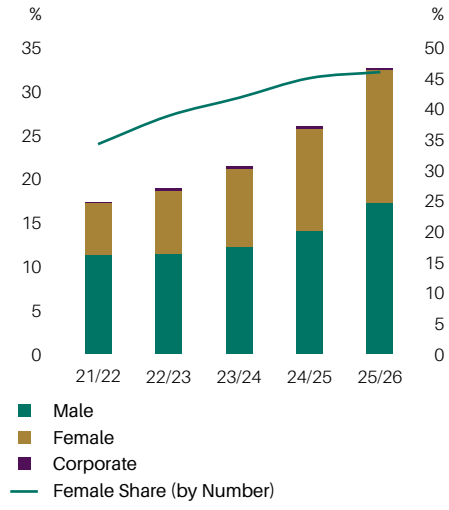


Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26	YoY	Share
Agriculture Leasing	729.8	949.7	1,956.7	2,964.2	3,421.3	+15.4%	22.1%
Vehicle Leasing	2,411.8	428.4	1,414.6	1,406.0	2,536.3	+80.4%	16.4%
Housing Loans	377.5	129.3	889.1	1,760.9	2,738.7	+55.5%	17.7%
SME Loans	677.0	218.0	1,024.0	1,751.1	2,860.1	+63.3%	18.5%
Personal Loans	153.9	75.3	890.4	1,818.9	2,026.8	+11.4%	13.1%
Micro Loans	47.9	20.4	181.4	527.2	1,461.9	+177.3%	9.4%
Society Loans	383.1	137.7	240.4	274.5	444.7	+62.0%	2.9%
Total Disbursement	4,781.0	1,958.7	6,596.8	10,502.8	15,489.7	+47.5%	100.0%

Portfolio by Gender



Loan Customers by Gender (Nos)



Portfolio by Gender

SDF's commitment to gender-inclusive finance is reflected in the rising share of lending to women, measured both by value and by the number of customers served. The female portfolio grew 67.4% during the year to LKR 10,953.7 million, lifting the female share of the portfolio by value to 35.3% from 32.8% a year earlier. Measured by number of borrowers, women accounted for 46.2% of the 32,653 loan customers at year-end, up from 45.2% a year earlier and 34.0% in FY 2021/22, underscoring the role of women entrepreneurs as a catalyst for community development.

Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Male	7,149.0	6,846.1	8,848.0	12,843.3	19,265.7
Female	2,268.0	2,634.5	3,750.4	6,543.6	10,953.7
Corporate	972.4	720.1	527.2	589.6	771.7

Loan Customers by Gender

The number of loan customers grew 25.7% during the year to 32,653, reflecting both deeper outreach and the Company's financial-inclusion mandate. Women now represent close to half of all borrowers by number, a faster-rising share than their portfolio weight by value, which is consistent with SDF's emphasis on small-ticket, women-led microfinance and enterprise lending.

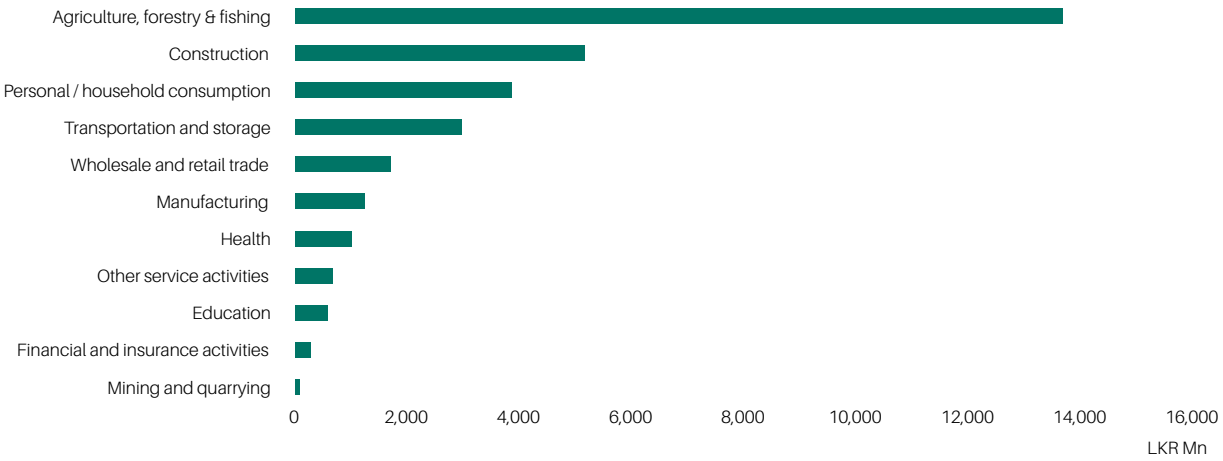
Number of Customers	2021/22	2022/23	2023/24	2024/25	2025/26
Male	11,305	11,367	12,253	14,034	17,323
Female	5,917	7,321	8,953	11,737	15,089
Corporate	206	198	188	208	241
Total Customers	17,428	18,886	21,394	25,979	32,653

Product Portfolio Review

Portfolio by Economic Sector

The portfolio is heavily weighted towards agriculture, forestry, and fishing, which accounted for 44.1% of lending at year-end, reflecting SDF's agriculture-focused mandate. Construction, personal and household consumption, and transportation form the next largest exposures. This concentration aligns the portfolio with the rural, productive sectors of the economy and with the Sri Lanka Green Finance Taxonomy.

Portfolio by Economic Sector, FY 2025/26

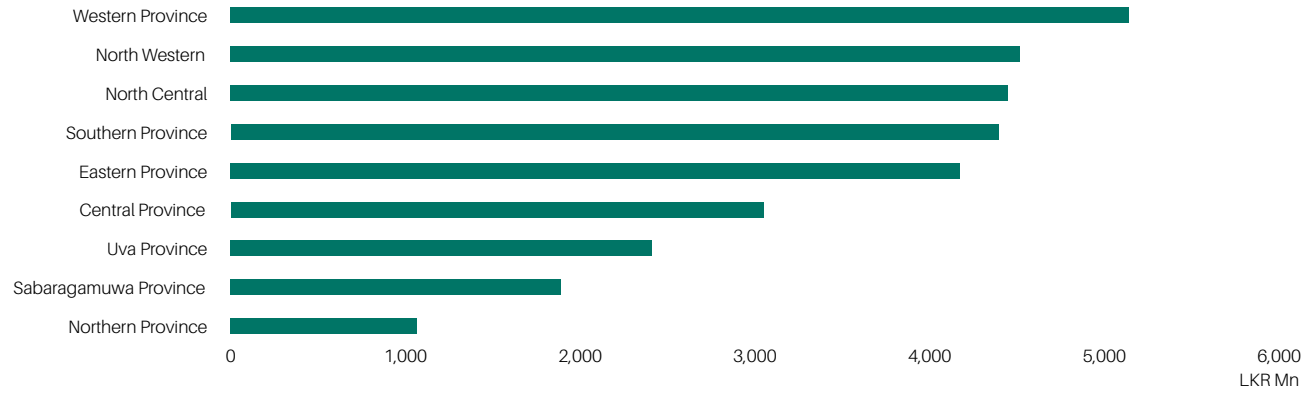


Economic Sector (Rs. Million)	2024/25	2025/26	Share
Agriculture, forestry and fishing	8,459.2	13,675.0	44.1%
Construction	3,271.4	5,155.2	16.6%
Personal / household consumption	2,206.1	3,826.9	12.3%
Transportation and storage	2,693.1	2,921.9	9.4%
Wholesale and retail trade	1,064.8	1,691.5	5.5%
Manufacturing	715.8	1,215.9	3.9%
Health	625.2	994.1	3.2%
Other service activities	340.1	643.3	2.2%
Education	396.6	552.1	1.8%
Financial and insurance activities	161.7	251.6	0.8%
Mining and quarrying	42.4	63.5	0.2%
Total	19,976.4	30,991	100.0%

Portfolio by Province

SDF's portfolio is geographically well diversified and deliberately weighted towards the regions, in keeping with our rural, Sarvodaya-rooted mandate. The Western Province accounted for only 16.6% of the portfolio at year-end, meaning 83.4% of lending was extended outside the Western Province, broadly consistent with the 82% of our branch network located in the regions. The North Western, North Central, Southern, and Eastern Provinces together formed the core of the book, while the Northern Province recorded the fastest growth off a smaller base. This footprint differentiates SDF from Colombo-centric peers and anchors our financial-inclusion strategy.

Portfolio by Province, FY 2025/26



Province (Rs. Million)	2024/25	2025/26	Share
Western Province	3,070.0	5,121.1	16.6%
North Western	3,002.4	4,505.2	14.5%
North Central	3,193.3	4,445.6	14.3%
Southern Province	2,676.0	4,382.1	14.1%
Eastern Province	2,773.1	4,159.5	13.4%
Central Province	1,850.5	3,042.2	9.8%
Uva Province	1,528.1	2,399.0	7.7%
Sabaragamuwa Province	1,209.2	1,877.0	6.1%
Northern Province	674.1	1,059.2	3.4%
Total	19,976.6	30,991.0	100.0%

Product Portfolio Review

Product Reviews

The following reviews examine each lending product in turn, ordered by portfolio size, followed by deposit mobilisation.

1. Gold Loans

LKR 7,302.3	+72.2%	23.5%	16.8
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (BN)

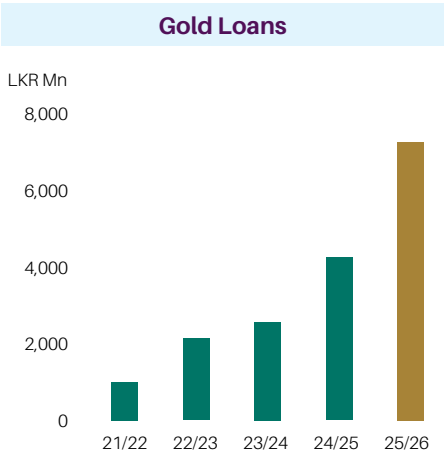
Operating Context and Strategy

Gold remained one of the strongest-performing asset classes through FY 2025/26, with local gold prices sustaining the elevated levels reached in the prior year. Rising gold values increased the borrowing capacity of pledged jewellery and reinforced demand for short-tenor, liquidity-bridging credit among rural agri farmers and micro-entrepreneurs. For SDF, Gold Loans offer a low-risk, high-velocity entry point into formal finance for customers who may not hold conventional collateral, aligning naturally with our financial-inclusion mandate. Against intensifying competition from banks and larger NBFIs expanding their gold-backed offerings, we pursued a strategy of competitive advance values, rapid turnaround, and branch-level service quality.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Sustained high gold prices and elevated valuations	We calibrated loan-to-value ratios prudently while passing the benefit of higher gold values to customers, supporting a 72.2% expansion of the portfolio to LKR 7,302.3 million.
Intensifying competition from banks and larger NBFIs	We competed on speed of disbursement, transparent pricing, and the trust of the Sarvodaya brand in rural markets rather than on price alone.
Gold-price volatility and security-buffer risk	Conservative advance ratios and active monitoring of redemption behaviour protected the portfolio against potential price corrections.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	1,047.2	2,170.4	2,549.5	4,240.1	7,302.3

Source: SDF management information. Figures are gross portfolio balances.

Enhancing Customer Service

As a social development finance company, SDF ensures absolute privacy in all gold loan transactions. We deeply honour the sentimental value attached to your jewellery, guaranteeing the complete protection of your articles, including during any grace or extended holding periods.

Future Focus

Short-Term	Medium to Long-Term
Strengthen advance-value for cashflow generation for productive business	Introduce a premium gold-loan proposition for repeat customers
Targeted campaigns to reactivate redeemed customers	Integrate gold-loan origination into the digital channel
Extend gold-loan service availability where demand is highest	Deepen penetration in underserved interior markets

2. Agriculture Leasing

LKR 5,423.0	+35.0%	17.5%	LKR 3,421.3
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +15.4% YoY

Operating Context and Strategy

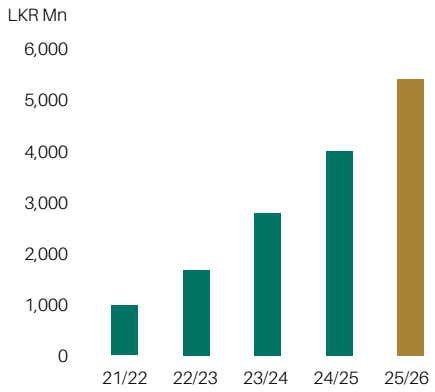
Agriculture Leasing finances tractors, two-wheel tractors, harvesters, water pumps, and other farm equipment, anchoring SDF's agriculture-focused, Sarvodaya-rooted model. FY 2025/26 offered a supportive low-interest-rate environment and continued rural credit demand, although adverse weather in the fourth quarter of 2025 disrupted some agricultural output and borrower cash flows. The EU-funded AgriFI line, together with new impact foreign funding of USD 9 million, reinforced our capacity to lend into sustainable agriculture. Agriculture Leasing remains central to our value proposition and to the alignment of our portfolio with the Sri Lanka Green Finance Taxonomy.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Adverse weather in late 2025 affecting harvests and repayment	We engaged affected farmers through restructuring and the Sarvodaya Society network and maintained collection discipline, contributing to a reduction in the leasing-book PAR 90 from 9.4% to 6.2%.
Need for affordable, purpose-built farm-equipment finance	We leveraged concessionary impact funding, including the AgriFI line, to offer competitively priced agricultural leasing and grew the portfolio by 35.0%.
Climate and input-cost pressures on farm viability	We paired financing with regenerative-agriculture partnerships and advisory support to strengthen borrower resilience.

Performance

Agriculture Leasing



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	989.9	1,683.9	2,789.8	4,016.2	5,423.0
Disbursement	729.8	949.7	1,956.7	2,964.2	3,421.3

Source: SDF management information. Figures are gross portfolio balances.

Enhancing Customer Service

SDF is already introducing new technology and machinery to the farming industry, as middle and low income earners represent the majority of farming activities, with the aim of modernising their farming practices and improving their productivity. Furthermore, SDF has always provided services by identifying the potential of farmers, without limiting itself to document-based credit underwriting.

Future Focus

Short-Term	Medium to Long-Term
◉ Refresh credit-scoring models for agricultural equipment	◉ Scale agriculture leasing using blended and impact finance
◉ Expand solar water-pump and climate-smart equipment financing	◉ Build sector-specific products for high-value and export agriculture
◉ Deepen Society-led origination in agricultural districts	◉ Integrate PCAF-aligned financed-emissions and impact measurement

Product Portfolio Review

3. Vehicle Leasing

LKR 4,242.7	+35.8%	13.7%	LKR 2,536.3
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +80.4% YoY

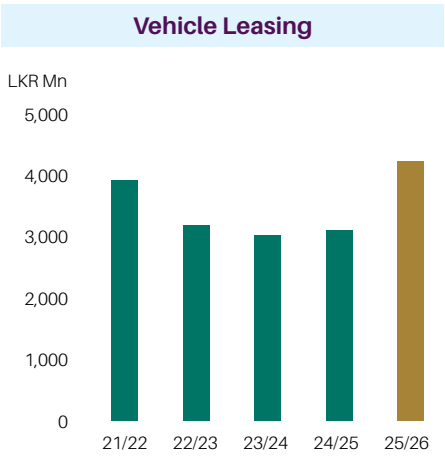
Operating Context and Strategy

The phased lifting of Sri Lanka's vehicle-import restrictions from February 2025 was the defining sectoral development of the year, reviving vehicle trading and, with it, leasing demand. The Central Bank revised its 2025 vehicle-import projection upward, and a low-rate environment improved affordability. SDF is positioned to capture incremental demand in light commercial vehicles while maintaining underwriting discipline.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Easing of vehicle-import restrictions reviving demand	We grew the vehicle-leasing portfolio by 35.8% and lifted disbursements by 80.4% by offering competitive rates and faster approvals.
Heightened competition and margin pressure	We competed on service turnaround and relationship strength while protecting margins through disciplined pricing.
Asset-quality risk in a fast-growing book	Strengthened post-disbursement follow-up and recovery action supported the improvement in the leasing-book PAR 90 to 6.2%.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	3,936.0	3,178.9	3,021.4	3,124.5	4,242.7
Disbursement	2,411.8	428.4	1,414.6	1,406.0	2,536.3

Source: SDF management information. Figures are gross portfolio balances.

Enhancing Customer Service

SDF always focuses on providing facilities for the income generation activities and those can not reach the banking stream.

Future Focus

Short-Term	Medium to Long-Term
◉ Capture incremental business from new vehicle imports ◉ Build leasing operational capacity and staffing ◉ Refresh vehicle credit-scoring models	◉ Selective growth in hybrid and electric-vehicle leasing aligned with green-finance goals ◉ Broaden light-commercial vehicle financing across the branch network

4. Housing Loans

LKR 4,260.2	+74.3%	13.7%	LKR 2,738.7
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +55.5% YoY

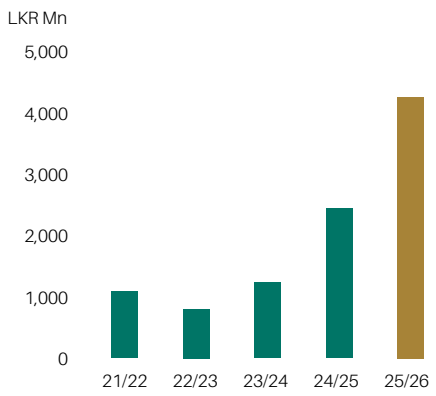
Operating Context and Strategy

Stabilising interest rates and recovering household confidence supported renewed demand for housing and home-improvement finance. SDF's housing lending serves rural and semi-urban families and connects directly to the Sarvodaya emphasis on shelter as a basic human need. Housing was among our fastest-growing products in FY 2025/26.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Recovering but rate-sensitive housing demand	Competitive, flexible-tenor products supported a 74.3% increase in the housing portfolio to LKR 4,260.2 million.
Affordability constraints for low and mid-income households	We offered smaller-ticket, purpose-built housing and home-improvement facilities suited to rural incomes.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	1,087.5	795.3	1,254.9	2,444.3	4,260.2
Disbursement	377.5	129.3	889.1	1,760.9	2,738.7

Source: SDF management information. Figures are gross portfolio balances.

Enhancing Customer Service

SDF introduced a more feasible repayment option for the housing loan customers specially daily wage customers those who have no fixed income proof.

Future Focus

Short-Term	Medium to Long-Term
Expand home-improvement and incremental-housing products	Develop green-housing and energy-efficient home financing
Run targeted campaigns in underserved districts	Partner on affordable-housing and community-shelter programmes

Product Portfolio Review

5. SME Loans

LKR 4,200.3	+67.0%	13.5%	LKR 2,860.1
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +63.3% YoY

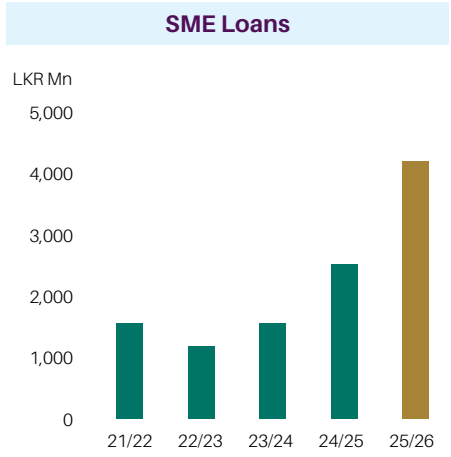
Operating Context and Strategy

Small and medium enterprises are a national growth priority and a core SDF segment. A low-rate environment, recovering cash flows, and rising demand supported strong SME credit growth, identified across the NBFI sector as a key opportunity. SDF channels both its own and impact-linked funding into MSME development, predominantly outside the Western Province.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Rising SME credit demand amid economic recovery	We grew the SME portfolio by 67.0% and disbursements by 63.3%, supported by impact funding earmarked for MSME and women-led enterprise.
Credit risk in informal and first-time-borrower segments	Relationship-based underwriting and the Society network supported sound credit selection and improving asset quality.
Need for non-financial enterprise support	We complemented finance with capacity-building and market-linkage support consistent with our development mandate.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	1,565.5	1,175.3	1,569.4	2,515.4	4,200.3
Disbursement	677.0	218.0	1,024.0	1,751.1	2,860.1

Future Focus

Short-Term	Medium to Long-Term
Scale women-led enterprise lending	Build sector-specific SME value chains in agri-processing and tourism
Deploy USD 9 million in new impact funding	Introduce sustainability-linked SME products
Strengthen SME credit-scoring and monitoring	

6. Personal Loans

LKR 3,612.4	+44.8%	11.6%	LKR 2,026.8
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +11.4% YoY

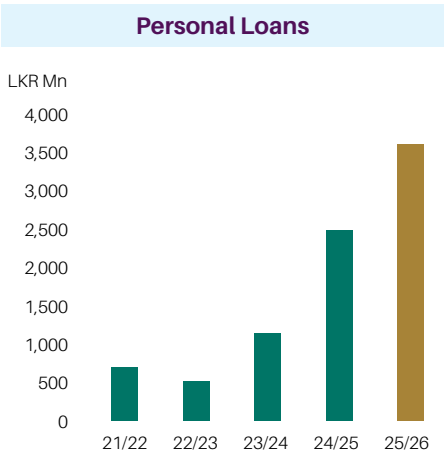
Operating Context and Strategy

Demand for personal lending has been consistently supported throughout the year, primarily driven by overseas education, migration, and the aspiration to uplift livelihoods. SDF's personal loans serve salaried and self-employed customers across our rural and semi-urban franchise, typically on a secured or guaranteed basis, consistent with our highly collateralised book.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Recovering consumption demand	The portfolio grew 44.7% to LKR 3,612.4 million while we maintained a prudent affordability assessment.
Consumer-credit and over-indebtedness risk	Disciplined underwriting and active collections supported the improvement in the Loans and Receivables PAR 90 to 3.6%.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	710.7	531.4	1,158.5	2,495.6	3,612.4
Disbursement	153.9	75.3	890.4	1,818.9	2,026.8

Source: SDF management information. Figures are gross portfolio balances.

Future Focus

Short-Term	Medium to Long-Term
◉ Digitise personal-loan origination	◉ Introduce risk-based pricing and pre-approved facilities
◉ Extend targeted offers to existing deposit customers	◉ Embed responsible-lending safeguards across the product

Product Portfolio Review

7. Micro Loans

LKR 1,501.4	+90.6%	4.9%	LKR 1,461.9
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +177.3% YoY

Operating Context and Strategy

Microfinance is the most direct expression of SDF's financial-inclusion mandate, reaching grassroots entrepreneurs and women through the 5,400-strong Sarvodaya Society network. FY 2025/26 delivered the strongest growth of any product, with micro disbursements nearly tripling, as economic recovery restored borrower cash flows.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Reaching unbanked and first-time borrowers at scale	We grew the micro-loan portfolio by 90.6% and disbursements by 177.3% through Society-led origination.
Cost-to-serve and repayment risk in micro lending	Group-based and Society-anchored models supported strong repayment and a lower lending-book PAR 90.
Digital divide in rural communities	Handheld devices and Society-level digital touchpoints extended access to financial services.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	564.5	305.2	449.8	800.4	1,501.4
Disbursement	47.9	20.4	181.4	527.2	1,461.9

Source: SDF management information. Figures are gross portfolio balances.

Asset Quality

Micro Loans sit within the Lending book (Loans and Receivables), for which the Portfolio at Risk (PAR 90) ratio improved from 7.0% in FY 2024/25 to 3.6% in FY 2025/26, reflecting strengthened collections and the improving credit environment.

Enhancing Customer Service

SDF provides training facilities and market linkages in collaboration with external universities, to ensure the going concern and next level development of its micro customers.

Future Focus

Short-Term	Medium to Long-Term
◉ Expand women-focused microfinance ◉ Scale Society-enabled digital origination	◉ Graduate micro borrowers into SME finance ◉ Integrate Cerise and SPTF social-performance measurement

8. Society Loans

LKR 448.7	+31.9%	1.4%	LKR 444.7
Portfolio (MN) as at 31 Mar 2026	YOY Growth	Share of Portfolio	Disbursement (MN) +62.0% YoY

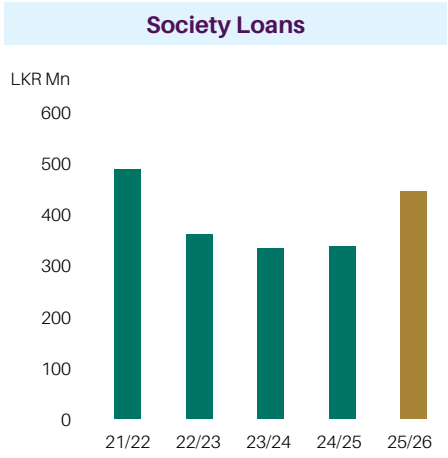
Operating Context and Strategy

Society Loans are extended to Sarvodaya Shramadana Societies, the community institutions at the heart of SDF's heritage and ownership base, of which over 1,200 are direct shareholders. Although modest in scale, they are strategically distinctive, reinforcing the trust and goodwill that underpin our rural franchise.

Challenges, Opportunities and Our Response

Challenges and Opportunities	Our Response
Strengthening Society-level financial capacity	We grew the Society-loan portfolio by 31.9% while deepening engagement with the Society network.
Economic Activities	SDF is supporting reactivate societies activities by connecting institutions for the benefit of society members and the such villages.

Performance



Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Portfolio	488.0	360.3	332.2	340.1	448.7
Disbursement	383.1	137.7	240.4	274.5	444.7

Source: SDF management information. Figures are gross portfolio balances.

Future Focus

Short-Term	Medium to Long-Term
Expand Society-level financing tied to community enterprise	Develop blended-finance and on-lending models through the Society network

Product Portfolio Review

Funding and Deposit Mobilisation

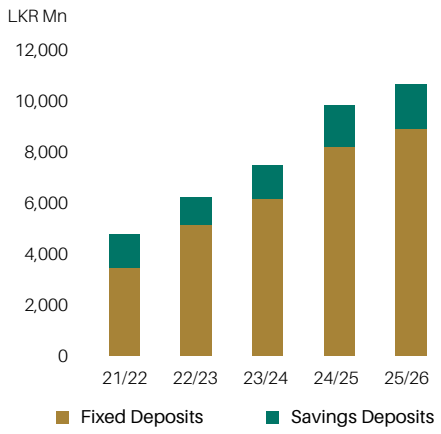
SDF's deposit base grew 7.9% to LKR 10,609.0 million across a depositor base of around 181,500 customers, funding loan growth alongside borrowings, the Sustainable Bond, and impact funding. The mix remained weighted towards Fixed Deposits at 83.6% of the base, with Savings at 16.4%. The declining interest-rate environment supported funding costs while requiring active retention and renewal management. SDF's deposit franchise is differentiated by its rural reach and its integration with the LankaPay network, which gives savings customers island-wide ATM access.

Rs. Million	2021/22	2022/23	2023/24	2024/25	2025/26
Fixed Deposits	3,428.0	5,129.0	6,175.0	8,176.0	8,864.0
Savings Deposits	1,301.0	1,065.0	1,317.0	1,656.0	1,745.0
Total Deposit Base	4,729.0	6,194.0	7,492.0	9,832.0	10,609.0

Funding Profile

The strong loan growth of FY 2025/26 was funded through a deliberately diversified mix of customer deposits and debt instruments. A landmark development was the issuance of Sri Lanka's first Sustainable Bond, raising LKR 2 billion (carried at LKR 2,088.4 million including accrued interest), alongside the Company's first foreign-currency borrowings of LKR 3,500.8 million linked to new impact foreign funding of USD 9 million. Local bank borrowings rose to LKR 11,161.8 million. This diversification reduced reliance on any single source, extended the funding tenor, and directly channelled sustainable and impact capital into SDF's lending to rural, agricultural, and women-led enterprises.

Deposit Base



Funding Source (Rs. Million)	2024/25	2025/26	Share
Customer Deposits	9,832.0	10,609.0	38.8%
Local Bank Borrowings	7,565.8	11,161.8	40.8%
Foreign Currency Borrowings	—	3,500.8	12.8%
Sustainable Bond (Sub-debt)	—	2,088.4	7.6%
Total Funding	17,397.8	27,360.0	100.0%

Source: SDF management information. Excludes shareholders' funds. Back-to-back loans under foreign-currency borrowings are excluded to avoid duplication.

Fixed Deposits

LKR 8,864.0
Balance (MN)
as at 31 Mar 2026

+8.4%
YOY Growth

83.6%
Share of Deposits

The Fixed Deposit book, comprising the standard Fixed Deposit, the 60x60 FD, and the Fixed Saver, grew 8.4% to LKR 8,864.0 million and remains the primary source of customer funding. The short-tenor profile of the book allowed funding costs to reprice favourably as market rates declined. 85.7% FY 2025/26 FD renewal ratio, which the Company maintains above its risk-appetite threshold.]

Future Focus

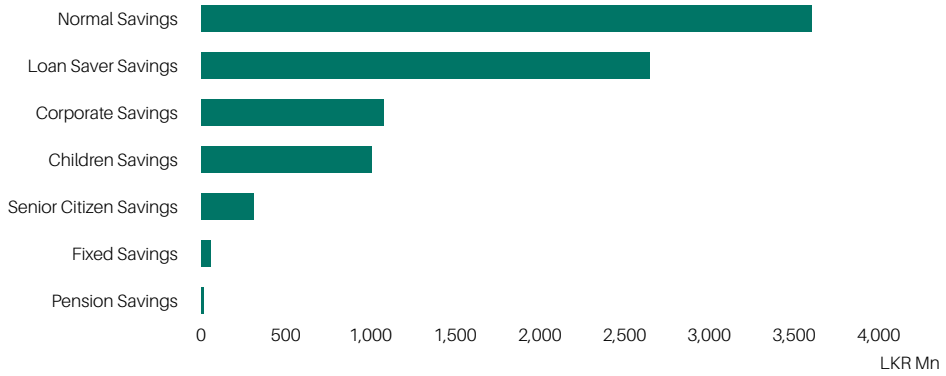
Short-Term	Medium to Long-Term
Maintain the FD renewal ratio above the risk-appetite threshold	Develop tiered and loyalty-based deposit propositions
Introduce digital fixed-deposit opening and renewal	Lengthen the funding profile to support longer-tenor lending

Savings Deposits

LKR 1,745.0	+5.4%	16.4%
Balance (MN) as at 31 Mar 2026	YOY Growth	Share of Deposits

The Savings book grew 5.4% to LKR 1,745.0 million across seven distinct products. Normal Savings and the Loan Saver Savings together accounted for over 70% of the savings base, while the children's and senior-citizen products extend the franchise across generations. Low-cost savings deposits support net interest margins and deepen everyday banking relationships, particularly among rural and younger customers reached through the Society network and digital channels.

Savings Base by Product, FY 2025/26



Savings Product (Rs. Million)	2024/25	2025/26	Share
Normal Savings	667.0	722.5	41.4%
Loan Saver Savings	506.0	531.0	30.4%
Corporate Savings	190.5	216.3	12.4%
Children Savings	218.1	201.2	11.5%
Senior Citizen Savings	59.0	60.3	3.5%
Fixed Savings	14.0	11.1	0.6%
Pension Savings	2.0	2.7	0.2%
Total Savings	1,656.6	1,745.1	100.0%

Source: SDF management information. Savings base by product.

Future Focus

Short-Term	Medium to Long-Term
◉ Grow the low-cost savings (CASA) base	◉ Leverage Society and digital channels for savings mobilisation
◉ Expand children's and youth savings enrolment	◉ Introduce goal-based and micro-savings propositions

Kegalle

EMPOWERING VILLAGE WOMEN ENTREPRENEURS

AN ATTORNEY BY TRAINING, A WEAVER BY INHERITANCE: I CARRY MY FAMILY'S LOOM FORWARD.

This business came to me from my family, and I felt a responsibility to honour it. I am an attorney-at-law by profession, but the weaving trade is in my blood, and I was determined to take it further than it had ever gone.

With a loan from Sarvodaya Development Finance, I invested in an additional weaving machine and set up my own bleaching unit, so that more of the process stays in my own hands. That investment opened new doors. I now supply the private sector, and I have been able to bring on three workers who depend on this business as I do.

Carrying forward what my family built, while creating jobs and reaching new buyers, is the achievement I am most proud of. A loom passed down through generations is now weaving a future, not just preserving a past.

SDF Support: loan of Rs. 6.0 million for an additional weaving machine and an in-house bleaching unit; 3 jobs created.
Customer Name: K M Pethmi Arundathi Karunarathna



Governance and Compliance

Corporate governance at Sarvodaya Development Finance PLC (SDF), comprises of carefully considered rules and principles on management, control and delegation of responsibility between the shareholders, the Board of Directors (the Board) and the Chief Executive Officer (CEO).

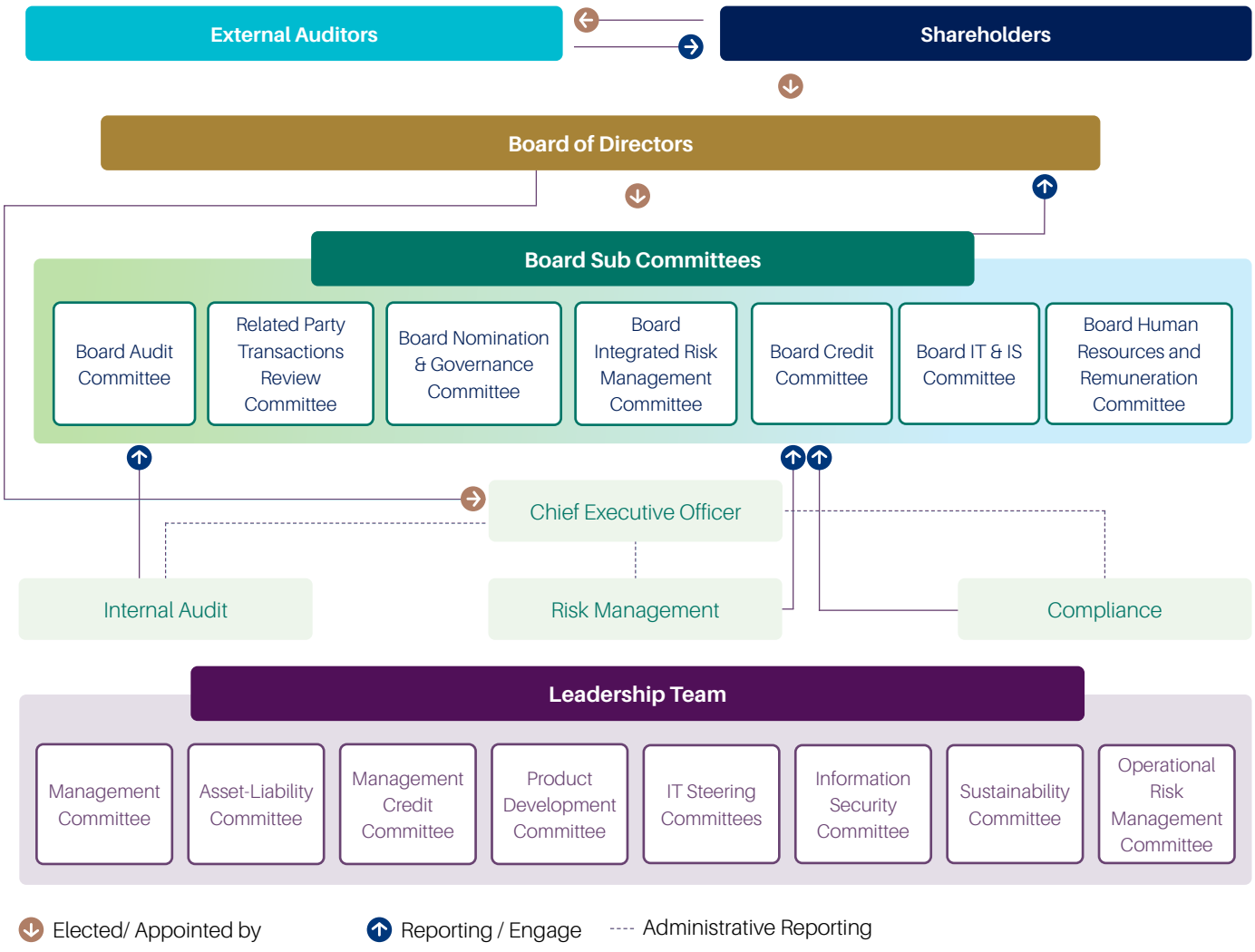
Incorporation of Sustainability Oversight into the Governance Structure

A unique component in SDF's governance structure is the Sarvodaya Movement's policies, which incorporates an additional sustainability component into the Company from top to bottom by making social and environmental responsibility, a non-negotiable requirement in the Company's strategy development, decision making and day-to-day activities.

In addition, SDF as a development finance company values its stakeholder opinions and takes these into considerations when developing and delivering products and services.

Governance Structure and Composition

GRI 2-9



The governance structure of SDF is built on well described roles and responsibilities, greater transparency & accountability and clear reporting lines of the Board, Board's sub committees, management and management committees.

Governance and Compliance

SDF as a development finance company values its stakeholder engagement and take into consideration of stakeholder expectations when designing value creation of the Company.

Governance Framework

External - Regulations	Internal - Regulatory Structure	Voluntary standards
◉ Companies Act No. 7 of 2007 ◉ Finance Business Act No.42 of 2011 ◉ Corporate Governance Direction No.05 of 2021 issued by the Central Bank of Sri Lanka ◉ Listing Rules of the Colombo Stock Exchange (CSE) ◉ Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards (LKASs/ SLFRSs) ◉ Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021	◉ Articles of Association ◉ Charters/Terms of Reference of Board, Sub Committees and Management Committees ◉ Board approved Internal policies, manuals and procedures	◉ Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) ◉ Global Reporting Standards of the Global Reporting Initiatives

GRI 2-9

(A) Highest governance body

The Board of Directors of SDF PLC, is the highest governing body of the Company, responsible for setting in place a governance framework for driving sustainable growth.

The Board provides the direction and leadership to SDF by setting strategy and risk appetite with oversight responsibility. The Board has an overarching responsibility for managing the affairs of SDF in the interests of the Company and all shareholders. The Board's tasks include, but are not limited to,

- Approving and overseeing the implementation of the Company's overall business strategy
- Ensuring a sound corporate culture within the Company
- Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems
- Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.

The Board of Directors are collectively responsible and accountable for making certain that the Company performs according to its mandate and adheres to its obligations to its constituencies. The Board is the sole governing authority in the Company and providing strategic leadership to the management and staff in achieving its corporate goals and objectives. The Board's composition and balance ensures that no single individual dominates the decision-making process.

GRI 2-9

(B) Composition of the highest governance body and its committees

In terms of the section 3 of Finance Business Act Directions No. 05 of 2021 Corporate Governance, the Board currently comprises eight (8) Directors including the Chairman, who functions in a Non-Executive, Non-Independent capacity. Since the Chairman is in the capacity of Non-Independent, an Independent Director has been appointed as the Senior Director. Out of the remaining seven (7) Non-Executive Directors, two (2) are in the capacity of Non-Independent and four (5) are Independent Directors

Changes in the Board composition during the financial year 2025/2026

- **New appointment to the Board**
  Mr Nandika Buddhipala was appointed to the Board as Non-Executive Independent Director w.e.f. 1st November 2025.
- **Resignations of Directors**
  There were no resignations of Directors during the financial year 2025/2026.
- **Retirements of Directors**
  There were no retirements of Directors during the Financial Year 2025/2026.
- **Structural changes to the Board**
  With the new director appointment during the financial year the number of Independent Directors was increased to five (5).

The Board of Directors are responsible for bringing independent judgement on issues of strategy, performance, resources and standard of business conduct.

Governance and Compliance

GRI 2-10

Board Appointments

Nomination and Selection of the Board of Directors

The Director appointments to the Board are recommended by the Board Nomination & Governance Committee. On approval by the Board, names are referred to the Central Bank of Sri Lanka for approval as a fit and proper person. The newly appointed Directors be elected by the shareholders at the immediate subsequent Annual General Meeting.

Director appointments are communicated to the Colombo Stock Exchange and shareholders through announcements with a brief resume of the director.

Retirement By Rotation and Re-Election of Directors

At each Annual General Meeting one third (1/3) of the Directors shall retire from the office.

Be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year (Article No.85 of the Articles of Association of the Company).

Accordingly, Mr Dhammika Ganegama, Mr Amrit CanagaRetna and Ms Suranjani Wickremeratne retire under Article No. 85 and being eligible offer themselves for re-appoint with the unanimous support of the Board of Directors.

Diversity and Inclusion

SDF Board combines an appropriate and diverse balance of skills, industry experience and perspectives to objectively and effectively discharge its responsibilities. The Board of Directors of SDF shares well diversified profiles which enable them to contribute in wide areas of the business. Accordingly, the Board comprising of members with expertise in finance & accounting, risk management, legal, credit, business management, marketing and information technology.

Mr. Channa de Silva represents SEEDS Guarantee Limited and Mr Ramesh Schaffter and Mr. Senthi Nandhanan Senthilverl represent major shareholders of SDF. The profiles of the Board are disclosed in pages 38 to 45.

GRI 2-16

Communication of Critical Concerns

The Board can be made aware of any matters deemed critical through the reporting arrangements of Leadership Committees and Board Sub Committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating macro environmental developments from branch level, regional level, to head office and from there, to Management Committees and Board Sub-committees.

There were no sudden critical concerns brought to the attention of the Board during the year under review, as the Board meets regularly, and operational and market information is communicated and reviewed on a regular basis.

Collective Knowledge of the Board

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the Board on sustainable development. Board members themselves are interested in the subject and invest in advancing them knowledge on the subject, and share their knowledge at Board discussions.

GRI 2-11

Chair of the highest governance body

The Chairman of the Board is not a senior executive in the organisation. The Chair of the Board has specific responsibilities including;

- Provide leadership to the Board
- Ensure the Board works effectively and discharges its responsibilities
- Implement decisions/directions of the regulator
- Building and maintaining stakeholder trust and confidence.
- Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary

The diverse experience, professional qualifications and competencies of the Chairman is disclosed under his profile on 39.

Separation of Roles - Chairman and Chief Executive Officer

The role of the Chairman and the Chief Executive Officer of the Company are distinct and clearly separated, ensuring the balance of power and authority. The Chairman of the Board leads the Board, preserving good corporate governance and ensuring that the Board works effectively. The Chief Executive Officer is accountable for implementation of strategic plan and driving performance.

There is no financial, business, family or other relationship between the Chairman and the Chief Executive Officer or other material relationship with other members of the Board which will impair their respective roles.

Director Independence

All Non-Executive, Independent Directors of SDF met the criteria for independence according to the section 3.7 of Finance Business Act Directions No.5 of 2021. The Board evaluates the independence annually through submitting annual declarations by the Non-Executive, Independent Directors.

Appointment of Senior Independent Director

Mr. Dhammika Ganegama Non-Executive, Independent Director has been appointed as the Senior Independent Director, with effect from 10th January 2022 to strengthen the independence of the Board.

Informed Decision Making

The Board as a whole and Directors individually, identify their duty to comply with the laws of the country. The Board ensures that processes and procedures are in place to ensure that the Company complies with all applicable laws and regulations.

The Company has a Board-approved procedure in place for seeking independent professional advice. The Board obtains independent professional advice in appropriate circumstances, at the expense of the Company.

Board Induction and Training

Every new Director was given appropriate induction about the Company background, its business affairs and rules and regulations when first appointed to the Board. The Directors participate in training conducted by the Heads of the Departments and external parties in many business key areas.

Evaluation of Performance of the Directors

GRI 2-18

The Board submits self-evaluations of the Board members annually in line with the Corporate Governance regulations set by the Central Bank of Sri Lanka. Copies of the Board evaluation forms are presented to the Board, for the Board members to discuss and critically assess how they have performed during the year and the weaknesses identified and for them to take required remedial action, if deem necessary. The Board recognises that the Board evaluation is an essential component of good governance.

Remuneration Policies

GRI 2-19

SDF has a Board Human Resources and Remuneration Committee (BHRRC) which makes recommendations on remuneration policy relating to Key Responsible Persons (KRPs) of SDF and fees and allowance structure for Non-Executive Directors. The Remuneration policy is to ensure a transparent and a smooth "Hire to Retire" process, to enhance SDFs brand through quality recruitment and retention of staff while complying with the statutory and regulatory requirements of the Central Bank and other regulatory bodies.

Aligning with the principles of good governance, our remuneration policy reinforces our desired culture and encourages behaviour consistent with our values, while motivating the employees to deliver and sustain high levels of performance supporting achievement of our strategic priorities.

The remuneration paid to the Board of Directors is disclosed in aggregate in note number 44.1.1 to the Financial Statements on page 346 and in 'the Report of the Board of Directors of the Affairs of the Company' on page 236 of this Annual Report.

GRI 2-20

Process to Determine Remuneration
The BHRRC reviews the remuneration packages of the employees, taking into consideration the performance of the Company vs set KPIs, the individuals at the management level, remuneration comparison with peer companies, institutional guidelines and reports from specialist consultants at the industry level

Company Secretary

The present Company Secretary, who is a qualified Chartered Corporate Secretary and a registered Company Secretary in accordance with the Companies (Secretaries) Regulations No.1 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007, was appointed by the Board with effect from 1st November 2023. She is not an employee of any other organization or institution.

The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. All Directors have access to the Company Secretary. The Company Secretary's service is available to all Directors and advises the Board on Board procedures, applicable rules and regulations and Corporate Governance matters.

Board Meetings and Attendance

The Board of Directors meets once a month and whenever the need arises. The Board convened Twelve (12) routine monthly meetings during the year under review. The Board dedicates adequate time and effort to the meetings of the Board and sub committees to ensure that the duties and responsibilities are satisfactorily discharged. The Company Secretary maintains meeting minutes which shall be opened for inspection at any reasonable time to any Director. The Board meeting attendance of the Board of Directors are indicated as follows.

Governance and Compliance

Directors' Attendance During the F/Y 2025/2026

No.	Name of the Director	Executive	Non-Executive Non-independent	Non-Executive Independent	Alternate	Attendance at Board Meetings (Held Within Monthly intervals)											
						30/04/2025	28/05/2025	25/06/2025	30/07/2025	27/08/2025	24/09/2025	29/10/2025	26/11/2025	17/12/2025	28/01/2026	25/02/2026	25/03/2026
1	Mr Channa de Silva		√			√	√	√	√	√	√	√	√	√	√	√	√
2	Mr Dhammika Ganegama			√		√	√	√	√	√	√	√	√	√	√	√	√
3	Mr C Amrit CanagaRetna			√		√	√	√	√	√	√	√	√	√	√	√	√
4	Mr Ramesh Schaffter		√			√	X	X	√	X	X	√	√	X	X	√	X
5	Mr S N Senthilverl		√			√	√	√	√	√	X	√	√	√	√	√	√
6	Ms Shehara de Silva			√		√	√	X	√	√	√	√	√	√	√	√	√
7	Ms Suranjani Wickremeratne			√		√	√	√	√	√	√	X	√	X	√	√	√
8	Mr Nandika Buddhipala (Appointed w.e.f. 01/11/2025)			√		N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√

Present – √
Absent/Excused – X
Not Applicable – N/A

Committees of the Highest Governance Body

The Board of Directors has delegated the authority to the following Board sub-committees for the effective function of operations of the Company. Each sub-committee functions according to its Board approved Terms of Reference.

I. Board Integrated Risk Management Committee (BIRMC)

II. Board Audit Committee (BAC)

III. Board Human Resources and Remuneration Committee (BHRRC)

IV. Board Nomination and Governance Committee (BNGC)

V. Related Party Transactions Review Committee (RPTRC)

VI. Board Credit Committee (BCC)

VII. Board Information Technology Committee (BITC)

Duties and Responsibilities of the Board Committees

Each committee is chaired by a Non-Executive Director who has the requisite qualifications and experience and is assisted by one or more of the Non-Executive Board Directors. The committees also co-opt Key Responsible Persons (KRPs) in monitoring specific areas under their purview to committee meetings, for effective discussion and decision making and attend meetings on invitation. The respective reports of the above committees for the year ended 31 March 2026 are given in pages 218 to 235 in this Annual Report.

GRI 2-14

Role of the highest governance body in sustainability reporting

The Board of SDF has given its approval for annual sustainability reporting. SDF's sustainability report is compiled under the direct supervision of the senior management with the full approval of the Board, and it is the Chairman of SDF who describes the Company's vision in terms of the sustainable growth strategy.

GRI 2-9

(b) List the committees of the highest governance body that are responsible for decision making and overseeing the management of impacts on the economy, environment, and people

The entire Board, participates in sustainability related decision making and in trying to minimise any negative impacts, while augmenting positive impacts. The CEO is directly involved in making sustainability related decision making at operational level. In addition, the below committees are actively involved in monitoring impacts of our operations on customers and other stakeholders.

1. Management committee
2. Product Development Committee

Board Sub-committee Meetings and Attendance

The Board of Directors by Name, their dates of appointment and attendance to Board Committees are given in the table below. The Secretaries to these Committees keep detailed minutes of the Committee meetings.

Board Committee Meetings and Attendance During F/Y 2025/2026 (01/04/2025-31/03/2026)

Name	Status	Appointment Date to the Board	Attendance 2025/2026						
			BIRMC	BAC	BCC	RPTRC	BHRRC	BNGC	BITC
Mr. Channa de Silva	Chairman/Non-Executive, Non -Independent Director	19th April 2011 and reappointed on 10th January 2022	12 of 12 (M)	N/A	11 of 11 (M)	04 of 04 (M)	02 of 02 (M)	02 of 02 (M)	N/A
Mr. Dhammika Ganegama	Senior Director/ Non-Executive, Independent Director	15th July 2020 and appointed as the Senior Independent Director on 10th January 2022	12 of 12 (M)	N/A	N/A	04 of 04 (M)	02 of 02 (C)	02 of 02 (C)	03 0f 03 (C)
Mr. C Amrit CanagaRetna	Non-Executive, Independent Director	19th October 2018	12 of 12 (C)	08 of 08 (M)	11 of 11 (C)	04 of 04 (C)	02 of 02 (M)	02 of 02 (M)	03 0f 03 (M)
Mr. Ramesh Schaffter	Non-Executive, Non-Independent Director	20th April 2022	N/A	02 of 05 *** (M)	N/A	N/A	N/A	N/A	N/A
Mr. S N Senthilverl	Non-Executive, Non- Independent Director	15th July 2021	N/A	N/A	11 of 11 (M)	N/A	N/A	N/A	N/A
Ms. Shehara De Silva	Non-Executive, Independent Director	27th June 2019	N/A	N/A	N/A	N/A	02 of 02 (M)	02 of 02 (M)	N/A
Ms. Suranjani Wickremeratne	Non-Executive, Independent Director	1st August 2024	07 of 08* (M)	08 of 08 (C)	N/A	N/A	N/A	N/A	N/A
Mr Nandika Buddhipala	Non-Executive, Independent Director	1st November 2025	04 of 04 ** (M)	03 of 03**** (M)	N/A	N/A	N/A	N/A	N/A

C - Chairperson of the Committee | M - Member of the Committee | N/A – Not a member

*Ms. Suranjani Wickremeratne stepped down as a member from the BIRMC w.e.f.1st December 2025.

**Mr. Nandika Buddhipala was appointed to the BIRMC as a member w.e.f. 1st December 2025.

***Mr. Ramesh Schaffter stepped down as a member from the BAC w.e.f. 1st December 2025.

****Mr. Nandika Buddhipala was appointed to the BAC as a member w.e.f. 1st December 2025.

Governance and Compliance

GRI 2-12

Role of the Highest Governance Body in Overseeing the Management of Impacts

The Board is ultimately responsible for managing SDF's impacts on the economy, environment and people, and for ensuring compliance with regulations and codes of conduct. This responsibility is delegated to functional heads of management and progress is reported to the Board.

GRI 2-15

Conflicts of interest

(a) Processes for the Board to Ensure that Conflicts of Interest are Prevented and Mitigated.

Under Article 115 of the Company's Articles of Association addresses the provisions on management of conflicts of interest of Directors.

The Company has established a Related Party Transactions Review Committee that meets periodically and has developed a Related Party Transaction and Avoidance of Conflict of Interest policy and established a documented process approved by the Board identifying the particular related parties and to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with related parties as per the direction.

The Company's Related Party Transaction Policy clearly defines the responsibilities of the Board of Directors, among other things, to ensure that the Company does not engage in transactions with related parties in a manner that would grant such party 'more favourable treatment' than that is accorded to other similar constituents of the Company.

Please refer section 12 on Related Party Transactions Review Committee in the Compliance status of corporate governance table in pages 391.

(b) Whether Conflicts of Interest are Disclosed to Stakeholders

Related party transactions that have been carried out during the year are disclosed under related party transactions on pages 396 of these Financial Statements.

GRI 2-16

Communication of critical concerns
The Board, Board subcommittees and Management Committees meet regularly and can be made aware of any matters deemed critical through the reporting arrangements of Management Committees and Board Sub-committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating business impacts on the economy, environment and people and also external developments from branch level, to regional level, to head office and from thereto Management Committees and Board Sub-committees.

Despite the precipitous deterioration of the economic situation in the country at the start of the financial year, SDF did not experience any sudden critical concerns that needed to be brought to the attention of the Board. The Board continued to meet regularly, and operational impacts and market information was communicated and reviewed on a regular basis.

GRI 2-17

Collective Knowledge of the BoD on Sustainable Development

With the approval of the Board, during the current year, the Chairman and CEO participated in Asia Pacific Investor Forum (AFI Forum) to seek impact funds. They have updated the Board on their learnings, and are currently considering ways of channelling this knowledge to the agriculture sector in Sri Lanka.

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the BOD on sustainable development. Board members themselves are interested in the subject and invest in advancing their knowledge on the subject, and share their knowledge at Board discussions.

GRI 2-21

Annual Total Compensation Ratio

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is approximately 40:1.

GRI 2-13

Management

Delegation of Responsibility for Managing Impacts

The Board has delegated its responsibilities to duly appointed Board Committees and also Management Committees. The functional heads are responsible for management of risks and impacts on their respective operational areas and report on progress to the CEO.

The Management of SDF is responsible for strategy execution and driving performance of the Company.

Management's Role in the Structure of Corporate Governance

The Chief Executive Officer, having authority and responsibility of planning, directing and controlling the activities of the Company in accordance with the delegated authority limits given to him by the Board, relies upon a number of management level committees to implement corporate strategies and policies in accordance with appropriate risk parameters in day-to-day

management. Following management level committees have been formed by the Board to manage the day-to-day business and the operation of the Company with the main objective of achieving a sustainable growth while maintaining best practices in Corporate Governance.

Leadership Team

Management Committee Decision-making body for major operational matters. Overall review of performance.	**Asset-Liability Committee** Defining strategies for balance sheet planning in optimising risk-return dynamics	**Management Credit Committee** To approve credit facilities within the delegated authorities and monitor portfolios.	**Product Development Committee** To develop new products.
IT Steering Committee Exercise oversight and governance over SDF's IT function	**Information Security Committee** Oversees the information security and technology resilience.	**Sustainability Committee** Overseeing sustainable strategy and environmental practice.	**Operational Risk Management Committee** Identify, Assessing, monitoring and managing operational risk

Appraisal of Chief Executive Officer

The CEO is appraised by the Chairman and the Board annually using aligned to the short, medium and long-term objectives of the Company. The performance of the CEO is reviewed at the end of the financial year and the Board evaluates the set targets and the actual performance.

Shareholder Communication

SDF is committed to promoting effective and open communication with all shareholders, ensuring consistency and clarity of disclosure at all times. SDF aims to engage with shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives. SDF strives to be accessible to investors and pro-actively encourages all shareholders to participate at the AGM. Communication with shareholders governs by the Stakeholder communication policy of the Company, which is approved by the Board.

Annual General Meeting

The shareholders of SDF exercise their influence at the Annual General Meeting (AGM), which is the Company's highest decision making forum. In addition, Extraordinary General Meetings can be called.

- adopting the Annual Report and the Audited Financial Statements
- appointing the Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed
- electing Directors in the place of those retiring by rotation or otherwise

Board subcommittee Chairpersons, Directors and KRPs are available at the AGM to interact with Shareholders and respond to queries raised by the shareholders. All shareholders are encouraged to exercise their voting rights at the AGMs.

Employee Participation In Corporate Governance

The active participation of the employees has helped serve the interest of the stakeholders. SDF has been able to do so by empowering employees to positively contribute towards good corporate governance. To assist and facilitate transparency, SDF has institutionalised processes across all functionalities.

Moreover, SDF has been able to provide a safe, secure and conducive environment for employees. Equally, SDF also ensures that human resource standards and regulations are followed. SDF does not condone discrimination of any kind.

Financial Disclosures and Transparency

Financial Statements have been prepared in accordance with accounting standards comprising of SLFRSs/LKASs. Financial Statements are also in accordance with the Finance Business Act No. 42 of 2011, Companies Act No. 07 of 2007, Directions issued by Central Bank of Sri Lanka and internal policies.

Messrs. Deloitte Associates are the External Auditors of the Company. The External Auditors are permitted to act independently without the intervention of the Corporate Management or the Board of Directors. All the information required by the External Auditors has been provided to them for audit requirements.

Refer pages 374 for the Compliance Status of Corporate Governance Principles.

Negombo

EMPOWERING VILLAGE TOURISM ENTREPRENEURS

I ONCE STOOD GUARD FOR MY COUNTRY. NOW I OPEN MY DOOR TO THE WORLD.

For years I wore a uniform and served wherever I was sent. An injury from those years means I move differently now, but it never changed how I see the future. When I left service, I looked at the land near home, just a short drive from the Katunayake airport, and I saw an opportunity.

Travellers arrive tired and on a budget, and many only need a clean, friendly place within reach of the runway. So I built a home stay for backpackers, somewhere affordable where a visitor feels looked after the moment they walk in. Sarvodaya Development Finance believed in the idea before the walls were even finished. With an SME loan, I was able to fit out the interiors, lay proper flooring and equip every room with the comforts a guest expects.

Today the world finds its way to my doorstep, and I am proud that the first welcome to Sri Lanka can begin in my home.

SDF Support: SME loan of Rs. 8.0 million, applied to interiors, flooring and room amenities.
Customer Name: Liyana Adikari Mudiyanselage and Yohaan Nimesh Jayasundara



Report of the Senior Independent Director



As the Senior Independent Director, I remain committed to strengthening Board governance by promoting independent judgement, transparent decision making, and inclusive dialogue, in line with evolving regulatory standards and best practice.

Dhammika Ganegama
Senior Independent Director

Basis of Appointment

The appointment of a Senior Independent Director (SID) at Sarvodaya Development Finance PLC ("SDF" or "the Company") was made in compliance with Section 6.3 of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, read together with Rule 9.6.3 of the Listing Rules of the Colombo Stock Exchange and Principle A.5.7 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

In terms of these regulatory provisions, where the Chairperson of a Licensed Finance Company is not an Independent Director, the Board is required to appoint a suitably qualified Independent Director as the Senior Independent Director, with a clearly documented Terms of Reference setting out the scope, authority and expectations of the role. The objective is to reinforce independent oversight on the Board and to safeguard the principles of sound corporate governance.

Accordingly, Mr. Channa de Silva, a Non-Executive, Non-Independent Director, was appointed as Chairman of the Board of SDF with effect from 10th January 2022. In compliance with the regulatory directives referred to above, I was appointed as the Senior Independent Director of the Company on the same date and continue to serve in that capacity.

Role and Terms of Reference

The role of the Senior Independent Director is set out in a Board approved Terms of Reference, which is reviewed periodically to keep it aligned with evolving regulatory expectations and governance best practice. The Terms of Reference clearly define the responsibilities, authority and scope of the SID function, and were reaffirmed by the Board during the year under review.

The Senior Independent Director is entrusted with the following principal responsibilities:

- Acting as the intermediary between the Chairman, the other Non-Executive Directors and shareholders, and being available for confidential discussions where required.
- Bringing an objective and unbiased perspective to Board deliberations and supporting rigorous, balanced decision making.
- Promoting the effective participation of all Non-Executive Directors in Board proceedings, including during formal meetings and circular resolutions.
- Chairing meetings of the Independent Non-Executive Directors without the presence of the Chairperson, at least annually, to appraise the Chairperson's performance.
- Contributing to the performance evaluation of the Chief Executive Officer and to succession planning for the Board and senior management.
- Providing feedback and recommendations to the Chairman and the Board following such meetings, and exercising a casting vote where required under Rule 9.6.3 of the CSE Listing Rules.

Board Composition and Independence

As at 31st March 2026, the Board of SDF comprised eight (8) Non-Executive Directors, of whom five (5), being a majority, were Independent. The composition includes the Chairman (Non-Independent), the Senior Independent Director, four other Independent Non-Executive Directors and two Non-Independent Non-Executive Directors representing major shareholders. During the year under review, Mr. Nandika Buddhipala was appointed to the Board as an Independent Non-Executive Director with effect from 1st November 2025, further strengthening the independent

voice and the breadth of skills on the Board.

The independence of each Non-Executive Director was assessed during the year on the basis of annual declarations submitted by them, and against the criteria set out in the Finance Business Act Direction No. 05 of 2021, Rule 9.7 of the CSE Listing Rules and the Code of Best Practice on Corporate Governance 2023. Based on this assessment, the Board has concluded that all Directors classified as Independent meet the relevant independence criteria as at the date of this report. The strong representation of Independent Directors on the Board is a key factor in maintaining objectivity, which is vital for sound corporate governance.

Activities During the Year

The Board met on twelve (12) occasions during the financial year 2025/26, supported by a structured calendar of sub-committee meetings. In my capacity as Senior Independent Director, I participated in all regular Board meetings and chaired the Board Nomination and Governance Committee, Board Human Resources & Remuneration Committee and Board Information Technology Committee. I also served as a member of, the Board Integrated Risk Management Committee and the Related Party Transactions Review Committee, providing independent oversight across the principal governance, financial reporting and risk functions of the Company.

During the year under review, the Independent Non-Executive Directors met under my chairmanship, without the presence of the Chairperson, to consider matters relating to the operation of the Board, the effectiveness of governance processes and the annual evaluation of the Chairman's performance. The outcomes of these discussions, together with my own feedback and recommendations, were communicated to the Chairman in line with the Terms of Reference.

In addition, I made myself available throughout the year for confidential consultation with fellow Directors, the Chief Executive Officer and the Company Secretary on any matter where an additional independent perspective was considered useful. No matters of concern were brought to my attention by minority shareholders during the year that required separate engagement.

Governance Highlights of the Year

The financial year 2025/26 was a significant period for SDF, marked by the issue of Sri Lanka's first Sustainable Bond valued at LKR 2 billion and the receipt of fresh impact foreign funding of USD 9 million. These milestones reflect the strength of the governance framework that underpins the Company's strategy and the confidence that capital providers place in the SDF Board and management. The Board, supported by its sub-committees, devoted appropriate time during the year to the oversight of capital raising, risk management, sustainability disclosures, technology and cyber resilience, and progress against the Company's medium-term strategic plan.

The Board also continued to invest in its own effectiveness through structured self-evaluations, induction for the newly appointed Independent Director, and continuing professional development sessions on regulatory developments, environmental and social risk, and information security. These steps reinforce the independent judgement and constructive challenge that the SID role exists to safeguard.

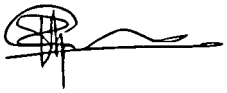
Compliance Statement

Based on the work undertaken during the year and the information made available to me by the Chairman, the Company Secretary and management, I am satisfied that:

- The Senior Independent Director function has operated during the financial year ended 31st March 2026 in accordance with the Board approved Terms of Reference;
- The Company has complied with the requirements relating to the appointment, role and meetings of the Senior Independent Director set out in the Finance Business Act Direction No. 05 of 2021, Rule 9.6.3 of the CSE Listing Rules and Principles A.5.7 to A.5.10 of the Code of Best Practice on Corporate Governance 2023; and
- The Independent Directors of the Company satisfy the independence criteria stipulated under the above regulatory frameworks.

Looking Ahead

As regulatory standards and stakeholder expectations on corporate governance continue to evolve, including in relation to sustainability disclosure, ethical use of data and emerging technologies, the role of the Senior Independent Director remains pivotal in ensuring that the Board remains aligned with best practice and responsive to the changing needs of the Company and its stakeholders. I remain committed to discharging these responsibilities and to working collaboratively with the Chairman, my fellow Directors and the executive leadership of the Company to support the continued enhancement of governance standards and the overall effectiveness of the Board.



Dhammika Ganegama
Senior Independent Director

27 May 2026
Colombo

Report of the Board Audit Committee



Throughout the year, the Board Audit Committee maintained rigorous oversight of the Company's financial reporting, internal control framework, and compliance processes, reinforcing the integrity and transparency on which stakeholder confidence depends.

Suranjani Wickremeratne
Chairperson - Board Audit Committee

Terms of Reference of the Committee

The Board Audit Committee operates under its Terms of Reference, which are periodically reviewed and updated with the Board of Directors' concurrence. This process ensures that emerging developments and concerns are effectively addressed. Reporting directly to the Board, the Committee plays a vital role in financial oversight, internal and external audits, regulatory compliance, and risk management. By fulfilling these responsibilities, the Committee enhances governance and strengthens the organization's financial integrity.

Role and Responsibilities of the Committee

The primary objective of the Board Audit Committee is to support the Board of Directors in fulfilling its responsibilities to stakeholders. Empowered by the Board, the Committee plays a crucial role in financial oversight, regulatory compliance, and risk management. Its key responsibilities include:

- Ensuring the effectiveness of the financial reporting system by providing accurate, timely, and relevant information to the Board, regulatory authorities, and stakeholders.
- Reviewing the annual and interim financial statements before publication to verify compliance with statutory and regulatory requirements, accounting standards, and consistently applied accounting policies.
- Evaluating the efficiency of the internal control framework and the Company's risk management system.
- Assessing the independence and adequacy of the scope, functions, and resources of the Internal Audit function.
- Confirming the Company's ability to continue as a going concern in the foreseeable future.
- Reviewing and monitoring the independence and effectiveness of the Company's External Auditors.

By diligently carrying out these responsibilities, the Board Audit Committee strengthens corporate governance, enhances financial integrity, and mitigates risks, thereby supporting the Company's long-term sustainability.

Authority of the Committee

The Board Audit Committee is fully empowered to conduct investigations into any matter within its scope. Its authority includes:

- Summoning any employee for questioning during a Committee meeting.
- Having unrestricted access to all information relevant to its inquiries.
- Obtaining external professional advice at the Company's expense to support its assessments and decisions.

This broad authority ensures that the Committee can effectively fulfil its responsibilities, reinforcing corporate governance and financial oversight.

Composition of the Committee

The Board Audit Committee consists of three (3) Non-Executive Directors, appointed by the Board of Directors. As of 31 March 2026, the following Directors served on the Committee:

Name of the Director	Designation
Ms. Suranjani Wickremeratne	Chairperson – BAC / Non-Executive, Independent Director
Mr. C Amrit CanagaRetna	Member / Non-Executive, Independent Director
Mr. Nandika Buddhipala	Member / Non-Executive, Independent Director

This composition ensures that the Committee maintains independence and brings diverse expertise to financial oversight, compliance, and risk management. The detailed profiles of the Board Audit Committee members are provided on pages 38 to 41 of this Annual Report.

Changes in the Composition of the Committee

Mr. K D Nandika Buddhipala, Non-Executive, Independent Director, was appointed as a member of the Board Audit Committee with effect from 1 December 2025. Mr. Ramesh Schaffter, Non-Executive, Non-Independent Director, resigned from the Board Audit Committee with effect from 1 December 2025.

Committee Meetings and Attendance

During the year under review, the Board Audit Committee (BAC) convened Eight (8) times to effectively discharge its assigned duties. The attendance of the members at these meetings was as follows:

Name of the Director	Position on BAC	Meetings Eligible	Meetings Attended	Attendance %
Ms. Suranjani Wickremeratne	Chairperson	8	8	100%
Mr. C. Amrit CanagaRetna	Member	8	8	100%
Mr. K. D. Nandika Buddhipala	Member (w.e.f. 1 December 2025)	3	3	100%
Mr. Ramesh Schaffter	Member (until 1 December 2025)	5	2	40%

This consistent engagement underscores the Committee's commitment to governance, financial oversight, and regulatory compliance.

The CEO, COO, Head of Finance, Head of Internal Audit, and other Key Responsible Persons attend meetings by invitation, as deemed necessary. The External Auditors also attend meetings whenever they are invited to be present. The Head of Internal Audit functions as the Secretary to the Board Audit Committee. Proceedings of these meetings, with adequate detail of the matters discussed, are regularly reported to the Board.

Summary of Activities During the Year 2025/26

Financial Reporting

In its oversight role, the Board Audit Committee ensures the integrity of the Company's financial reporting process on behalf of the Board of Directors. Throughout the year, the Committee:

- Reviewed and recommended the interim and annual financial statements before submission to the Board for approval.
- Evaluated compliance with the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, the Securities and Exchange Commission Act, and other relevant financial reporting regulations.
- Assessed the effectiveness of the financial reporting system to ensure reliability and transparency.
- Examined accounting policies to determine the most appropriate choices. Reviewed significant accounting estimates, judgments, and assumptions applied by management, challenging them where necessary and obtaining supporting explanations and evidence to ensure that such judgments were reasonable, appropriate, and consistent with applicable accounting standards.
- Verified whether financial disclosures were fair and appropriate.
- Evaluated the Company's ability to continue as a going concern and the adequacy of its resources.
- Obtained assurance statements from the CEO and the Head of Finance, confirming the proper maintenance of financial records and the accuracy of the financial statements.

Risk and Internal Control

The Company maintains a robust internal control environment to mitigate material risks. While management is responsible for implementing and maintaining internal controls, the Committee ensures their effectiveness by:

- Conducting evaluations of the internal control environment with the support of the Internal Auditors.
- Reviewing audit observations, recommendations, and management responses.

Report of the Board Audit Committee

- Assessing findings from the External Auditors and the corresponding management actions.
- Overseeing the effectiveness of the company's risk management function, with assistance from the Internal Audit Division.
- Reviewing and approving the Internal Control System over Financial Reporting report for inclusion in the annual report.
- Reviewed the Company's risk appetite and key risk indicators on a periodic basis and monitored management's actions to ensure that risk exposures remained within approved tolerance levels.

External Auditors

The Committee supported the Board in engaging Messrs. Deloitte Associates, Chartered Accountants, as the Company's External Auditors, in compliance with regulatory provisions, and reviewed and monitored their independence and objectivity. Key activities included:

- Meeting with Messrs. Deloitte Associates to discuss and approve the audit approach and plan.
- Conducting discussions on audit findings at the conclusion of the audit, in the absence of management.
- Reviewing the Management Letter issued by the External Auditors and the corresponding management responses.
- Evaluating audit fees, non-audit service fees, and other related expenses.
- Assessing non-audit services to ensure compliance with the Board-approved Policy on Engagement of External Auditors for Non-Audit Services, The Committee also satisfied itself that the provision of non-audit services did not impair the independence or objectivity of the External Auditors. In addition, the Committee considered compliance with applicable professional and regulatory requirements relating to auditor independence, including audit partner rotation requirements.
- Recommending the reappointment of Messrs. Deloitte Associates as External Auditors for the financial year ending 31 March 2027, subject to shareholder approval at the forthcoming Annual General Meeting.

Internal Audit

The Board Audit Committee reviewed the scope, functions, and resources of the Internal Audit Department, ensuring that it possessed the necessary authority to execute its duties effectively. As part of its oversight, the Committee:

- Ensured that the internal audit function remained independent, impartial, and proficient, maintaining due professional care in all audit activities.
- Confirmed that the Head of Internal Audit reports directly to the Board Audit Committee and engages in regular interactions throughout the year.
- Evaluated the performance of the Internal Audit staff to maintain audit effectiveness.

Additionally, the Committee:

- Approved the Internal Audit Plan for the financial year.
- Monitored and reviewed the scope, extent, and effectiveness of internal audit activities.
- Assessed the progress of the Internal Audit Plan alongside resource requirements. Reviewed the status of implementation of audit recommendations and management action plans on a regular basis, with particular attention given to high-risk findings to ensure timely resolution and sustainable remediation of control weaknesses.

During the year, the Committee reviewed internal audit reports covering Functional Audits, Annual Branch Audits (full-scope), Branch Spot and Follow-Up Audits, Gold Stock Audits, and Special Investigation Audits. To enhance transparency, Internal Audit Reports were also made available to the External Auditors for further review.

Oversight of Regulatory Compliance

The Board Audit Committee plays a vital role in ensuring the Company adheres to regulatory requirements and accounting standards. In fulfilling this responsibility, the Committee:

- Reviewed management's compliance procedures to ensure they align with regulatory expectations and industry best practices.
- Monitored reports from the Compliance function, tracking progress on the implementation of recommendations from the Central Bank of Sri Lanka's Statutory Examination Reports, together with management's responses.
- Assessed the effectiveness of compliance frameworks, identifying potential areas for improvement and risk mitigation.
- Ensured that regulatory reporting obligations were met, reinforcing transparency and corporate accountability.
- Engaged with the internal and external auditors to review compliance-related findings and determine necessary corrective actions.

Through these oversight measures, the Committee helps safeguard the Company's regulatory integrity while fostering a strong compliance culture within the organisation.

Ethics and Good Governance

The Company is dedicated to maintaining the highest standards of corporate governance, ensuring ethical conduct, transparency, and accountability across its operations. Adherence to the Company's Code of Ethics is actively reinforced at all levels of the organisation. To uphold

governance integrity, the Company has established comprehensive mechanisms to detect, address, and prevent unethical behaviour, including:

- Robust whistleblowing procedures that empower employees to report concerns without fear of retaliation.
- Independent investigations into reported incidents, ensuring impartiality and confidentiality.
- Proactive monitoring through audits and compliance reviews to identify and mitigate potential ethical breaches.
- Strict enforcement of ethical guidelines, with appropriate corrective measures in cases of misconduct.
- Continuous education and training for employees to promote ethical awareness and professional integrity.

Whistleblowing

The Company is committed to fostering a transparent, ethical, and accountable work environment in which employees feel empowered to report any suspected wrongdoing or impropriety. A Whistleblowing Policy has been established to encourage staff to report concerns where they have reasonable grounds to believe misconduct has occurred, and employees are educated on the policy and its procedures. To ensure the effectiveness of whistleblowing mechanisms, the Company has implemented structured procedures, including:

- Independent investigations into all reported incidents to maintain impartiality.
- Confidentiality protections to safeguard the identity of whistleblowers.
- Acceptance and thorough investigation of anonymous complaints.
- Systematic tracking and monitoring by the Board Audit Committee to ensure timely resolution and oversight.
- Corrective and preventive actions to address reported concerns and strengthen governance.
- Regular awareness initiatives to encourage a culture of integrity and transparency.

Through these measures, the company reinforces its commitment to ethical business practices and provides employees with a secure and reliable platform to report misconduct, safeguarding its values and corporate reputation. No material whistleblowing incidents requiring escalation to the Board Audit Committee were reported during the year.

Committee Effectiveness Evaluation

The effectiveness of the Board Audit Committee was assessed through a self-evaluation for the year ended 31 March 2026, the results of which were presented to the Board. The Committee concluded that it had discharged its duties and responsibilities effectively and in line with its Terms of Reference.

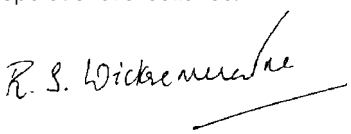
Conclusion

Through these measures, the company reinforces its commitment to ethical business practices and provides employees with a secure and reliable platform to report misconduct, safeguarding its values and corporate reputation. No material whistleblowing incidents requiring escalation to the Board Audit Committee were reported during the year.

- The Company's internal controls are robust, well-structured, and effectively designed to provide reasonable assurance to the Board of Directors regarding the safeguarding of Company assets.
- The financial position of the Company is closely and regularly monitored, ensuring accuracy, transparency, and compliance with regulatory requirements.
- A continuous commitment to enhancing the control environment is evident through proactive governance measures that reinforce risk management and operational resilience.
- The Company remains dedicated to maintaining the highest standards of integrity, financial accountability, and corporate governance, fostering long-term sustainability and stakeholder trust.

Looking ahead, the Board Audit Committee will continue to support initiatives aimed at strengthening governance, enhancing risk management practices, improving regulatory compliance processes, and leveraging technology-driven controls to further enhance the effectiveness of the Company's control environment.

The Board Audit Committee remains steadfast in its commitment to upholding strong oversight mechanisms and ensuring ongoing improvements to financial reporting, compliance, and risk management. Through these efforts, the Company continues to reinforce transparency, accountability, and operational excellence.



Suranjani Wickremeratne
Chairperson – Board Audit Committee

27 May 2026
Colombo

Report of the Board Nomination and Governance Committee



In line with our commitment to strong corporate governance, the Board Nomination and Governance Committee played a pivotal role in strengthening the composition of the Board, ensuring that new appointments brought the diversity, expertise, and integrity required to steer the Company's long-term direction.

Dhammika Ganegama
Chairman – Board Nomination and Governance Committee

The Board Nomination and Governance Committee ("the Committee" or "BNGC") of Sarvodaya Development Finance PLC ("SDF" or "the Company") is pleased to present its report for the financial year ended 31 March 2026. This report was reviewed and approved by the Board of Directors.

Purpose of the Committee

The Committee is responsible for overseeing the nomination process for appointments to the Board and Key Responsible Person (KRP) positions, ensuring that the Board remains effective, appropriately balanced, and fit for purpose. It also oversees the Company's succession arrangements and supports the maintenance of sound corporate governance practices across the organisation.

Charter and Terms of Reference

The Committee operates within a documented Charter and Terms of Reference ("ToR"), which is reviewed annually. The ToR sets out the scope, authority, and objectives of the Committee in accordance with Section 9.11 of the Listing Rules of the Colombo Stock Exchange ("CSE") and Section 10.4 of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance applicable to Licensed Finance Companies.

Composition of the Committee

As at 31 March 2026, the Committee comprised the following Non-Executive Directors. A majority of the members are Independent, in compliance with applicable regulatory requirements and governance best practice. Profiles of the members are set out on pages 38 to 41 .

Name of Director	Director Status
Mr. Dhammika Ganegama	Chairman of the Committee / Senior Director / Non-Executive, Independent Director
Mr. Channa De Silva	Member / Chairman of the Board / Non-Executive, Non-Independent Director
Mr. C Amrit CanagaRetna	Member / Non-Executive, Independent Director
Ms. Shehara de Silva	Member / Non-Executive, Independent Director

The Company Secretary functions as the Secretary to the Committee.

Committee Meetings and Attendance

The Committee met two (02) times during the year under review. The attendance of each member was as follows:

Member Name	Meetings Held	Meetings Attended	Attendance %
Mr. Dhammika Ganegama	2	2	100%
Mr. Channa De Silva	2	2	100%
Mr. C Amrit CanagaRetna	2	2	100%
Ms. Shehara de Silva	2	2	100%

Key Responsibilities

The mandate of the Committee is derived from the CSE Listing Rules and the Finance Business Act Directions No. 05 of 2021. Its principal responsibilities include:

- Regularly reviewing the structure, size, composition, and competencies of the Board, identifying requirements for additional or new expertise, and making recommendations on any structural changes.
- Considering and recommending appointments to the Board and other Key Responsible Person positions.
- Ensuring that Directors are fit and proper persons to hold office, in line with the criteria set out by the Central Bank of Sri Lanka and applicable rules and statutes.
- Evaluating and recommending the appointment, promotion, extension, transfer, and re-designation of the CEO and other KRPs.
- Setting the eligibility criteria, including qualifications, experience, and key attributes, for appointment to the post of CEO and other KRPs.
- Evaluating and recommending the re-election of Directors retiring by rotation to be placed before shareholders.
- Reviewing and recommending the succession plan for KRPs.

Activities During the Year

During the year under review, the Committee carried out the following key activities:

Board and KRP Appointments

- Recommended the appointment of Mr. K D Nandika Buddhipala as a Non-Executive, Independent Director, with effect from 1 November 2025.
- Recommended the appointment of Ms. Sashi A Schaffter as a Non-Executive, Non-Independent Director, with effect from 2 April 2026.
- Recommended the appointment of Ms. Maheshika G Wickramatunga as Head of Legal, a new KRP, with effect from 16 February 2026.

Re-election of Directors at the AGM 2026

In accordance with Article 85 of the Articles of Association, the Committee recommended the following Non-Executive Directors for re-election at the Annual General Meeting ("AGM") 2026:

Name of Director / Director Status	Date Appointed
Mr. Dhammika Ganegama, Senior Director / Non-Executive, Independent Director	15 July 2020
Mr. C Amrit CanagaRetna, Non-Executive, Independent Director	19 October 2018
Ms. R. Suranjani Wickremeratne, Non-Executive, Independent Director	01 August 2024

Election of Directors at the AGM 2026

In accordance with Article 92 of the Articles of Association, the Committee recommended the following Directors for election at the AGM 2026:

Name of Director / Director Status	Date Appointed
Mr. K D Nandika Buddhipala, Non-Executive, Independent Director	1 November 2025
Ms. Sashi A Schaffter, Non-Executive, Non-Independent Director	2 April 2026
Mr. Saliya J Ranasinghe, Non-Executive, Non-Independent Director	1 June 2026

Board Diversity and Governance Focus

The Committee places strong emphasis on Board diversity, including academic and professional qualifications, relevant skills, industry experience, age, gender, and integrity. These criteria are assessed in the context of the Company's business model and the specific needs of the non-bank financial sector. In carrying out its mandate, the Committee continued to assess the fitness and propriety of Directors against the criteria prescribed by the Central Bank of Sri Lanka and reviewed the succession arrangements in place for the CEO and other Key Responsible Persons. The extent of the Company's compliance is described in full on pages 374 of the Corporate Governance report.

Action Plan for the Year Ahead

In the coming year, the Committee will continue to focus on maintaining an appropriately balanced and diverse Board, strengthening succession planning for the Board and Key Responsible Persons, and ensuring that the Company's governance framework continues to support its long-term strategy and stakeholder interests.



Dhammika Ganegama
Chairman – Board Nomination and Governance Committee

27 May 2026
Colombo

Report of the Board Human Resources and Remuneration Committee



In its commitment to robust human capital governance, the Board Human Resources and Remuneration Committee played a vital role in aligning employee reward structures with corporate goals, ensuring fairness, market competitiveness, and strategic talent retention across all levels.

Dhammika Ganegama
Chairman - Board Human Resources and Remuneration Committee

Purpose and Scope of the Committee

The Board Human Resources and Remuneration Committee ("the Committee" or "BHRRC") is responsible for guiding and overseeing the Company's human capital strategy, including its remuneration policies, executive performance evaluation, talent development, and the alignment of reward structures with corporate goals.

The Committee plays a critical role in safeguarding the long-term sustainability and financial health of Sarvodaya Development Finance PLC (SDF). It is entrusted with aligning the Company's human resource strategies with its overarching corporate goals, thereby enhancing organisational performance through sound governance and strategic oversight.

Charter and Terms of Reference

The Committee operates under a Board-approved Charter and Terms of Reference, which define its scope, authority, duties, and responsibilities. The BHRRC was formerly known as the Board Remuneration Committee and was renamed in line with Section 10.1 of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The Terms of Reference are reviewed periodically, with the concurrence of the Board of Directors.

Functions of the Committee

The principal functions of the Committee include:

- Determining and recommending the remuneration policy for Executive Directors and Key Responsible Persons, and the fee structure for Non-Executive Directors, ensuring that no individual is involved in determining their own remuneration.
- Recommending, for the approval of the Board, the remuneration policy on salaries, allowances, and other financial incentives for all employees of the Company.
- Ensuring that the remuneration structure is aligned with the Company's business strategy, objectives, values, long-term interests, and cost structure, and that it does not incentivise excessive risk-taking or self-interest.
- Overseeing major changes in employee remuneration and benefit structures across the Company.
- Reviewing and recommending performance evaluation frameworks, increments, promotions, and bonus payments for Key Responsible Persons and staff.
- Providing oversight of the Company's human resource strategy, talent development, and succession planning for Key Responsible Persons.
- Making recommendations on other related matters referred to the Committee by the Board of Directors.

Composition of the Committee

The BHRRC comprised four (4) Non-Executive Directors as at 31 March 2026, as set out below. The Chairman of the Committee is an Independent, Non-Executive Director.

Name of the Director	Designation
Mr. Dhammika Ganegama	Chairman of the Committee / Senior Director / Non-Executive, Independent Director
Mr. Channa de Silva	Member / Chairman of the Board / Non-Executive, Non-Independent Director
Mr. C Amrit CanagaRetna	Member / Non-Executive, Independent Director
Ms. Shehara de Silva	Member / Non-Executive, Independent Director

The profiles of the Committee members are set out on pages 38 to 41 of this Annual Report. The Head of Human Resources functions as the Secretary to the Committee.

Committee Meetings and Attendance

The BHRRC convenes regularly, with a minimum of two meetings per financial year. The Chief Executive Officer and the Head of Human Resources attend these meetings by invitation. Minutes of each meeting are submitted to the Board to facilitate informed decision-making and the implementation of the Committee's recommendations.

During the year under review, the Committee held two meetings, and the recommendations made by the Committee were circulated and ratified by the Board of Directors. The attendance of members was as follows:

Name of the Director	Position on the Committee	Meetings Held	Meetings Attended	Attendance %
Mr. Dhammika Ganegama	Chairman of the Committee	2	2	100%
Mr. Channa de Silva	Member	2	2	100%
Mr. C Amrit CanagaRetna	Member	2	2	100%
Ms. Shehara de Silva	Member	2	2	100%

This consistent engagement reflects the Committee's commitment to sound human capital governance and effective oversight of the Company's remuneration framework.

Remuneration Policy

The Committee plays a pivotal role in shaping and guiding the Company's approach to employee rewards. Its primary focus is to ensure that remuneration frameworks are equitable, competitive, and reflective of each employee's contribution in terms of performance, expertise, and role accountability, so that the Company remains an attractive workplace for the high-calibre talent necessary to drive strategic execution.

The Company's reward practices are grounded in the principles of transparency, fairness, and alignment with corporate values. The remuneration policy is purposefully crafted not only to recognise and reward high performance, but also to reinforce a results-driven and ethically sound culture, thereby serving as a catalyst for achieving the Company's broader strategic ambitions.

Activities During the Year

During the year under review, the Committee conducted a thorough evaluation of the Company's compensation framework to ensure it remained competitive, equitable, and performance-oriented. As part of this process, a comprehensive industry salary survey was carried out to benchmark the Company's remuneration against peer organisations, helping to ensure alignment with market standards while recognising individual contributions, particularly at managerial levels. This review also incorporated KPI achievements, institutional guidelines, and expert recommendations from industry consultants.

The Committee reviewed and made recommendations to the Board on bonus payments to Key Responsible Persons and staff, the structure for staff performance evaluations, increments and promotions, and staff salaries in general, as well as on the Policies on Remuneration to ensure alignment with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance.

In addition to financial rewards, the Company places strong emphasis on employee well-being, offering a wide range of benefits including staff loan facilities, extensive medical insurance, critical illness coverage, and personal accident protection, demonstrating its commitment to holistic employee welfare and long-term security.

Directors' Remuneration

The total amount paid as Directors' remuneration during the year under review is set out in Note 44 to the Financial Statements, in line with the Policy on Remuneration adopted by the Board.

Committee Evaluation

In line with the Company's governance framework, the Committee conducted a self-evaluation of its performance for the year ended 31 March 2026, and concluded that it had discharged its duties and responsibilities effectively and in accordance with its Terms of Reference.

Focus for the Year Ahead

The Committee remains committed to fostering a performance-driven, fair, and inclusive workplace culture by ensuring that the Company's remuneration practices remain equitable, transparent, and competitive. It will continue to support leadership development, talent retention, and human capital strategies aligned with the Company's long-term goals and stakeholder expectations.



Dhammika Ganegama
Chairman – Board Human Resources and Remuneration Committee

27 May 2026
Colombo

Report of the Related Party Transactions Review Committee



The Related Party Transactions Review Committee ("the Committee" or "RPTRC") of Sarvodaya Development Finance PLC ("SDF") presents its report for the year ended 31st March 2026. This report was approved by the Board of Directors.

C Amrit CanagaRetna
Chairman – Related Party Transactions Review Committee

Charter & Terms of Reference of the Committee

The Charter & Terms of Reference ("ToR") of the Committee which was reviewed annually, set out the scope and objective of the Committee in accordance with the Section 9.14 of the Listing Rules of Colombo Stock Exchange ("CSE") and the Section 12.1 of the Finance Business Act Directions No. 05 of 2021 and operates within its Terms of Reference.

Composition and Attendance at the Meetings of the Committee

During the year under review, the Committee comprised the following Non-Executive Directors. Profiles of the members as at 31 March 2026, are indicated on pages 39 to 41.

Name of the Director	Director status	Attendance at the Committee Meetings
Mr. C Amrit CanagaRetna -	Chairman of the Committee/ Non-Executive, Independent Director	4/4
Mr. Channa De Silva	Member/ Chairman of the Board/ Non-Executive, Non-Independent Director	4/4
Mr. Dhammika Ganegama	Member/ Senior Director/ Non-Executive, Independent Director	4/4

Functions of the Committee

The mandate of the Committee is derived from the CSE Rules, and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following:

- The Committee shall review all Related Party Transactions (RPTs) prior to the transaction being entered into as required by Finance Business Act Directions No. 05 of 2021 on Corporate Governance.
- The Committee shall identify and report all recurrent and non-recurrent related party transactions as required in Section 9.14.6 of CSE Rules for shareholder approval as necessary.
- The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- The Committee shall ensure that there is an adequate, effective, and efficient process/ system in place at the Company to capture the information with regard to related party transactions relevant to its review function.
- The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- To publish required disclosures in the Annual Report.
- The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.

Methodology

In accordance with the guiding principles, related party information is obtained from each Director and Key Management Personnel (KMPs) of the Company to identify persons related to the Directors and KMPs. Therefore, the Company adopts a disclosure-based approach when identifying related parties.

Based on the information provided in these declarations, the Company has established a process that enables the Company to generate related party transaction data across the Company's network.

If a member has a material personal interest in the matter under consideration, or if the RPT directly or indirectly involves a member of this committee, the conflicting member immediately informs the committee and excludes himself from the meeting, and the member was not present at the meeting during the matter considered and abstained from voting on the matter.

Activities in F/Y 2025/2026

- The Committee met four (04) times for the financial year ended 31st March 2026, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.
- There were no non recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.
- Reviewed all Related Party Transactions for four quarters and confirmed that such transactions occurred at arm's length price.

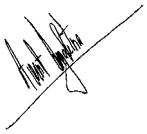
Details of other RPT's entered into by the Company during the above period are disclosed in Note 44 (Pages 346) to the Financial Statements.

Declaration

The Board of Directors declares that the Company has no related party transactions within the scope of the listing rules in F/Y 2025/26, as set out in the annual report of the Board of Directors on the Affairs of the Company on pages 236.

Evaluation of the Committee

The Committee carried out a Self-Evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner.



C Amrit CanagaRetna
Chairman – Related Party Transactions Review Committee

27 May 2026
Colombo

Report of the Board Integrated Risk Management Committee



Amid an increasingly dynamic and interconnected risk landscape, the Board Integrated Risk Management Committee played a pivotal role in strengthening SDF's risk governance framework, ensuring that exposures across all key risk categories were proactively monitored and maintained within the Board-approved risk appetite.

C Amrit CanagaRetna
Chairman – Board Integrated Risk Management Committee

In an increasingly dynamic and interconnected risk environment, risk management remains fundamental to SDF's role as a financial intermediary. The Company recognises that a robust and comprehensive risk management framework is essential to safeguard the interests of its key stakeholders, including depositors and investors, while supporting sustainable long-term growth.

In this context, the Board Integrated Risk Management Committee (BIRMC) continued to perform a pivotal role in overseeing the Company's risk governance framework through a proactive and forward-looking approach aligned with evolving internal and external risk conditions. The Committee focused on strengthening organisational resilience across key risk areas such as credit, market, operational, capital, and liquidity risks, while maintaining active oversight of emerging risk categories. These risks are continuously monitored and managed through timely mitigation actions to ensure exposures remain within the Board-approved risk appetite, thereby reinforcing sound risk governance and long-term institutional resilience.

Purpose of the Committee

The BIRMC is entrusted with assisting the Board of Directors in overseeing the Company's enterprise-wide risk management function, ensuring the adequacy, soundness, and effectiveness of SDF's Integrated Risk Management Framework across all material risk categories.

Composition of the Committee and Committee Meetings

In terms of the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the BIRMC is required to meet at least once every two months, given the Company's asset base exceeding Rs. 20 billion. However, reflecting SDF's continued growth and the increasingly dynamic risk environment, the Committee maintained a monthly meeting frequency to ensure enhanced oversight and a timely response to emerging risk matters.

During FY2025/26, the BIRMC comprised four (4) Non-Executive Directors, the majority of whom were Independent Directors. The profiles of the Committee members are provided on pages 39 to 41 of this Annual Report. The attendance of members at the twelve (12) meetings held during the financial year is set out below:

Name	Board Status	Meetings Eligible	Meetings Attended	Attendance %
Mr. C. Amrit CanagaRetna	Non-Executive, Independent Director / Chairman – BIRMC	12	12	100%
Mr. Dhammika Ganegama	Non-Executive, Independent Director / Senior Director of SDF	12	12	100%
Mr. Channa De Silva	Non-Executive, Non-Independent Director / Chairman – SDF	12	12	100%
Ms. R Suranjani Wickremeratne *	Non-Executive, Independent Director	8	7	88%
Mr. K D Nandika Buddhipala **	Non-Executive, Independent Director	4	4	100%

** Ms. R Suranjani Wickremeratne was appointed to the BIRMC as a member on 28 August 2024 and served as a member until 30 November 2025.*

*** Mr. K D Nandika Buddhipala was appointed to the BIRMC as a member on 1 December 2025.*

The CEO, COO, Head of Risk Management, Head of Compliance, and other key members of management responsible for credit, market, liquidity, capital adequacy, legal, operational, IT & IS, and strategic risk areas attended meetings by invitation. The Head of Risk Management functions as the Secretary to the Committee.

The Committee regularly reviews all key risk pillars (credit, liquidity, market, capital adequacy, IT, and operational risks) through management information systems and other risk reports. In addition to its oversight role, the Committee ensures the adequacy, soundness, and effectiveness of the Company's Integrated Risk Management Framework.

Charter of the Committee

The BIRMC has been established by the Board of Directors as a Board Sub-Committee, with its composition and scope of work fully aligned with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance.

The BIRMC Charter clearly defines the Committee's authority, membership, duties, and responsibilities. It supports the Board in ensuring the financial viability and sustainability of the Company by regularly evaluating key risks arising from business operations and assessing the adequacy and effectiveness of the risk management framework.

Main Responsibilities and Duties of the Committee

The BIRMC is responsible for:

- Establishing an independent risk management function to manage risk-taking activities within the ordinary course of business.
- Ensuring the existence of an independent compliance function to monitor adherence to laws, regulations, directions, internal controls, and approved policies.
- Working closely with senior management and exercising delegated authority within its defined mandate.
- Assessing key risk exposures (credit, market, liquidity, operational, compliance, technology, legal, reputational, and strategic risks) at least bi-monthly through appropriate risk indicators and management information.
- Developing and reviewing the Risk Appetite Statement (RAS), defining acceptable levels and types of risk in line with strategic objectives.
- Reviewing risk-related policies, including the RAS, at least annually.
- Reviewing audit findings that may materially impact the risk management framework.
- Assessing the adequacy of senior management committees in managing risks within defined limits.
- Overseeing the implementation of risk management, compliance, and internal control systems.
- Evaluating business continuity and disaster recovery preparedness.
- Submitting risk assessment reports to the Board following each Committee meeting for guidance and action.

Key Activities Implemented During FY2025/26

Outlined below is a summary of the key matters reviewed and addressed by the BIRMC during the year under review.

Credit Risk

- Regularly reviewed the Company's overall credit risk exposure through periodic Credit Risk Dashboards and other relevant risk indicators submitted by the Risk Management Department.
- Assessed the effectiveness of mitigation measures and provided strategic guidance to Management to strengthen credit quality and enhance the overall credit risk management framework.
- Reviewed the outcomes of stress testing conducted on key credit risk parameters on a regular basis.
- Reviewed the Credit Risk Management Policy & Framework and the Credit Procedure Manual and recommended the same for Board approval.

Operational Risk

- Reviewed periodic Operational Risk Reports submitted by the Risk Management Department and provided recommendations to Management on minimising exposure to operational risk events.
- Oversaw the functioning of the Operational Risk Management Committee (ORMC) through review of its meeting minutes, and reviewed the ORMC Charter and Terms of Reference and recommended it for Board approval.
- Expanded the scope and coverage of Key Risk Indicators (KRIs) to strengthen risk monitoring and reporting.
- Reviewed key operational risk-related policies and frameworks, including the Business Continuity Management Policy and the Operational Risk Management Framework and Policy, and recommended the same for Board approval.
- Reviewed the annual risk assessment conducted on outsourced arrangements.
- Oversaw the conduct of Business Continuity and Disaster Recovery drills to assess the Company's operational resilience and preparedness during potential disruptions.
- Streamlined the Operational Loss Event Reporting process to improve mitigation measures.
- Initiated the Risk and Control Self-Assessment (RCSA) process.

Report of the Board Integrated Risk Management Committee

Market Risk & Liquidity Risk

- Oversaw the functioning of the Asset-Liability Management Committee (ALCO) through review of its meeting minutes and recommended the ALCO Charter for Board approval.
- Reviewed the Company's liquidity position, funding pipeline, and liquidity management strategies on a regular basis.
- Continuously monitored gold price movements and assessed their potential impact on the Gold Loan portfolio.
- Expanded the scope and coverage of Key Risk Indicators (KRIs) relating to market and liquidity risks.
- Regularly reviewed the results of liquidity and market risk stress testing exercises.
- Reviewed the Liquidity Risk Management Framework and Policy developed in line with Finance Business Act Directions No. 03 of 2025 on Liquidity Risk Management.
- Reviewed other policies and procedures relating to liquidity risk management, including the Contingency Funding Policy and the Asset & Liability Management Policy.

IT Risk

- Reviewed the IT Risk Database formulated during the year.
- Reviewed the Disaster Recovery Policy and recommended the same for Board approval.
- Reviewed and recommended the Terms of Reference of the Information Security Committee (ISC) and the Information Technology Steering Committee (ITSC) for Board approval, to strengthen oversight of information security and cybersecurity matters.

Capital Adequacy

- Reviewed the Policy on the Internal Capital Adequacy Assessment Process (ICAAP), an exercise adopted voluntarily by the Company, and recommended the same for Board approval.
- Conducted a Capacity Building Session on ICAAP Stress Testing and Pillar 2 Scorecards.
- Reviewed stress testing results to assess the Company's ability to maintain capital adequacy under stressed scenarios.

Compliance

- Assessed the Company's compliance with applicable laws, regulations, regulatory guidelines, CBSL directions, and internal policies across all areas of business operations, with particular focus on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requirements.
- Reviewed transaction monitoring reports, compliance risk databases, branch-wise compliance reviews, and departmental compliance confirmations relating to CBSL directions and regulatory requirements.
- Reviewed annual ML/TF risk assessments conducted across products, processes, customer segments, and the overall Company.
- Oversaw the automation of the transaction monitoring process.
- Reviewed enhancements made to Customer Risk Profiling processes in line with AML/CFT requirements.

ESG Risk & Sustainability

- Directed the functioning of the Sustainability Committee through review of its meeting minutes.

Other and Risk Governance Related

- Evaluated the Company's business strategy in the context of prevailing economic challenges and emerging local and global macroeconomic developments, while ensuring the implementation and continuous monitoring of appropriate risk management strategies and proactive mitigation measures.
- Reviewed and approved the Terms of Reference of the BIRMC.
- Reviewed the KRIs developed for FY2025/26 to identify significant risks and assessed the adequacy of corresponding mitigation measures.
- Reviewed the Risk Database and Integrated Risk Management Reports and assessed the Company's exposure to credit, market, liquidity, operational, legal, reputational, and strategic risks.
- Formulated the Risk Appetite Statement (RAS) in alignment with the Company's corporate strategy.
- Reviewed the performance of the Head of Risk Management and the Head of Compliance in line with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

Reporting to the Board

The proceedings and deliberations of the BIRMC meetings were regularly reported to the Board of Directors through the submission of meeting minutes, thereby ensuring appropriate oversight and visibility into the Committee's activities. Further, the Integrated Risk Management Reports, Key Risk Indicators (KRIs), Risk Appetite Statement, and stress testing results were periodically presented to the Board for information, review, and necessary action.

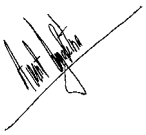
Committee Evaluation

During the financial year FY2025/26, the Committee effectively carried out its responsibilities in line with its Charter and Terms of Reference (ToR). As part of the Company's governance framework, the BIRMC conducted a self-assessment and confirmed that it had satisfactorily fulfilled its duties and obligations throughout the year.

The Integrated Risk Management Report on page 252 provides a comprehensive overview of the frameworks, methodologies, and processes adopted by the Company in identifying, assessing, monitoring, and managing risks. The report further outlines the strategic measures implemented to mitigate key risks and the monitoring mechanisms established to evaluate the effectiveness of the Company's risk management practices.

Focus for the Year Ahead

The Committee remains committed to continuously monitoring developments in the evolving risk landscape and undertaking proactive measures to further strengthen the Company's Risk Management Framework, thereby enhancing risk oversight and supporting the achievement of the Company's strategic objectives and long-term sustainability.



Amrit CanagaRetna
Chairman
Board Integrated Risk Management Committee

27 May 2026
Colombo

Report of the Board Information Technology and Information Security Committee



In its inaugural year, the Board IT & IS Committee was established to provide dedicated Board-level oversight of SDF's technology and information security risk, guiding the Company's IT strategy, cybersecurity resilience, and digital transformation agenda.

Dhammika Ganegama
Chairman - Board IT & IS Committee

Establishment of the Committee

The Board IT & IS Committee ("the Committee") was established by the Board of Directors as a sub-committee of the Board, with effect from 1 April 2025. The Committee was constituted as a voluntary adoption to strengthen the governance of Information Technology and Information Security risk, in line with the Finance Business Act Directions No. 01 of 2022 on Technology Risk Management and Resilience. As FY2025/26 marked the Committee's inaugural year, this is the first report of the Board IT & IS Committee.

Purpose of the Committee

The purpose of the Committee is to assist the Board in ensuring that the Company's IT strategy, policies, and operations support its overall business objectives, while ensuring that key programmes are prioritised and their progress reviewed, and that regulatory compliance, cybersecurity resilience, and technological innovation are maintained. The Committee oversees and provides strategic guidance on IT governance, cybersecurity, digital transformation, and operational IT risks, thereby promoting the technology risk resilience of the Company.

Charter and Terms of Reference

The Committee operates under a Board-approved Charter and Terms of Reference (ToR) that set out its purpose, authority, composition, and responsibilities. Version 1 of the Charter and ToR was approved by the Board of Directors on 24 September 2025. The ToR is reviewed annually, and any amendments are approved by the Board.

Authority of the Committee

The Committee operates under the delegated authority of the Board of Directors. It is authorised to review, recommend, and oversee the implementation of IT-related strategies, policies, and risk management practices, and may seek external expertise as necessary.

Composition of the Committee

The Board IT & IS Committee comprises two (2) Non-Executive Directors of SDF. In accordance with the Charter, the Chief Executive Officer and the Head of IT also serve on the Committee, with the Head of IT owning and driving the Committee's agenda and functioning as its Secretary. The Chief Operating Officer, Head of Risk Management, Compliance Officer, and other Key Management Personnel participate as required, and external advisors may be invited as necessary.

The Director members of the Committee as at 31 March 2026 were as follows:

Name of the Director	Designation
Mr. Dhammika Ganegama	Chairman / Non-Executive Director
Mr. C. Amrit CanagaRetna	Member / Non-Executive Director

The detailed profiles of the Committee members are provided on pages 39 to 41 of this Annual Report.

Committee Meetings and Attendance

During the year under review, the Board IT & IS Committee held two (02) meetings. The attendance of the Director members was as follows:

Name of the Director	Position	Meetings Eligible	Meetings Attended	Attendance %
Mr. Dhammika Ganegama	Chairman	2	2	100%
Mr. C. Amrit CanagaRetna	Member	2	2	100%

The Chief Executive Officer attended the meetings, and the Head of IT functioned as the Secretary to the Committee. Other Key Management Personnel attended by invitation, as required. The minutes of each meeting were circulated to members for review and, once approved, were tabled at the subsequent Board meeting.

Key Responsibilities of the Committee

Under its Terms of Reference, the principal responsibilities of the Committee include:

- Formulating and overseeing the IT Strategy and the Cyber Security Strategy, ensuring their alignment with the potential risks posed by technology, the Company's business strategy, and minimum regulatory requirements.
- Reviewing and recommending the Company's Information Security Policy and other IT-related policies and procedures to the Board, and assessing the effectiveness of their implementation.
- Monitoring the implementation of digital transformation initiatives.
- Ensuring compliance with relevant IT-related regulatory requirements and industry standards.
- Regularly reviewing significant IT threats, changes, and vulnerabilities, including cybersecurity threats and data privacy concerns, to ensure that timely mitigation strategies are in place.
- Reviewing IT budgets and ensuring the efficient allocation of IT resources.
- Monitoring system uptime, IT performance metrics, and incident management, and examining the status of security incidents and the outcomes of information security assessments across the Company.
- Ensuring that business continuity and disaster recovery plans are in place and tested regularly.
- Evaluating the risks associated with key technology infrastructure enhancements and cloud implementations prior to adoption, to ensure they meet the Company's security and risk management standards.
- Reviewing the implementation progress and level of compliance with the Finance Business Act Directions No. 01 of 2022 on Technology Risk Management and Resilience.
- Advising on emerging technologies and innovations relevant to the Company.

Activities During the Year

The Board IT & IS Committee was constituted during FY2025/26, and its inaugural year focused on establishing a sound governance foundation for the oversight of technology and information security risk. During the two meetings held in the year, the Committee's key areas of focus included:

- Reviewing and adopting the Committee's Charter and Terms of Reference, which were approved by the Board of Directors in September 2025.
- Reviewing the Company's IT and cybersecurity strategy and its alignment with SDF's business strategy and digital transformation roadmap.
- Overseeing the progress of the Company's digital transformation initiatives.
- Reviewing the Company's information security posture, including significant IT threats, vulnerabilities, and cybersecurity matters.
- Reviewing the Company's progress towards compliance with the Finance Business Act Directions No. 01 of 2022 on Technology Risk Management and Resilience.

Reporting to the Board

In line with its Terms of Reference, the Committee reports to the Board of Directors following each meeting, conveying key discussions and recommendations, and escalates any urgent matters requiring Board intervention. The Committee also submits an annual report to the Board summarising IT-related risks, strategies, and performance.

Committee Evaluation

In accordance with its Charter, the Committee evaluates its performance on an annual basis, comparing its performance against the requirements of the Charter and recommending any improvements considered necessary.

Focus for the Year Ahead

In the year ahead, the Committee will deepen its oversight of the Company's IT and cybersecurity strategy, monitor the progress of digital transformation initiatives, and continue to strengthen technology risk resilience and the Company's compliance with the Finance Business Act Directions No. 01 of 2022 on Technology Risk Management and Resilience.



Dhammika Ganegama
Chairman – Board IT & IS Committee

27 May 2026
Colombo

Report of the Board Credit Committee



As the Company achieved a significant improvement in asset quality during FY2025/26, the Board Credit Committee remained focused on strengthening credit governance, overseeing prudent lending decisions, and ensuring that portfolio growth was achieved within a disciplined risk management framework that supports long-term sustainability.

C Amrit CanagaRetna
Chairman - Board Credit Committee

As the Company continued to navigate a recovering economic environment, the Board Credit Committee remained focused on ensuring prudent credit governance, maintaining portfolio quality, and supporting sustainable business growth through disciplined lending practices and effective credit risk oversight.

In an environment characterized by improving macroeconomic conditions, declining interest rates, easing inflationary pressures, and renewed private sector credit demand, effective credit governance remained fundamental to the Company's long-term sustainability. The Board Credit Committee (BCC) continued to provide strategic oversight over the Company's credit approval processes, portfolio quality, concentration risk management, and recovery initiatives, ensuring that lending activities remained aligned with the Board-approved risk appetite and regulatory requirements.

The Committee maintained a balanced approach between supporting business growth opportunities and safeguarding asset quality through sound underwriting standards, proactive portfolio monitoring, and timely remedial actions.

Purpose of the Committee

The Board Credit Committee assists the Board of Directors in overseeing the Company's credit risk management framework and ensuring that credit-related decisions are consistent with the Company's strategic objectives, risk appetite, and regulatory obligations. The Committee provides oversight of credit approvals, portfolio quality, recovery performance, and credit risk governance practices.

Composition of the Committee and Committee Meetings

During FY2025/26, the Board Credit Committee comprised three (3) Non-Executive Directors and met eleven (11) times. The composition of the Committee and attendance of members are set out below:

Name of the Director	Board Status	Meetings Eligible	Meetings Attended	Attendance %
Mr. C Amrit CanagaRetna	Non-Executive, Independent Director / Chairman - BCC	11	11	100%
Mr. Channa De Silva	Non-Executive, Non-Independent Director	11	11	100%
Mr. Senthi Nandhanan Senthilverl	Non-Executive, Non-Independent Director	11	11	100%

The Chief Executive Officer, Chief Operating Officer, Head of Credit,Head of Finance, Head of Recovery, Head of Risk Management, Head of Compliance, and other members of Senior Management attended meetings by invitation as required. The Head of Credit functions as the Secretary to the Committee.

Charter of the Committee

The Board Credit Committee operates under a Board-approved Charter which defines its authority, composition, duties, and responsibilities. The Charter provides the framework through which the Committee supports the Board in ensuring effective credit governance,

sound credit underwriting standards, and prudent management of credit risk exposures.

Main Responsibilities and Duties of the Committee

The Committee is responsible for:

- Reviewing and approving credit facilities falling within its delegated authority framework.
- Reviewing credit proposals exceeding management approval limits and making recommendations where required.
- Monitoring portfolio quality, sectoral concentration, and trends in non-performing loans.
- Reviewing and recommending improvements to credit policies, procedures, and underwriting standards.
- Ensuring lending activities remain consistent with the Company's Risk Appetite Statement and regulatory requirements.
- Reviewing recovery strategies, debt restructuring initiatives, and remedial management activities.
- Assessing stress testing results and the resilience of the credit portfolio under adverse economic conditions.
- Monitoring emerging developments within the economic environment that may impact portfolio performance.
- Supporting the implementation of technology-driven credit assessment and portfolio monitoring tools.

Key Activities Implemented During FY2025/26

Outlined below is a summary of the key matters reviewed and addressed by the Board Credit Committee during the year under review.

Credit Approvals and Portfolio Growth

- Reviewed and approved credit facilities within the delegated authority framework while ensuring compliance with established credit policies and procedures.
- Assessed large exposures and concentration levels across customer segments, industries, and products.
- Supported business growth initiatives while maintaining prudent credit underwriting standards.

Portfolio Quality and Credit Risk Oversight

- Regularly reviewed portfolio performance through Credit Risk Dashboards and management information reports.
- Monitored trends in non-performing loans, arrears movements, recoveries, and early warning indicators.
- Reviewed portfolio concentration risks and recommended measures to improve portfolio diversification.
- Assessed the impact of macroeconomic developments on credit quality and borrower repayment capacity.

Recovery and Remedial Management

- Reviewed the effectiveness of recovery and collections strategies implemented by Management.
- Monitored recovery performance against approved targets and provided strategic guidance to strengthen collection efforts.
- Reviewed debt restructuring and rehabilitation initiatives undertaken to support viable customers experiencing financial stress.

Credit Policies and Governance

- Reviewed key credit-related policies, procedures, and frameworks to ensure alignment with evolving business requirements and regulatory expectations.
- Monitored compliance with internal credit policies, delegated approval authorities, and regulatory requirements.
- Reviewed stress testing outcomes relating to key credit risk parameters and assessed the adequacy of mitigation strategies.

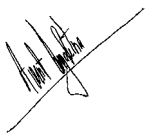
Reporting to the Board

The proceedings and deliberations of the Board Credit Committee were regularly reported to the Board of Directors through the submission of Committee meeting minutes and other relevant reports. The Committee also provided updates on portfolio quality, credit concentrations, recovery performance, and emerging credit risk developments requiring Board attention.

Committee Evaluation

During FY2025/26, the Committee carried out its responsibilities in accordance with its Charter and Terms of Reference. The Committee conducted a self-assessment and concluded that it had effectively discharged its duties and responsibilities throughout the year.

The Committee will continue to support the Company's strategic growth objectives while maintaining prudent credit risk management practices and safeguarding the interests of all stakeholders.



C Amrit CanagaRetna
Chairman
Board Credit Committee

27 May 2026
Colombo

Report of the Board of Directors on the Affairs of the Company

The Directors of Sarvodaya Development Finance PLC (SDF or the Company) have pleasure in presenting to the shareholders this Annual Report of the Board of Directors, together with the Audited Financial Statements of the Company for the year ended 31 March 2026 and the Independent Auditor's Report on those Financial Statements, in conformity with the relevant statutory requirements.

Introduction

This Report has been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 (Companies Act), the Finance Business Act No. 42 of 2011, Finance Business Act Directions No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

This Report was approved by the Board of Directors at its meeting held on 27 May 2026.

Corporate Philosophy

The Vision and Mission Statements, Guiding Values, and the Arthadharma Geethaya articulate the overarching philosophy and culture of the Company. Together they reflect SDF's commitment to inclusive, ethical and impact-driven finance grounded in six decades of Sarvodaya heritage.

Company Overview

Legal Form

Sarvodaya Development Finance PLC was incorporated as a limited liability company in Sri Lanka on 1 January 2010 under the Companies Act No. 07 of 2007, bearing Registration No. PQ 00251293. The Company was converted into a public limited liability company on 6 January 2022 and was admitted to the Official List of the Colombo Stock Exchange on 14 December 2021. SDF commenced operations as a Licensed Finance Company on 19 December 2012, under the Finance Business Act No. 42 of 2011.

Location

The Company's Registered Office, which also serves as its Head Office, is located at No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka. Full contact details are listed under Corporate Information.

Branch Network and Service Points

As at 31 March 2026, the Company operated a network of 56 branches organised under eleven regions and 8 Automated Teller Machines (ATMs). During the year, a new ATM was commissioned on 23 July 2025 at the Tea Research Institute, St. Coombs, Talawakele, expanding access for tea estate workers, plantation officers, and surrounding communities. The Hatton branch was relocated to enhance visibility and customer convenience. While no new branches were opened during the year, the Company continued to invest in technology platforms and digital service capabilities to deepen its reach beyond physical infrastructure.

Principal Activities

The Company's principal business activities during the year were the acceptance of deposits, microcredit (including bulk loans to Sarvodaya Societies and gold loans), Small and Medium Enterprise (SME) loans, leasing, housing loans, personal and business loans, gold loans, and other credit and related financial services. There were no significant changes in the nature of the principal activities of the Company during the year under review.

The Directors confirm that the Company has not engaged in any activity which contravenes the laws and regulations of Sri Lanka. The Company does not have any subsidiaries or associate companies as at 31 March 2026.

Review of Performance and Risk Management

The Chairman's Message and the Chief Executive Officer's Review provide a comprehensive overview of the Company's performance for the year, set against the broader macroeconomic landscape discussed in the Management Discussion and Analysis. A detailed report on Assessing and Managing Risk is provided under the Integrated Risk Management Report.

The financial year 2025/26 was a defining year for SDF. The Company surpassed the LKR 20 billion asset base milestone, growing its Total Assets by 65.8 percent to LKR 37.36 billion, while delivering Profit After Tax of LKR 820.15 million, an increase of 73.1 percent compared with the previous year. This performance was achieved amid an improving macroeconomic environment, a more accommodative interest rate cycle, and continued discipline in cost and credit management.

Future Developments

An overview of future developments of the Company is set out in the Chairman's Message, the Chief Executive Officer's Review, and the Management Discussion and Analysis section of this Annual Report, which together form an integral part of this Report.

Statutory and Regulatory Compliance

The disclosures in this Annual Report comply with the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and the Directions, Rules, Notices, Determinations, and Guidelines for Non-Bank Financial Institutions issued by the Central Bank of Sri Lanka, as well as the Listing Rules of the Colombo Stock Exchange and the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2026, prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) and the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange, are presented from page 286 to page 373 of this Annual Report.

Pursuant to the recommendations of the Board Audit Committee, the Financial Statements were reviewed and approved by the Board of Directors on 27/05/2026. The Financial Statements have been signed by the Head of Finance and the Chief Executive Officer, and on behalf of the Board by the Chairman and the Senior Director, in accordance with the requirements of the Companies Act No. 07 of 2007.

Directors' Responsibility for Financial Reporting

In terms of Sections 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act No. 07 of 2007, the Directors confirm, by declaration set out under the Statement of Directors' Responsibility for Financial Reporting on page 246, their responsibility for the preparation and presentation of the Financial Statements which give a true and fair view of the state of affairs of the Company as at 31 March 2026.

The Directors affirm that the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Significant Accounting Policies, and Notes to the Financial Statements have been prepared in compliance with SLFRSs and LKASs, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Finance Business Act No. 42 of 2011 and the Directions issued thereunder, and the Listing Rules of the Colombo Stock Exchange.

Directors' Statement on Internal Control

The Board has issued the Directors' Statement on Internal Control over Financial Reporting in compliance with Section 16 of the Finance Business Act Directions No. 5 of 2021 on Corporate Governance. The said statement, which forms an integral part of this Annual Report, appears on page 250. The Board has also obtained an independent Assurance Report from Messrs. Deloitte Associates, Chartered Accountants, on the Directors' Statement on Internal Control over Financial Reporting, which appears on page 282.

Auditor's Report

The Report of the Independent Auditor on the Financial Statements of the Company appears on pages 288 to 291 of this Annual Report.

Accounting Policies and Changes During The Year

The accounting policies adopted in the preparation of the Financial Statements are set out from page 276 to page 303. There were no significant changes to the accounting policies used by the Company during the year under review when compared with those used in the previous year.

Income

The total income of the Company for the year ended 31 March 2026 was LKR 6,423.30 million, compared with LKR 4,374.39 million for the year ended 31 March 2025, reflecting a growth of LKR 2,048.91 million or 46.8 percent. An analysis of income is presented in Note 5 to the Financial Statements.

Financial Results and Appropriations

Interest Income

Interest income for the year ended 31 March 2026 was LKR 5,845.68 million (LKR 4,063.78 million in 2024/25), reflecting a growth of LKR 1,781.90 million or 43.8 percent. A detailed breakdown is provided in Note 6.1 to the Financial Statements.

Profit and Appropriations

The Company recorded a Profit Before Tax of LKR 1,358.72 million for the year ended 31 March 2026 (LKR 829.60 million in 2024/25), an increase of LKR 529.12 million or 63.8 percent. Profit After Tax

Report of the Board of Directors on the Affairs of the Company

for the year stood at LKR 820.15 million (LKR 473.81 million in 2024/25), an increase of LKR 346.34 million or 73.1 percent. Total Comprehensive Income for the year amounted to LKR 816.05 million (LKR 470.48 million in 2024/25).

As required under Section 3(b)(i) of the Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka, the Board of Directors transferred LKR 41.01 million (LKR 23.69 million in 2024/25) to the Company's Statutory Reserve Fund during the year under review.

Details of the Company's performance and appropriation of profit are tabulated below:

Description	2025/26 LKR '000	2024/25 LKR '000
Profit After Taxation	820,149	473,813
Profit Brought Forward from Previous Year	1,029,227	679,677
Profit Available for Appropriation	**1,849,376**	**1,153,490**
Appropriations		
Other Comprehensive Income / (Expenses)	(4,096)	(3,335)
Transfer to Statutory Reserve Fund	(41,007)	(23,691)
Final Dividend Paid for the Previous Year	(186,995)	(97,237)
Interim Dividend Paid for the Current Year	(149,596)	-
Un-appropriated Profit Carried Forward	**1,467,682**	**1,029,227**

Dividends

During the year under review, the Company paid an Interim Dividend of LKR 1.00 per Ordinary Share for the financial year 2025/26, amounting to LKR 149.60 million, out of the profits of the Company. In addition, the Final Dividend of LKR 1.25 per Ordinary Share recommended for the year 2024/25, amounting to LKR 186.99 million, was paid during the financial year 2025/26 following approval by the shareholders.

In compliance with the Guideline on Declaration of Dividends and Repatriation of Profits issued by the Central Bank of Sri Lanka under the Finance Business Act, the Company has obtained the requisite approval from the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed Final Dividend.

Property, Plant and Equipment

The total capital expenditure incurred on Property, Plant and Equipment of the Company during the year ended 31 March 2026 amounted to LKR 167.58 million (LKR 94.19 million in 2024/25), an increase of 77.9 percent reflecting the Company's continued investment in motor vehicles, furniture and fittings, computer equipment, and office infrastructure to support business expansion. A detailed analysis of Property, Plant and Equipment as at the year end is disclosed in Note 25 to the Financial Statements.

The fair value of the Company's freehold land at No. 45, Rawathwatta Road, Moratuwa was reviewed as at 19 March 2026 in compliance with the provisions of Section 31 of LKAS 16 on Property, Plant and Equipment. The carrying value continues to reflect the most recent independent professional valuation. Full details are provided in Note 25 to the Financial Statements.

Stated Capital

The Stated Capital of the Company as at 31 March 2026 was LKR 2,696,113,032 (LKR 2,696,113,032 as at 31 March 2025) represented by 149,596,052 Ordinary Voting Shares. There were no changes in the Stated Capital of the Company during the year under review.

RESERVES

Total Reserves of the Company, including Retained Earnings, stood at LKR 1,727.31 million as at 31 March 2026 (LKR 1,247.85 million as at 31 March 2025), reflecting growth driven by strong profitability and prudent capital retention. A summary of Reserves of the Company is set out below:

Reserves	2026LKR '000	2025LKR '000
Statutory Reserve Fund	203,111	162,104
Revaluation Reserve	56,515	56,515
Retained Earnings	1,467,682	1,029,227
Total	1,727,308	1,247,846

Issue of Shares and Debentures

The Company did not issue any ordinary shares during the financial year under review. However, in a significant milestone, the Company issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, during the year. This pioneering issuance reflects SDF's commitment to mobilising capital that is explicitly aligned with environmental and social outcomes and reinforces the Company's positioning as the country's leading development finance institution.

Debt Instruments

As at 31 March 2026, the Company's outstanding debt instruments issued amounted to LKR 2,088.36 million (Nil as at 31 March 2025), comprising the Sustainable Bond described above. Details are set out in Note 30 to the Financial Statements.

Share Information

There were 3,026 shareholders registered as at 31 March 2026 (2,406 shareholders as at 31 March 2025). Information on the Top 20 shareholders, the public holding, and the shareholding structure is set out under the Investor Review section of this Annual Report.

Distribution Schedule of Shareholders, Major Shareholders, Public Holding, Ratios and Market Price Information

Information required by the Listing Rules of the Colombo Stock Exchange on the distribution of shareholding with the respective percentages, twenty (20) Major Shareholders, Public Holding, Ratios, and Market Price Information is set out under the Investor Review section of this Annual Report.

Contingent Liabilities

There were no material contingent liabilities as at the reporting date except for those disclosed in Note 39 to the Financial Statements, which relate primarily to cases pending against the Company in the ordinary course of business amounting to LKR 22.96 million (LKR 20.32 million as at 31 March 2025).

Outstanding Litigation

In consultation with the Company's Lawyers, the Board of Directors is of the opinion that the pending litigation against the Company as at the reporting date will not have any material impact on the reported financial results or the future operations of the Company. Pending litigation is fully disclosed under Note 39 to the Financial Statements.

Events Occurring After the Reporting Date

Except for the matters disclosed in Note 45 to the Financial Statements, there have been no material events and / or circumstances arising since the reporting date that would require adjustment to, or disclosure in, the Financial Statements.

Going Concern

The Board of Directors has reviewed the Company's business and financial plans and is satisfied that the Company has adequate resources, including capital, liquidity, and operational capacity, to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared on the going concern basis.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties, and levies payable by the Company, all contributions, levies, and taxes payable on behalf of, and in respect of, the employees of the Company, and all other known statutory dues that were due and payable by the Company as at the reporting date have been duly paid or, where relevant, provided for, except for certain assessments where appeals have been lodged.

Environmental Protection

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activity that has caused adverse effects on the environment, and that the Company has complied with all relevant environmental regulations applicable to its operations. Measures taken by the Company on environmental protection, including the financing of solar energy, electric mobility, and sustainable agriculture, together with the issuance of Sri Lanka's first Sustainable Bond during the year, are described in the Natural Capital section of this Annual Report.

Report of the Board of Directors on the Affairs of the Company

GRI 2-27

Corporate Governance

The Company's report on Corporate Governance, which appears on pages 374 to 411, demonstrates compliance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

SDF has made every endeavour to ensure fair treatment for all stakeholders, in particular its depositors. The Board has obtained an Assurance Report from the External Auditor, Messrs. Deloitte Associates, Chartered Accountants, on the Directors' Statement on Internal Control over Financial Reporting, which is disclosed on page 282. The Company has also obtained a factual findings report on Corporate Governance from the External Auditor over compliance with the corporate governance directions, and is in the process of continuously strengthening its procedures.

Composition of the Board of Directors

As at 31 March 2026, the Board of Directors of the Company comprised eight (8) Directors, all of whom are Non-Executive Directors. Of these, five (5) are Independent Non-Executive Directors and three (3) are Non-Independent Non-Executive Directors. Since the Chairman serves in a Non-Independent capacity, an Independent Non-Executive Director has been appointed as the Senior Director in accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance.

The names of the Directors who held office during the financial year are set out as follows:

Name of Director	Capacity
Mr. Channa de Silva	Chairman / Non-Independent Non-Executive Director
Mr. Dhammika Ganegama	Senior Director / Independent Non-Executive Director
Mr. C. Amrit CanagaRetna	Independent Non-Executive Director
Ms. Shehara De Silva	Independent Non-Executive Director
Ms. Suranjani Wickremeratne	Independent Non-Executive Director
Mr. Nandika Buddhipala	Independent Non-Executive Director (appointed w.e.f. 1 November 2025)
Mr. Ramesh Schaffter	Non-Independent Non-Executive Director
Mr. Senthi Nandhanan Senthilverl	Non-Independent Non-Executive Director

Changes to the Board During the Year

During the financial year, the Board strengthened its independent oversight with the appointment of Mr. Nandika Buddhipala as an Independent Non-Executive Director with effect from 1 November 2025. The Directors confirm that the appointment was made in accordance with the Board approved Policy on the Selection and Appointment of Directors, on the recommendation of the Board Nomination and Governance Committee, and the requisite regulatory approvals were obtained from the Central Bank of Sri Lanka.

The Board records its appreciation of the contributions of all Directors who served during the year.

Profiles of Directors

Brief profiles of the Directors, including their qualifications, expertise, and other directorships, are set out on pages 38] to 41 of this Annual Report.

Board Meetings

Twelve (12) Board Meetings were held during the financial year ended 31 March 2026. The proceedings of these meetings focused on evaluating the Company's performance, approving the strategy and business plans, overseeing risk management and compliance, monitoring key projects including the issuance of the Sustainable Bond and impact funding initiatives, and reviewing senior management reports. Attendance details of individual Directors at Board Meetings and Sub-Committee meetings are presented under the Corporate Governance Report on page 211.

Board Sub-Committees

In compliance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the Listing Rules of the Colombo Stock Exchange, and best practices on corporate governance, the Board has established seven (7) Board Sub-Committees to discharge its oversight responsibilities effectively. These are:

Board Sub-Committee	Details
Board Audit Committee (BAC)	Chairperson: Ms. Suranjani Wickremeratne. Refer Report on page 218.
Board Integrated Risk Management Committee (BIRMC)	Refer Report on page 228.
Board Nomination and Governance Committee (BNGC)	Chairman: Mr. Dhammika Ganegama (Senior Director). Refer Report on page 222.
Board Human Resources and Remuneration Committee (BHRRC)	Refer Report on page 224.
Related Party Transactions Review Committee (RPTRC)	Refer Report on page 225.
Board Credit Committee (BCC)	Refer Report on page 234.
Board Information Technology and information security Committee (BITISC)	Refer Report on page 232.

The composition, terms of reference, and activities of each Board Sub-Committee during the year are set out in the respective Sub-Committee Reports of this Annual Report.

Management Level Committees

The Board has appointed the following management level committees in line with industry practice to support the implementation of strategy and management of day to day operations:

- Asset and Liability Committee (ALCO)
- Management Committee (ManCom)
- IT Steering Committee (ITSC)
- Sustainability Committee (SC)
- Management Credit Committee (MCC)
- Product Development Committee (PDC)
- Information Security Committee (ISC)
- Operational Risk Management Committee (ORMC)

Directors' Interests Register and Directors' Interests in Contracts or Proposed Contracts

The Company maintains a Directors' Interests Register in compliance with the Companies Act No. 07 of 2007. The Directors of the Company have made the necessary declarations of their interests in contracts and proposed contracts in terms of Sections 192(1) and 192(2) of the Companies Act. These interests are entered in the Interests Register, which is deemed to form part of this Annual Report and is available for inspection upon request.

Particulars of the Directors' interests in contracts with the Company are disclosed under Note 44 to the Financial Statements on page 346 and form an integral part of this Annual Report. Directors have no direct or indirect interest in any contract or proposed contract with the Company other than as disclosed.

Directors' Remuneration

As required by Section 168(1)(f) of the Companies Act No. 07 of 2007, the Directors' fees and emoluments for the financial year ended 31 March 2026 and the comparative period are set out below and are also disclosed under Note 44.1.1 to the Financial Statements:

Description	2025/26LKR '000	2024/25LKR '000
Directors' Fees and Expenses	17,605	10,240

Related Party Transactions

All related party transactions during the year were carried out in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. The Board approved Related Party Transactions Policy is administered by the Related Party Transactions Review Committee (RPTRC), which reviews and recommends related party transactions for the approval of the Board where required.

No accommodations were granted to Directors or their close relatives during the year. Details of related party transactions, including transactions with Sarvodaya Economic Enterprises Development Services (Guarantee) Limited (SEEDS), Lanka Jathika Sarvodaya Shramadana Sangamaya, Janashakthi Limited, Key Management Personnel, and their close family members, are fully disclosed in Note 44 to the Financial Statements on pages 346 to 347.

Report of the Board of Directors on the Affairs of the Company

The Company did not engage in any major related party transactions during the year that would require disclosure to the Securities and Exchange Commission of Sri Lanka or the Colombo Stock Exchange under the applicable Listing Rules.

Substantial Shareholdings

The substantial shareholders of the Company as at 31 March 2026 include Sarvodaya Economic Enterprises Development Services (Guarantee) Limited (SEEDS), Janashakthi Limited, Lanka Jathika Sarvodaya Shramadana Sangamaya, and other shareholders. Detailed information on the major shareholders is set out under the Investor Review section of this Annual Report.

External Auditor

Messrs. Deloitte Associates, Chartered Accountants, served as the External Auditor of the Company during the financial year. The fees paid to the External Auditor for the year are set out below:

Description	2025/26 LKR '000	2024/25 LKR '000
Audit and Audit-Related Services	3,300	3,300
Non-Audit Services	810	250

To the best of the knowledge and belief of the Board, the External Auditor does not have any other relationship or interest with the Company, and the Audit Committee monitored the independence and objectivity of the External Auditor throughout the year. The retiring Auditor, Messrs. Deloitte Associates, Chartered Accountants, has expressed willingness to continue in office and a resolution to re-appoint them as the Auditor of the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Compliance with Prudential Requirements, Regulations, Laws, and Internal Controls

The Company has not engaged in any activity that contravenes the applicable laws and regulations. There have been no irregularities involving management or employees that would have a material financial effect or otherwise result in non-compliance with prudential requirements, regulations, laws, or internal controls. The Company's capital adequacy and liquidity positions remained comfortably above the minimum regulatory thresholds throughout the year.

Regulatory Ratios	2025/26	Minimum Regulatory
Tier I Capital Adequacy Ratio	20.52%	8.5%
Total Capital Adequacy Ratio (Tier I and II)	20.64%	12.5%
Liquidity Ratio	17.10%	Per Direction

Articles of Association and Changes During the Year

During the financial year under review, no revisions or amendments were made to the Company's Articles of Association.

Accounting Period

The financial accounting period for this Report covers from 01 April 2025 to 31 March 2026.

Significant Events During the Year

The financial year 2025/26 was a landmark year for the Company. The principal milestones included the following:

- Crossing the LKR 20 billion asset base milestone, with Total Assets reaching LKR 37.36 billion (up 65.8%).
- Issuance of Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, deepening the Company's commitment to impact-aligned capital markets.
- Receipt of new impact foreign funding of USD 9 million, expanding the Company's access to international development finance.
- Achieving a Profit After Tax of LKR 820.15 million, an increase of 73.1 percent over the previous year.
- A substantial improvement in asset quality, with the Gross Non-Performing Advances ratio reducing to 4.93 percent from 7.88 percent.
- Strengthening of independent Board oversight through the appointment of Mr. Nandika Buddhipala as an Independent Non-Executive Director.
- Commissioning of a new ATM at the Tea Research Institute, St. Coombs, Talawakele, extending services to plantation communities.

Sustainability and Stakeholder Engagement

The Board, supported by the Sustainability Committee, has continued to integrate Environmental, Social, and Governance (ESG) considerations into the Company's strategy, business model, and risk framework. Detailed disclosures on

the Company's sustainability journey, stakeholder engagement, material topics, and contribution to the United Nations Sustainable Development Goals are presented under the Capital Reports and Sustainability Report sections of this Annual Report.

Human Resources

The Company continues to invest in its people, recognising that the dedication and capability of the SDF team is fundamental to delivering its mission. The Board approved Human Resource Policy framework supports a fair, transparent, and equitable work environment, with structured career development pathways, performance management, learning and development opportunities, and competitive remuneration. Detailed disclosures on the Company's people practices appear under the Human Capital section of this Annual Report.

Preparations for Adopting New Regulations

The Company continues to monitor developments in the regulatory and accounting standards landscape, including preparations for compliance with SLFRS Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2), the Personal Data Protection Act, and updates to capital adequacy and risk management directions. Appropriate internal controls and project plans are being implemented to ensure timely and high-quality compliance.

Annual General Meeting

The Notice convening the 16th Annual General Meeting of the Company is set out on page 426 of this Annual Report.

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 Report. This Report is signed on behalf of the Board of Directors of the Company by two (2) Directors and the Company Secretary in pursuance of the authority granted by a Board Resolution passed on 27 May 2026.

The Board records its appreciation of the contributions of the Company's management, employees, customers, depositors, business partners, regulators, shareholders, and the wider community for their continued trust and support.

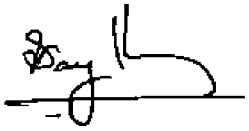
For and on behalf of the Board of Directors of Sarvodaya Development Finance PLC.



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director



Shiromi Patabendige
Company Secretary

27 May 2026
Colombo

Report of the Board of Directors on the Affairs of the Company

Annexure to the Report of the Board of Directors on the State of Affairs of the Company

Directors' Interest Register as at 31st March 2026

Full Name of the Director		Other Positions held by the Director	
		Name of the Entity	Position held
Mr Ginige Channa Ajith de Silva *(Chairman/Non Executive, Non Independent Director)*	1	First Capital Treasuries PLC	Non Executive Director
	2	K Seeds Investments (Pvt) Ltd	Non Executive Director
	3	Capital Media	Chairman
	4	Echelon Media	Chairman
	5	Neelan Tiruchelvam Trust	Trustee
	6	Bansei Securities Capital Pvt Ltd	Non Executive Director
	7	Lake Village Pvt Ltd	Chairman
	8	Sarvodaya Movement	Vice President
	9	First Capital Advisory Services (Pvt) Ltd	Non Executive Director/Chairman
	10	Innovest Investments Ltd	Chairman
Mr Withanatchi Thushara Dhammika Ganegama *(Senior Director/Non Executive, Independent Director)*	1	Mitra Innovation Ltd (UK)	Co-Founder/Managing Director
	2	Mitra Innvation Pvt Limited (SL)	Co-Founder/Managing Director
	3	Mitra Innovation Ltd (AUS)	Co-Founder/Director
	4	Mitra Innovation Ltd (Singapore)	Co-Founder/Director
	5	Mitra Ventures Ltd (UK)	Co-Founder/EVP
	6	Sri Lanka & Australia Chamber of Commerce	Vice President
	7	Dama Japan Auto Imports	Founder/Managing Director
	8	Dygise Pte Ltd (Singapore)	Director
	9	Dygise Pte Ltd (Sri Lanka)	Director
Mr Christopher Amrit CanagaRetna *(Non Executive, Independent Director)*	1	International Needs Lanka	Honorary Director
Mr Ramesh Schaffter *(Non Executive, Non Independent Director)*	1	First Capital Treasuries PLC	Non Executive Director
	2	First Capital Holdings PLC	Non Executive Director
	3	Janashakthi Insurance PLC	Non Executive Director
	4	Acland Insurance Services Limited	Non Executive Director
	5	Janashakthi Limited	Managing Director / Group Chief Executive Officer
	6	Janashakthi Corporate Services Limited	Non Executive Director
	7	Janashakthi Foundation (Guarantee) Limited	Non Executive Director
	8	Tea Leaf Trust(Guarantee) Limited	Non Executive Director
	9	Pan Nippon Development (Private) Limited	Non Executive Director
	10	Rock Foundation (Pvt) Ltd	Non Executive Director
	11	Schaffters (Pvt) Ltd	Non Executive Director
	12	Beckett Capital (Pvt) Ltd	Non Executive Director
	13	El Shaddai Trust	Chairman
	14	Espalier Futures Limited	Non Executive Director
	15	First Capital Limited	Non Executive Director

Full Name of the Director		Other Positions held by the Director	
		Name of the Entity	Position held
Mr Senthi Nandhanan Senthilverl *(Non Executive, Non Independent Director)*	1	Amana Bank PLC	Non Executive Director
	2	Senthilverl Holdings (Pvt) Ltd	Director
	3	Dollar Corporation	Chief Executive Officer
Ms Shehara De Silva *(Non Executive, Independent Director)*	1	Amana Takaful Life PLC	Non Executive Director
	2	Expack Corrugated Cartons PLC	Non Executive Director
	3	Optima Design Pvt Ltd	Chairperson/Non Executive Director
	4	Quickshaws Pvt Ltd	Non Executive Director
	5	Quickshaws Travel Pvt Ltd	Non Executive Director
	6	Chimneys Pvt Ltd	Non Executive Director
	7	Informatics Institute of Techonology	Non Executive Director
	8	Neelan Tiruchelvam Trust	Trustee/Director
	9	Family Planning Association Sri Lanka	Non Executive Director
Ms Ramya Suranjani Wickremeratne *(Non Executive, Independent Director)*	1	Dental Care International	President
	2	Tarana Foundation	President
	3	Damrivi Foundation	Board Member of the Board of Trustees
	4	Sri Lanka Sumithrayo	Chairperson
	5	Edenhall Asia Pvt Ltd	Non Executive Chairperson
Mr Kottage Don Nandika Buddhipala *(Non Executive, Independent Director)*	1	Chartered Institute for Securities & Investment, UK	Trustee/Independent Non Executive Director
	2	Erudite Associates (Pvt) Ltd	Chairman/Director

Directors' Responsibility Statement

The following statement sets out the responsibility of the Directors in relation to the Financial Statements of Sarvodaya Development Finance PLC ("the Company"), prepared in accordance with the provisions of the Companies Act No. 07 of 2007. The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors on pages 288 to 291 of this Annual Report.

As per the provisions of sections 150(1), 151, 152(1) and 153(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company as at the reporting date and of its profit or loss for the financial year then ended. The Directors are required to ensure that these Financial Statements are completed within six months from the reporting date, or within such extended period as may be determined by the Registrar General of Companies; certified by the person responsible for their preparation as complying with the requirements of the said Companies Act; and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with section 167(1) and sections 168(1)(b) and (c) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements, together with the Annual Report of the Company prepared in accordance with section 166(1) of the Companies Act, to be made available for the shareholders' reference by publication on the Company's official website and on the website of the Colombo Stock Exchange, in terms of Listing Rule 7.5(b) of the Listing Rules of the CSE, within the stipulated timeframe before the date fixed for the Annual General Meeting. In accordance with the said Listing Rule, printed copies of the Annual Report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible for ensuring that appropriate accounting policies have been selected and applied consistently, that reasonable and prudent judgements and estimates have been made, and that all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company 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 Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements prepared and presented in this report have been prepared based on the Sri Lanka Accounting Standards (SLFRSs/LKASs), are consistent with the underlying books of accounts, and are in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the directions and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year. This is primarily handled through the Board Audit Committee and the Board Integrated Risk Management Committee, as set out in their respective Reports on pages 218 to 221 and pages 228 to 231, respectively.

The Directors have taken appropriate steps to ensure that the Company maintains proper books of account, and the financial reporting system is directly reviewed by the Directors at their regular meetings, as well as through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee.

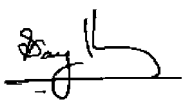
The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company have been certified by the Head of Finance, being the officer responsible for their preparation as required by section 152(1)(b) of the Companies Act, and have also been signed by two Directors of the Company as required by section 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 Company as at the reporting 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,



Shiromi Patabendige
Company Secretary

27 May 2026
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Sarvodaya Development Finance PLC (the Company) for the year ended 31 March 2026 have been prepared and presented in compliance with the following regulatory and statutory requirements:

I. Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka,
II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
III. Companies Act No. 07 of 2007 and amendments thereto,
IV. Finance Business Act No. 42 of 2011,
V. Finance Leasing Act No. 56 of 2000,
VI. Directions, Circulars and Guidelines issued to Licensed Finance Companies by the Central Bank of Sri Lanka,
VII. Listing Rules of the Colombo Stock Exchange (as amended), and
VIII. Code of Best Practice on Corporate Governance (2023) issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements, together with the disclosures made in this Annual Report and in the interim Financial Statements published during the year, comply with the specified formats prescribed by the Central Bank of Sri Lanka. The Company also presents its financial results to shareholders on a quarterly basis, in compliance with the Listing Rules of the Colombo Stock Exchange.

Accounting Policies and Estimates

The Company has consistently applied its Significant Accounting Policies, which are in compliance with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka. Significant Accounting Policies and estimates that involve a high degree of judgement and complexity, including those relating to the measurement of expected credit losses, the fair valuation of financial instruments, and the determination of deferred tax balances, were discussed with the Board Audit Committee and the Company's External Auditors. Comparative information has been reclassified where applicable to comply with the current year's presentation, and material departures, if any, have been disclosed and explained in the Notes to the Financial Statements.

Fair Presentation and Going Concern

We confirm that, to the best of our knowledge, the Financial Statements, Significant Accounting Policies and Estimates, and other financial information included in this Annual Report fairly present, in all material respects, the financial condition, results of operations, and cash flows of the Company for the year under review. We further confirm that the Company has adequate resources to continue in operational existence for the foreseeable future and that no material uncertainties have been identified which may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the Going Concern basis has been applied in preparing these Financial Statements.

Internal Controls and Risk Management

The Board of Directors and the Management of the Company accept responsibility for establishing, implementing and maintaining sound internal controls and procedures throughout the Company. Based on our evaluation, we confirm that the estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis to ensure that the Financial Statements reflect, in a true and fair manner, the form and substance of transactions, and that the Company's state of affairs is reasonably presented.

To this end, proper and sufficient care has been taken to implement effective internal controls and procedures to safeguard the assets of the Company, to prevent and detect fraud, error and other irregularities, and to ensure that material information relating to the Company is made known to us on a timely basis. These controls are reviewed, evaluated and updated on an ongoing basis to respond to changes in the operating environment, the regulatory landscape, and the Company's business model, including the continued expansion of the lending portfolio and the diversification of the funding base during the financial year.

We have evaluated the internal controls and procedures of the Company for the financial year under review and are satisfied that there were no significant deficiencies or weaknesses in the design or operation of these controls to the best of our knowledge. The Company's Internal Audit Department conducts periodic reviews to provide reasonable assurance that established policies and procedures are consistently applied across all business units, branches and head office functions.

Audit Oversight

The Board Audit Committee of the Company reviews all internal and external audit and inspection programmes, the adequacy and effectiveness of internal control systems and procedures, and the quality of Significant Accounting Policies and their adherence to statutory and regulatory requirements. Details of the work performed by the Committee during the year are set out in the Board Audit Committee Report on pages 218 to 221 of this Annual Report. The Committee meets

periodically with the Internal Audit team and the External Auditors to review their audit plans, assess the manner in which they discharge their responsibilities, and consider their reports on internal control and financial reporting matters.

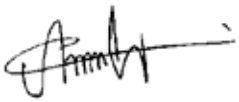
To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. However, it should be recognised that there are inherent limitations in any system of internal control and accounting, and accordingly, even effectively designed and operated systems can provide only reasonable, and not absolute, assurance with respect to financial statement preparation and the safeguarding of assets.

The Financial Statements of the Company were audited by Messrs. Deloitte Associates, Chartered Accountants, and their Independent Auditor's Report is set out on pages 288 to 291 of this Annual Report. The Board Audit Committee pre-approved the audit and non-audit services provided by Messrs. Deloitte Associates to ensure that the provision of such services does not contravene the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services, or impair the independence and objectivity of the External Auditors.

Confirmations

We confirm to the best of our knowledge that:

- the Company has complied with all applicable laws, regulations, prudential requirements and Directions issued by the Central Bank of Sri Lanka throughout the financial year;
- there are no material non-compliances other than those disclosed in the Corporate Governance section of this Annual Report on pages 377 to 411;
- there is no material litigation pending against the Company other than those disclosed in Note 39 on page 343 of the Notes to the Financial Statements; and
- all taxes, duties, levies and statutory payments by the Company, and all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company as at the reporting date have been paid or, where relevant, adequately provided for in these Financial Statements.



Manori Wannigama
Head of Finance



Nilantha Jayanetti
Chief Executive Officer

27 May 2026

Colombo

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, and Rule 9.16 (ii) of the Corporate Governance Rules of the Colombo Stock Exchange, the Board of Directors ("Board") of Sarvodaya Development Finance PLC ("Company") presents this report on internal control over financial reporting.

The Board has overall responsibility for ensuring the adequacy and effectiveness of the system of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable, but not absolute, assurance against material misstatement of financial information, records, or against financial losses and frauds.

In light of the above, the Board has established a continuous process of identifying, evaluating, and managing the significant risks faced by the Company. This includes enhancing the system of Internal Control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key process-related risks against the compensating controls that may affect significant accounts of the Company. Residual risks identified through this process are monitored through established risk management mechanisms, and significant control deficiencies or emerging risks are escalated to the Board and relevant Board Committees for timely corrective action and oversight.

The management is tasked with assisting the Board in implementing the policies and procedures related to risk and control. This includes identifying and assessing the risks faced by the Company, as well as providing inputs on the design, operation and monitoring of internal controls over financial reporting to mitigate and control these risks.

The Board is confident that the system of internal control over financial reporting is adequate to provide reasonable assurance regarding the reliability of financial reporting. This ensures that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System over Financial Reporting

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting, which includes the following key features:

- The Board has established Board Sub-Committees to assist in ensuring the effectiveness of the Company's day-to-day operations in line with the corporate objectives, strategies, annual budget, as well as the approved policies and business directions. These include, among others, the Board Audit Committee, which oversees the adequacy and effectiveness of internal controls and financial reporting; the Board Integrated Risk Management Committee, which oversees the Company's risk management framework and risk profile; and other Board Committees responsible for monitoring compliance, governance, Board Nomination, Human Recourses & Remuneration, Related Party Transactions, and strategic matters within their respective mandates
- Policies, charters and procedures are in place covering functional areas of the Company. These are recommended by the Board-appointed Sub-Committees and approved by the Board, and are reviewed and updated regularly. The Board Audit Committee follows up on the regular reviews of policies, charters and procedures through the Compliance Officer to ensure timely updates.
- The Internal Audit Department of the Company monitors compliance with policies and procedures and assesses their suitability of design and operating effectiveness on an ongoing basis, using sample and rotational procedures, and highlights significant findings of any non-compliance. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee. Branches and functional departments are audited to provide independent and objective assurance on operations and performance. Various initiatives have been taken by the Internal Audit Department, business teams and other monitoring authorities of the Company to review exceptions in selected areas of the business through the use of exception-monitoring automated tools. The process has been gradually expanded year on year to cover an enhanced scope. Audit findings and identified control weaknesses are systematically tracked until closure through agreed action plans, while periodic follow-up reviews are conducted to ensure timely implementation and to minimize the recurrence of similar issues.
- Information systems and the surrounding technology infrastructure that support financial reporting are independently assessed by a specialised Information Systems Audit team to ensure that the confidentiality,

integrity and availability triad is preserved, reinforcing the confidence level of the data processing technology facilities.

- The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its periodic meetings, and improvements are applied wherever necessary.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.
- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS, and progressive improvements are made to its processes to comply with the requirements of recognition, measurement, classification and disclosure. Financial reporting and management information processes are further strengthened through constant monitoring and adaptation to market realities. The Company has reviewed the existing models in use to ascertain their potential implications, and these models are regularly reviewed and validated to ensure effective financial representation. Recommendations made by the External Auditor in the financial year ended 31 March 2025 in connection with the internal control system over financial reporting have been addressed during the year, and any recommendations arising for the year ended 31 March 2026 will be addressed in future.
- A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk of misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures in the Financial Statements of the Company. The Risk Management Department verifies the suitability of the design and effectiveness of these procedures and controls on an ongoing basis, and the Internal Audit Department reviews compliance and apprises the Board Audit Committee where necessary.

Confirmation

Based on the above processes, the Board affirms that the financial reporting system of the Company 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 carried out in accordance with Sri Lanka Accounting Standards and complies with the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

Review of the Statement by External Auditor

The external auditor, Messrs. Deloitte Associate, has reviewed the above Directors' Statement on Internal Control over Financial Reporting. The review was performed in accordance with the applicable assurance standards and professional requirements governing such engagements, and the report is included in the Company's Annual Report for the year ended 31 March 2026. They 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 Company. Their report on the statement of Internal Control over financial reporting is given on page 282 of this annual report.

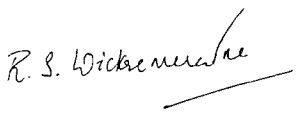
Statement on Prudential Requirements, Regulations and Laws

The Board of Sarvodaya Development Finance PLC presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, and Rule 9.16 (ii) of the Corporate Governance Rules of the Colombo Stock Exchange.

The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations and laws.

The Board confirms that there are no significant regulatory or supervisory concerns or lapses in the Company's risk management, or non-compliance with the Act, Rules and Directions.

By order of the Board,



Suranjani Wickremeratne
Chairperson, Board Audit Committee



Channa de Silva
Chairman

27 May 2026

Colombo

Integrated Risk Management Report

Despite the continued recovery of the Sri Lankan economy following the 2022 economic crisis, the risk landscape during the year under review remained dynamic and moderately challenging. The operating environment was shaped by ongoing IMF-supported economic reforms, evolving fiscal and monetary policy measures, gradual improvements in key macroeconomic indicators, and heightened geopolitical uncertainties.

Risk Environment

Despite the continued recovery of the Sri Lankan economy following the 2022 economic crisis, the risk landscape during the year under review remained dynamic and moderately challenging. The operating environment was shaped by ongoing IMF-supported economic reforms, evolving fiscal and monetary policy measures, gradual improvements in key macroeconomic indicators, and heightened geopolitical uncertainties. While declining interest rates, improved market liquidity, easing inflationary pressures, and the gradual revival of private sector credit growth supported business activity, the financial services sector continued to face elevated risks relating to credit quality, funding and liquidity management, asset-liability mismatches, regulatory compliance, cybersecurity, and operational resilience. In addition, external developments, particularly geopolitical tensions in the Middle East and potential disruptions to global energy markets, continued to pose risks to inflation, exchange rate stability, remittance inflows, and the broader economic recovery trajectory.

Against this backdrop, the importance of maintaining a prudent and forward-looking risk management framework was further reinforced. The Company continued to strengthen its risk governance practices, capital and liquidity buffers, stress testing capabilities, and operational resilience arrangements to effectively respond to emerging risks and safeguard long-term financial stability and sustainable growth.

Global & Local Landscape

PESTEL Category		Risk Event
P	Political	Changes in government policies, taxation, and financial sector regulations
		Global geopolitical tensions and Middle East conflicts
E	Economical	Interest rate volatility and changes in monetary policy
		Credit quality deterioration and customer repayment stress
		Exchange rate fluctuations and external sector pressures
S	Social	Decline in customer purchasing power and over-indebtedness
		Talent retention and skilled workforce migration
T	Technological	Cybersecurity threats and data breaches
		System failures and third-party technology disruptions
E	Environmental	Climate-related events such as floods and droughts
		Power shortages and energy disruptions
L	Legal & Regulatory	Enhanced CBSL regulatory and supervisory expectations
		Non-compliance with laws, regulations, or data protection requirements

Potential Impact to the Company	Risk Level	Trend	Mitigation Strategies
Increased compliance costs, policy uncertainty, and operational adjustments	High	Increasing	Continuous regulatory monitoring, strengthening compliance frameworks, and maintaining proactive engagement with regulators
Fuel and energy price increases, inflationary pressures, and economic instability affecting customers	High	Increasing	Scenario analysis, stress testing, liquidity monitoring, and business continuity planning
Impact on net interest margins, borrowing costs, and deposit mobilization	High	Moderately Stable	Active ALCO oversight, repricing strategies, and close monitoring of maturity mismatches
Increase in NPLs, higher impairment provisions, and reduced profitability	High	Improving but Vulnerable	Strengthening credit underwriting, portfolio monitoring, recovery mechanisms, and sector-wise exposure management
Increased operational costs and indirect customer repayment challenges	Medium	Moderately Volatile	Regular macroeconomic monitoring, prudent liquidity management, and diversified portfolio strategies
Reduced borrowing capacity and increased default risk	High	Moderately Improving	Responsible lending practices, affordability assessments, and enhanced collection strategies
Operational inefficiencies and increased recruitment/training costs	Medium	Increasing	Employee engagement initiatives, succession planning, and staff development programs
Financial loss, reputational damage, regulatory penalties, and operational disruption	High	Increasing	Strengthening cybersecurity controls, regular vulnerability assessments, employee awareness programs, and incident response planning
Service interruptions, operational delays, and customer dissatisfaction	High	Increasing	Enhancing IT governance, disaster recovery arrangements, vendor risk assessments, and infrastructure upgrades
Adverse impact on customers, especially agriculture and SME sectors, leading to repayment difficulties	Medium	Increasing	Climate risk assessments, sector exposure monitoring, and promoting sustainable financing initiatives
Operational interruptions across branches and service channels	Medium	Increasing	UPS installations, backup power arrangements, remote working capabilities, and business continuity measures
Increased compliance obligations and regulatory scrutiny	High	Increasing	Periodic policy reviews, strengthening governance frameworks, and timely implementation of regulatory requirements
Financial penalties, reputational risk, and operational restrictions	High	Stable	Strengthening internal controls, compliance monitoring, staff training, and independent review mechanisms

Integrated Risk Management Report

Risk Management at SDF

Sarvodaya Development Finance PLC maintains an integrated risk management framework designed to identify, assess, monitor, and manage risks arising from its business operations within an evolving and dynamic operating environment. The framework supports the achievement of the Company's strategic objectives while safeguarding the interests of depositors, investors, regulators, and other stakeholders.

The Company adopts a proactive and balanced approach to risk management, focusing on effective risk steering rather than the complete avoidance or minimization of risk. The integrated Risk Management Framework, approved by the Board of Directors, provides a structured approach for managing risks across the organization. Oversight of the framework is provided by the Board Integrated Risk Management Committee (BIRMC), while independent Risk Management and Compliance functions, headed by the Head of Risk Management and the Head of Compliance respectively, support the effective implementation of risk governance practices across the Company.

The established risk management system enables the early identification, assessment, monitoring, and mitigation of risks and their potential impacts, thereby facilitating timely implementation of appropriate corrective and contingency measures to prevent the accumulation of risk exposures and strengthen organizational resilience.

Through the implementation of a robust Enterprise Risk Management (ERM) framework, the Company aims to:

- Foster a strong risk-aware culture across all business units and functions
- Ensure the protection of capital in line with internal risk appetite and regulatory requirements
- Minimize volatility in earnings and financial performance
- Promote risk-based decision-making and performance management
- Enable timely and effective responses to emerging and adverse risk events
- Enhance the understanding of risk exposures to strengthen the Company's competitive positioning
- Improve transparency, accountability, and communication among business units, control functions, management committees, and the Board of Directors.

Risk Monitoring and Reporting

The Enterprise Risk Management (ERM) Framework, supported by a strong risk-aware culture, has been established to systematically identify, assess, monitor, and manage risks across the Company. All material risks are centrally monitored by the Risk Management Department (RMD), and any significant deviations or concerns are promptly escalated to Corporate Management, the Board Integrated Risk Management Committee (BIRMC), and the Board of Directors for review and appropriate action.

In addition, the Branch-wise Operational Risk Assessment (ORA) process empowers both management and staff to take ownership of internal controls. It also serves as an effective bottom-up feedback mechanism, promoting early detection of risks and encouraging a proactive approach to risk management.

Main Risk Reports Prepared by the RMD and Submitting for the BIRMC

Report	Frequency of Submitting the Report	Reported to
Risk Appetite Statement	Monthly	BIRMC/ Board
Key Risk Indicators (KRIs)	Monthly	BIRMC/ Board
Top Risks	Every Other Month	BIRMC/ Board
Risk Register (IT)	Quarterly	BIRMC /BITIS
Risk Register (Non -IT)	Quarterly	BIRMC
Stress Testing	Monthly / Quarterly	BIRMC
Branch Operational Risk Assessment (ORA)	Quarterly	BIRMC

Enterprise Risk Management Framework

Principles for Managing Risks

01 Risk Management (RM) is an integral part of all organizational activities

02 RM is structured and comprehensive

03 RM is customized

04 RM is inclusive

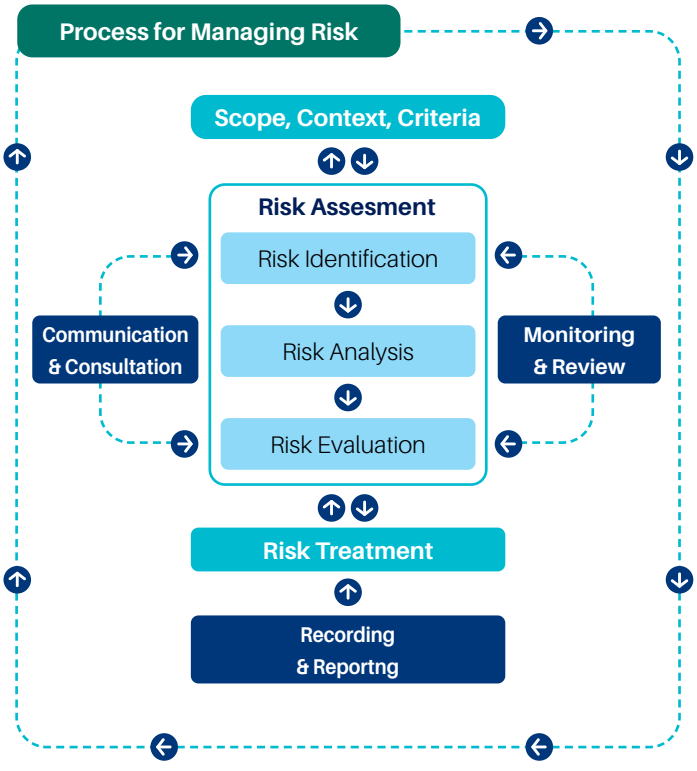
05 RM is dynamic and responsive to change

06 RM is based on best available information

07 RM takes human and cultural factors into account

08 RM facilitates continual improvement of the organization

Process for Managing Risk



Framework for Managing Risk

This Framework is not intended as a management system, but rather to assist in integrated risk management into SDF's overall management system. Components of this framework should be adopted according to specific organizational needs.

Leadership and Commitment

- Strong and sustained commitment by the management
- Strategic and rigorous planning to achieve commitment at all levels

Integration

- Making sure risk management is part of (integrated in) all aspects of the organization

Design and Use of Framework for Managing Risk

- Understand the organization and its content
- Establish Risk Management Policy
- Accountability
- Integration into organizational processes
- Resources
- Establish internal communication and reporting mechanism
- Establish external communication and reporting mechanism

Implement Risk Management

- Implement framework for managing risk
- Implement risk management process

Monitor and Review of Framework

- Measure risk management performance against indicators
- Periodically measure progress against and deviations from ERM Framework
- Periodically review whether the ERM Framework is still appropriate
- Report risk progress with risk management and how well the Risk Management Policy is being followed
- Review the effectiveness of the ERM Framework

Continual Improvement of Framework

Integrated Risk Management Report

Key Risk Management Initiatives - FY 2025/26

Key risk management initiatives implemented during FY 2025/26 are outlined in the Report of the Board Integrated Risk Management Committee appearing on pages 230 to 232 of this Annual Report.

Risk Management Priorities - FY 2026/27

In line with the Company's strategic objectives and evolving regulatory and operating landscape, the following priorities have been identified for FY 2026/27 to further strengthen the Integrated Risk Management Framework:

- Enhance the Risk Appetite Framework and strengthen Key Risk Indicator (KRI) monitoring and escalation mechanisms.
- Strengthen credit risk management practices through enhanced portfolio analytics, borrower risk grading methodologies, and independent credit review mechanisms.
- Develop and operationalise Early Warning Signal (EWS) frameworks for proactive identification of credit and liquidity risk deterioration.
- Expand stress testing and scenario analysis capabilities covering liquidity, credit, market, funding concentration, and sector-specific risk exposures.
- Review the Contingency Funding Plan (CFP) and strengthen liquidity risk monitoring through enhanced funding concentration and depositor behaviour analysis.
- Further strengthen the Operational Risk Management Framework through structured operational loss data collection, root cause analysis, and enhanced branch-wise operational risk assessments.
- Initiate the Risk Control Self-Assessment (RCSA) Framework covering all the processes of the Company.
- Strengthen compliance monitoring relating to applicable Finance Business Act Directions and other regulatory requirements issued by the Central Bank of Sri Lanka (CBSL).
- Enhance technology and cyber risk management practices through the introduction of technology-related KRIs, cyber incident response testing, and resilience-focused monitoring mechanisms.
- Integrate Environmental, Social, and Governance (ESG) considerations into credit evaluation and portfolio monitoring processes.
- Conduct periodic risk culture assessments and policy awareness programs to strengthen organization-wide risk awareness and accountability.

Risk Governance Structure

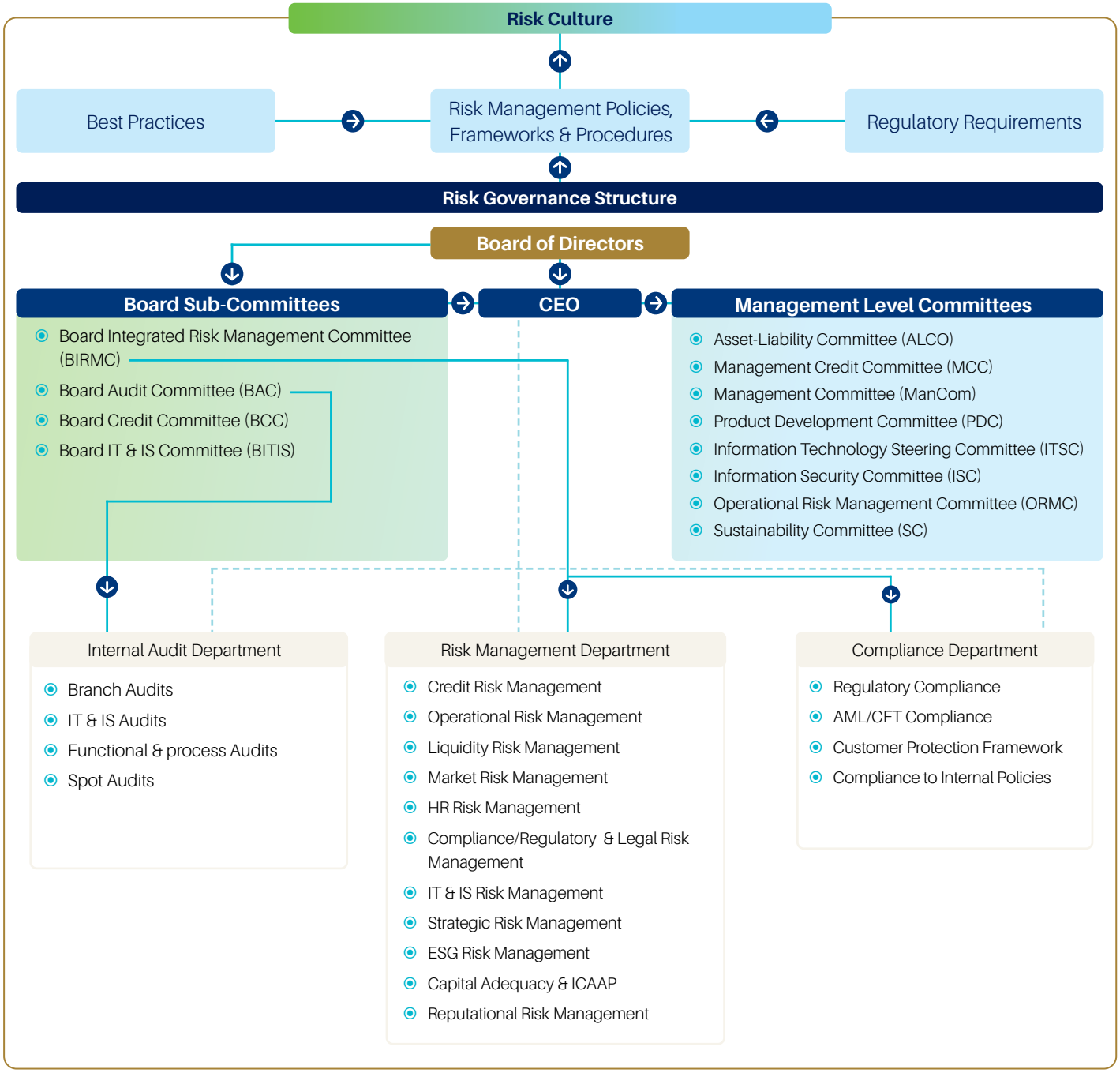
The Board of Directors is responsible for establishing the Company's overall risk strategy and governance framework, including the oversight of the Integrated Risk Management Framework, approval of risk management policies, frameworks, and procedures, and monitoring the level of risk exposure undertaken by the Company while ensuring compliance with applicable laws and regulations. In discharging these responsibilities, the Board is supported by Board Sub-Committees, namely the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). The BIRMC oversees the adequacy and effectiveness of the Integrated Risk Management Framework, while the BAC provides independent assurance to the Board on the effectiveness of internal controls and governance processes.

These Board Sub-Committees comprise Non-Executive Independent Directors and Non-Executive Non-Independent Directors.

To strengthen the risk governance structure and support the effective implementation of Board-approved policies and strategies, the Company has established several Management-Level Committees comprising members of senior management representing key business and support functions. These committees are responsible for monitoring and managing risks within their respective areas of responsibility and ensuring that operational activities remain aligned with the Company's strategic objectives, risk appetite, and regulatory requirements. The Management-Level Committees include:

- Asset-Liability Committee (ALCO)
- Management Credit Committee (MCC)
- Management Committee (ManCom)
- Product Development Committee (PDC)
- Information Technology Steering Committee (ITSC)
- Information Security Committee (ISC)
- Operational Risk Management Committee (ORMC)
- Sustainability Committee (SC)

Acting under the authority delegated by the Board and in accordance with their respective Terms of Reference, these committees regularly review and monitor key risk exposures, internal control mechanisms, portfolio performance, policy compliance, and adherence to approved risk limits, while escalating significant matters to the relevant Board Sub-Committees where necessary.


Risk Culture
Best Practices
Risk Management Policies, Frameworks & Procedures
Regulatory Requirements
Risk Governance Structure
Board of Directors
Board Sub-Committees
Board Integrated Risk Management Committee (BIRMC)
Board Audit Committee (BAC)
Board Credit Committee (BCC)
Board IT & IS Committee (BITIS)
CEO
Management Level Committees
Asset-Liability Committee (ALCO)
Management Credit Committee (MCC)
Management Committee (ManCom)
Product Development Committee (PDC)
Information Technology Steering Committee (ITSC)
Information Security Committee (ISC)
Operational Risk Management Committee (ORMC)
Sustainability Committee (SC)
Internal Audit Department
Branch Audits
IT & IS Audits
Functional & process Audits
Spot Audits
Risk Management Department
Credit Risk Management
Operational Risk Management
Liquidity Risk Management
Market Risk Management
HR Risk Management
Compliance/Regulatory & Legal Risk Management
IT & IS Risk Management
Strategic Risk Management
ESG Risk Management
Capital Adequacy & ICAAP
Reputational Risk Management
Compliance Department
Regulatory Compliance
AML/CFT Compliance
Customer Protection Framework
Compliance to Internal Policies

Integrated Risk Management Report

The roles of these Board Sub-Committees and Management Level Committees have summerised as follows.

Board Sub Committees	
BIRMC	**Roles & Responsibilities:** Operates primarily as the oversight committee monitoring risk types, concentrating particularly on Credit, Liquidity, Capital Management, Operational, Market, Strategic, IT & IS, Legal/Regulatory, Human resources, ESG and Reputational risks and related issues. **Membership:** Comprises of 4 Non-Executive Directors (majority [3] are Independent). The Committee is chaired by an Independent Non-Executive Director. The CEO, the COO, the Head of Risk Management, the Head of Compliance and the other Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, Capital adequacy, legal, operational, IT & IS, and strategic risks attending the meetings upon the invitation. Currently, the Head of Risk Management functions as the Secretary to the BIRMC. BIRMC Report for the FY2025-26 is on page 228.
BAC	**Roles & Responsibilities:** Reviews the accounting policies and practices, internal controls and procedures established by the Management for compliance with regulatory and financial reporting requirements. **Membership:** Comprises of 3 exclusively Non-Executive and Independent Directors. The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy and audit. The Head of Internal Audit acts as the Secretary to the BAC. BAC Report for the FY2025-26 is on page 218.
BCC	**Roles & Responsibilities:** BCC oversees the management of credit quality of the lending portfolio and recovery actions. **Membership:** Comprises of 3 Non-Executive Directors and the Chairman to the Committee is an Independent Non-Executive Director. The key management personnel attend the meetings upon invitation. The Head of Credit functions as the Secretary to the BCC. BCC Report for the FY2025-26 is on page 234.
BITIS	**Roles & Responsibilities:** BITIS has formed by the Board in FY 2025-26 to oversee and provide strategic guidance on IT governance, cybersecurity, digital transformation, and operational IT risks to ensure alignment with business objectives and to promote technology risk resilience of the Company. The Head of IT acts as the Secretary to the BITIS. BITIS Report for the FY2025-26 is on page 232.

Management Level Committees	
ALCO	**Roles & Responsibilities:** Responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest Rate Risk and Liquidity Risk while maintaining profitability. **Membership:** Comprises of senior management personnel who are in charge of Finance, Strategic Planning, Risk Management and Fund Mobilisation. The CEO acts as the Chairman to the Committee.
MCC	**Roles & Responsibilities:** Approves credit facilities within its delegated authority and reviews the methodologies for assessing credit risk and monitors concentration risk. **Membership:** Comprises of senior management personnel who are in charge of Finance, Credit, Risk Management, Compliance and Recoveries. and headed by the CEO.
ManCom	**Roles & Responsibilities:** Oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures. **Membership:** Comprises of senior management personnel and headed by the CEO.
PDC	**Roles & Responsibilities:** Covers all the new developments as well as significant changes to existing products, processes and systems of SDF. **Membership:** Comprises of Senior Management personnel, internal stakeholders from business units and other `ad hoc' members with expertise in applicable functions such as Credit, Operations, Legal, Information Technology, Information Security, Audit, Risk Management and Compliance. The Committee is headed by the COO.
ITSC	**Roles & Responsibilities:** Exercises oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve or secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair. **Membership:** Chaired by the CEO and will be facilitated by the Head of IT serving as the Committee Secretary. Permanent Invitees to the Committee are the COO, the Head of Risk Management, the Head of Compliance and the Head of Strategic Planning, Head of Finance and the Head of Operations & Administration.
ISC	**Roles & Responsibilities:** Oversees the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of information security and technology risk management. **Membership:** Chaired by the CEO. The COO, Head of Operations & Administration, Head of Strategic Planning and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Head of Compliance are permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter comes under their purview is to be discussed. Head of Internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. From FY 2025-26 onwards, the Committee reports to the Board of Directors through BITIS .

Integrated Risk Management Report

SC	**Roles & Responsibilities:** Responsible for overseeing sustainable strategy and environmental practice of the Company and ESG risk Management while adhering to the SDF's Sustainable Development policy safeguarding the Company's sustainable success and long term viability. **Membership:** Comprises of Head of Credit, Head of Strategic Planning, Head of Operations & Administration, Head of National Sales, Head of Risk Management and Head of Compliance where the Committee would be headed by the CEO. Upon the requirement, the Committee can invite any other member from the Senior Management, Product Heads and etc.
ORMC	**Roles & Responsibilities:** Responsible for identifying, assessing, monitoring, and managing operational risks to ensure they are within the Company's risk appetite and regulatory requirements while ensuring the adequacy of internal controls which are in place. **Membership:** Comprises of Chief Operating Officer, Head of Operations and Administration, Head of Finance, Head of IT, Head of HR, Head of Legal, Head of Internal Audit, Head of Risk Management and Head of Compliance where the Committee is headed by the CEO. Upon the requirement, the Committee can invite any other member from the Senior Management.

Risk Culture

SDF places significant emphasis on fostering a strong risk culture as a fundamental element of its long-term sustainability and value creation objectives. The Company promotes a culture of prudent risk-taking, ethical conduct, accountability, and transparency across all levels of the organization, encouraging employees to incorporate sound risk management practices into their day-to-day responsibilities and decision-making processes.

The Company's risk culture is supported by a well-defined Risk Governance Structure aligned with the "Three Lines of Defence" model, which facilitates clear accountability and effective oversight of risk management activities. This framework promotes enterprise-wide risk awareness, ownership, and timely responsiveness to emerging risks, while strengthening the integration of risk management practices into strategic, operational, and business processes across the organization.

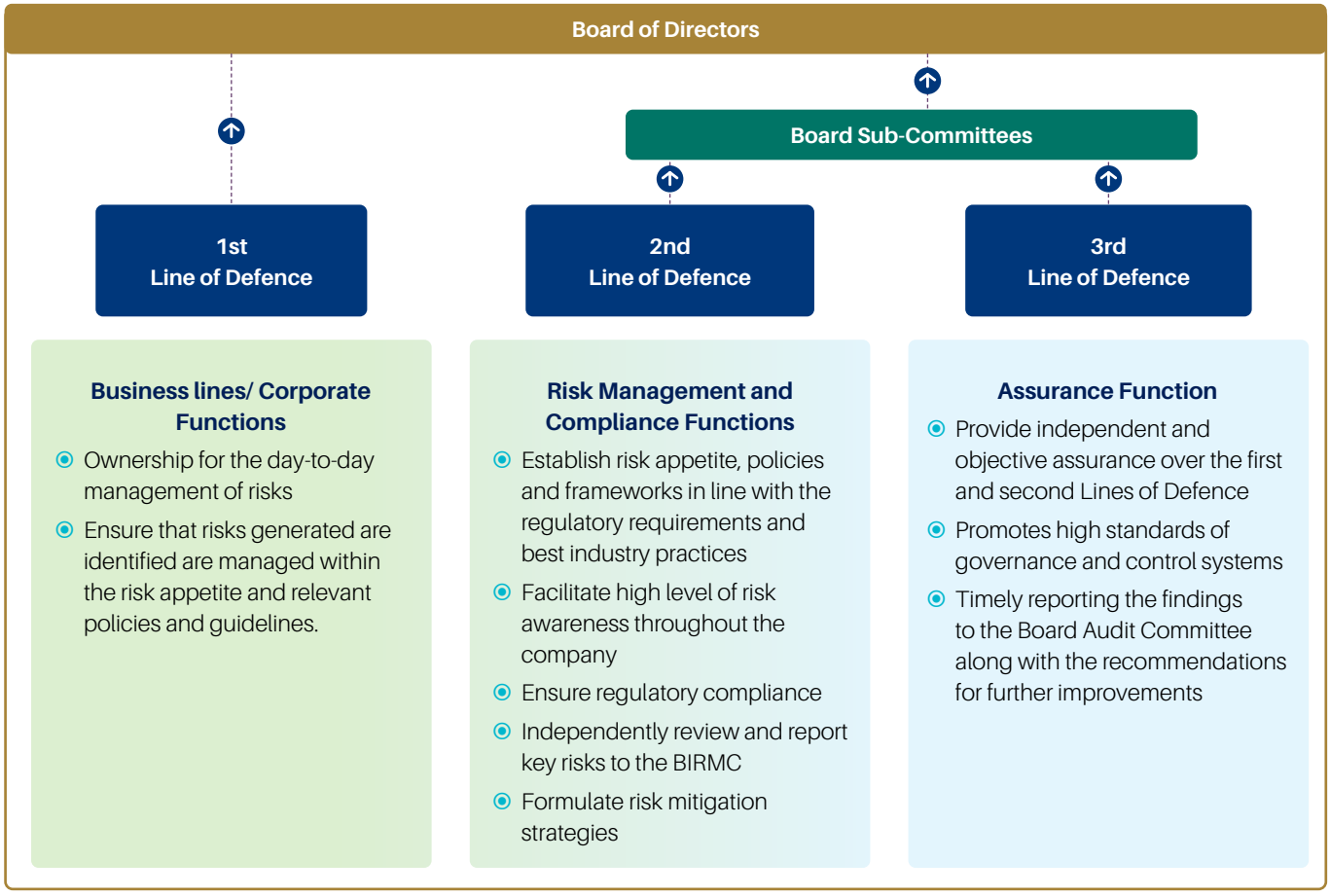
Three Lines of Defence Framework

A strong culture of risk awareness and compliance is continuously fostered across the Company through the collaborative efforts of the Risk Management, Compliance, and Human Resources Departments. Regular training and awareness programmes are conducted to enhance employee understanding of Board-approved risk management policies, frameworks, procedures, and regulatory requirements, thereby supporting the effective implementation of risk management practices throughout the organization.

Employees engaged in specialized functions are expected to possess the necessary competencies, experience, and technical knowledge relevant to their respective roles, including a sound understanding of the risks inherent in their operational responsibilities. This strengthens the effectiveness of the first line of defence, which is primarily responsible for identifying, assessing, managing, and reporting risks arising from day-to-day business activities.

The Risk Management and Compliance Departments function as the second line of defence, responsible for establishing, implementing, monitoring, and independently overseeing the Company's risk management and compliance frameworks, while ensuring that appropriate controls are embedded within business processes. The Internal Audit Department represents the third line of defence, providing independent assurance on the adequacy and effectiveness of governance, risk management, and internal control processes, and reporting directly to the Board Audit Committee.

Three Lines of Defence Framework



Integrated Risk Management Report

A Snapshot of the Material Risks - FY2025/26

			How SDF defines each risk category	Objective	Components / Sub risk categories	Risk level in FY 2025/26
Risk Universe	Quantitative Risks	Credit Risk	The risk of losses arising because counterparties fail to meet all, or part, of their payment obligations to the Company.	To maintain asset quality and a well-diversified portfolio.	Default Risk	Medium
					Concentration Risk	Medium
					Settlement Risk	Low
		Liquidity Risk	The possibility that the Company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.	To ensure adequate funding for the business operations throughout market cycles, including periods of financial stress.	Funding Liquidity Risk	Low
					Market Liquidity Risk	Low
		Market Risk	The possible losses to the Company which are associated with adverse movements in market variables such as interest rates, stock prices, Forex rates and commodity prices.	To safeguard against the adverse movements of market variables.	Interest Rate Risk	Medium
					Commodity Price Risk	Low
					Foreign Exchange Risk	Low
					Equity Price Risk	Low
		Capital Management	The risk of the Company having insufficient capital resources to meet minimum regulatory requirements and to support the credit rating, growth and strategic direction of the Company.	To maintain sufficient capital buffer to absorb unexpected shocks.		Low
		Strategic Risk	Risks that affect, or are created by the Company's business strategy and strategic objectives. Strategic Risks are created internally as well as externally. The failure to take action where needed, to address challenges, or make timely changes in response to macroeconomic trends also constitute Strategic risk.	To minimize risks that affect the achievement of the Company's business strategy and strategic objectives.		Low

Trend anticipated for FY 2026/27	Reference for further information on;	Risk Management Policies, Frameworks & Procedures
↑	Page No. 266 to 270	• Credit Risk Management Framework and Policy • Credit Procedure Manual • Credit Administration Procedure Manual • Policy and Procedure for Development of New Products, Processes and Systems • Delegation of Authority • Impairment Policy • Write-Off Policy • Policy on Related Party Transactions • Recovery Procedure
↑		
→		
→	Page No. 270 to 273	• Contingency Funding Policy • Asset & Liability Management Policy
→		• Liquidity Investment Policy and Procedure
→	Page No. 274 to 276	• Asset & Liability Management Policy • Liquidity Investment Policy and Procedure • Market Risk Management Policy and Framework • Gold Loan Manual • Foreign Exchange Risk Management Policy and Procedure for Foreign Currency Borrowings
↑		
↑		
→		
→	Page No. 273	• Capital Planning Procedure
→	Page No. 277	• Annual Budget • Strategic Plan of the Company

Integrated Risk Management Report

		How SDF defines each risk category	Objective	Components / Sub risk categories	Risk level in FY 2025/26
Risk Universe / Qualitative Risks	Operational Risk	Arises due to the disruptions, breakdown of systems, failed or incomplete processes, people related issues and external events that could have an impact on the Company's performance and future prospects.	To streamline the operations while ensuring smooth and effective functioning.	• Internal Fraud • External Fraud • Employment Practices and Workplace Safety • Clients, Products and Business Practices • Business Disruption and System Failures • Execution, Delivery and Process Management • Damage to Physical Assets	Low
	IT and IS Risk	Potential threats to the Confidentiality, Integrity, and Availability of sensitive data and IT systems, which may include customer financial information, transaction records, and other proprietary data.	To minimize cyber risks and data leakage to promote business continuity.	• Information Security Risk • Technology Risk • Cyber Risk	Low
	Legal/Regulatory Risk	The risk of loss caused by non-compliance with existing or new legislation or supervisory regulations. Furthermore, Legal risk includes losses due to ambiguity of laws or unfavorable contract clauses and loose contracts.	To minimize cost of non-compliance and litigation.		Low
	Human Resources Risk	Specific risks employees pose to the business. This could involve risks around improper employee management, employee behavior, or the way the Company hire and lose employees.	To retain and attract skillful and competent human resources to carryout business operations.		Low
	ESG Risk	ESG Risks include a company's environmental, social, and governance factors that could cause a reputation or financial harm to the Company.	To safeguard the Company's sustainable success and long term viability.		Low
	Reputational Risk	Any sort of threat that can damage the good standing of the business and negatively impact the Company's reputation with customers and overall business success. Reputational Risk can arise as an outcome of previously mentioned risk or combination of few risks.	To safeguard the Company's brand value/ goodwill.		Low

Trend anticipated for FY 2026/27	Reference for further information on;	Risk Management Policies, Frameworks & Procedures
→	Page No. 276 to 277	• Operational Risk Management Framework and Policy • Whistleblowing Policy • Fraud Prevention Policy & Procedure • Operations Procedure Manual • Business Continuity Management Policy • Disaster Recovery Policy
↑	Page No. 277 to 278	• Technology Risk Management Framework • Information Security Policy
→	Page No. 278	• Compliance Manual • Compliance Policy • Financial Customer Protection Framework
→	Page No. 278	• Employee Resourcing Policy • Employee Administration Policy • Performance Management Policy • Disciplinary Management Policy • Training and Development Policy • Employee Services Policy • Staff Transfer Policy
↑	Page No. 278 to 279	• ESG Risk Management Policy • Sustainable Development Policy
→	Page No. 279	13 Policies published on the corparate website (visit corporate website for reference :- https://www.sarvodayafinance.lk/downloads/investor-related-policies) • Policy on Internal Code of Business Conduct And Ethics for All Directors And Employees • Policy on Anti-Bribery and Corruption • Customer Complaint Handling Policy

Integrated Risk Management Report

SDF has developed a comprehensive set of Policies, Frameworks & Procedures considering best practices and regulatory requirements. These Policies, Frameworks & Procedures are approved by the Board of Directors and the Senior Management is held accountable for the effective implementation of them and are revised at the stated frequencies to ensure that they have been updated to address changes in the regulatory and business environments.

Managing Material Risks

Credit Risk Management at SDF

Credit is one of the core activities of Sarvodaya Development Finance PLC (SDF), and Credit Risk represents the most material risk for any financial institution. Given its significance, effective management of Credit Risk is vital to the Company's sustainability and operational success. At SDF, Credit Risk is managed through a comprehensive framework that outlines policies and procedures for assessing, measuring, and mitigating credit risks. A well-defined hierarchy of delegated approvals, underpinned by high ethical standards and solid policies, provides a robust structure for managing Credit Risk.

The key policies, procedures, and governance mechanisms that support the Credit Risk Management Framework are summarized in the preceding table under "Snapshot of Material Risks – FY2025/26." These documents provide guidance on credit origination, assessment, approval, monitoring, recovery, portfolio management, and regulatory compliance, ensuring a consistent and disciplined approach to Credit Risk Management throughout the Company.

Risk Monitoring Mechanisms

The Company has developed a comprehensive Risk Appetite Statement for the year, aligned with its Strategic Plan, to clearly define various risk appetite limits covering both Credit Default Risk and Credit Concentration Risk.

Major credit exposures, including individual counterparties, groups of counterparties, and product categories, are reviewed and approved by designated officers within the authority limits set by the Board. Any changes to these delegated limits are approved by the Board as necessary.

The risk of loss due to concentration in credit to a specific product, asset class, sector, or counterparty is regularly monitored. The Company establishes limits for counterparty or groups of connected counterparties, asset types, and industry sectors to mitigate concentration risk. These risks are actively managed and reviewed by the Board Credit Committee (BCC), Board Integrated Risk Management Committee (BIRMC), and other relevant management committees.

Few Risk Mitigation Strategies Implemented by the Company;

- **Credit Procedure Manual:** This manual serves as the foundation for prudent lending practices and provides clear guidelines for credit evaluation and decision-making.
- **Regular Review of KRIs and Risk Appetite Levels:** Credit risk-related Key Risk Indicators (KRIs) are continuously monitored, and risk appetite levels are updated accordingly to ensure they align with the Company's objectives and tolerance.
- **Credit Risk Management Framework and Policy:** The Company has established a Board approved comprehensive Credit Risk Management Framework and Policy to facilitate the systematic identification, assessment, monitoring, and management of credit risk exposures across the lending portfolio, while ensuring compliance with regulatory requirements and internal risk appetite parameters.
- **Due Diligence and Customer Screening:** Comprehensive due diligence procedures are followed during the pre-credit evaluation stage, including borrower ratings for all obligors to assess their creditworthiness.
- **Independent Review of High-Value Exposures:** Credit exposures exceeding Rs. 5 million undergo an independent review by the Risk Management Department (RMD) to ensure appropriate risk mitigation.
- **Segregation of Duties:** A clear segregation of duties between loan origination, pre-credit evaluation, and administration ensures that credit risk is assessed from multiple perspectives and with due care.
- **Stress Testing of Credit Risk Exposures:** Periodic stress testing and scenario analysis are conducted on the credit portfolio to assess the potential impact of adverse economic and sector-specific conditions on asset quality, portfolio concentrations, and capital adequacy, thereby supporting proactive risk mitigation and strategic decision-making.
- **Early Warning Signals and Watch listing:** The Company has established procedures to identify early warning signals and maintain a watch list for potential high-risk exposures. This allows proactive management of problematic accounts before they escalate into defaults.

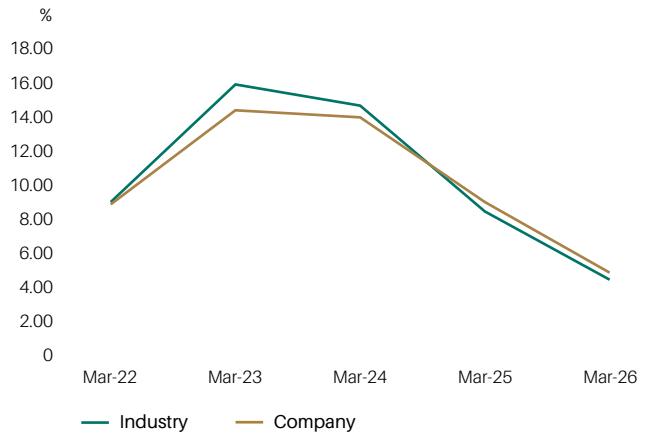
RMD regularly monitors credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal management reports, providing insights into industry and economic trends, are presented to various committees for informed decision-making.

Trend/Ratio Analysis

Key Risk Indicator (KRI)	Risk Appetite for FY 2025/26	Status Reported by the Company as at 31.03.2026	Industry Average as of 31.12.2025
Gross Non Performing Advances (Stage 03 Loans) to Total Advances	<8%	4.93%	6.11%
Net Non Performing Advances (Stage 03 Loans net of Stage 03 Impairment) to Total Advances	<=7%	2.94%	3.19%
Stage 03 Impairment Coverage Ratio (Stage 03 Impairment to Stage 03 Advances)	>=30%	40.26%	47.8%
Total Net Advances to Total Assets	>=85%	88.14%	80.23%
Higher exposure to unsecured loans & advances (No physical or financial assets)	<=5%	2.57%	N/A
Single borrower-Secured - Individual	<=5%	0.62%	N/A
Single borrower-Secured - Group	<=5%	0.62%	N/A
Aggregate - Unsecured	<=1%	0.07%	N/A
Single borrower-Unsecured - Individual	1.0%	0.02%	N/A

Trend Analysis - Credit Default Risk

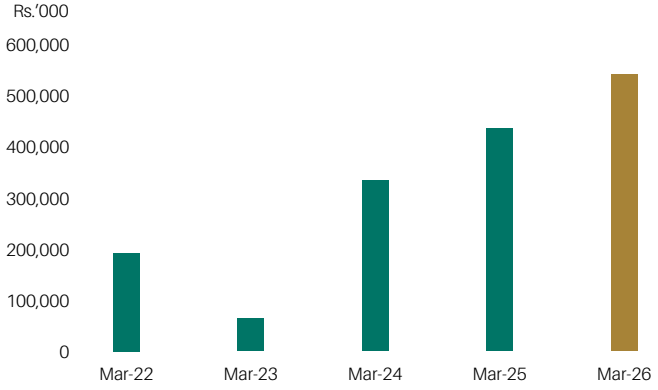
Stage 3 Ratio



⋆Note 1: During FY2023/24, the NPL (Non-Performing Loan) classification threshold was further tightened to include facilities overdue by 90 days and above, compared to previous benchmarks of 120 days and 180 days in prior years.

Despite these tighter standards, the Company recorded its lowest NPL ratio as of March 2026, underscoring the success of strengthened credit underwriting, enhanced recovery strategies, and the continued adoption of a conservative risk appetite.

Impairment Charge

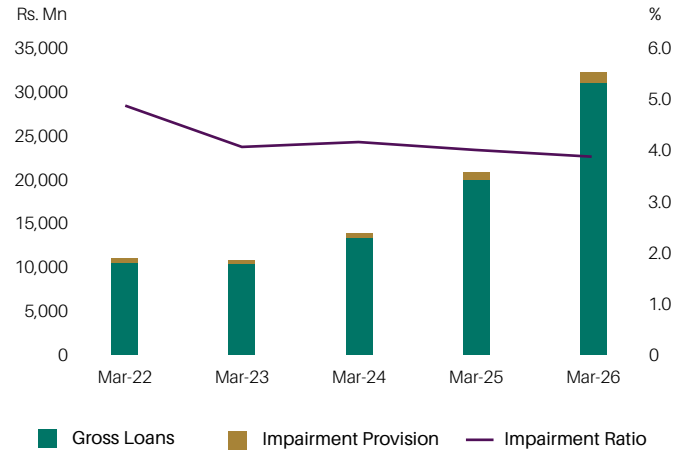


The impairment charge increased during the year, primarily due to higher Loss Given Defaults (LGDs) as the loan portfolio aged, leading to a greater portion of facilities migrating to more advanced delinquency stages. Additionally, updates made to model parameters as part of the routine IFRS 9 model review reflecting changes in the macroeconomic outlook and revised credit risk assumptions also contributed to the rise in provisions.

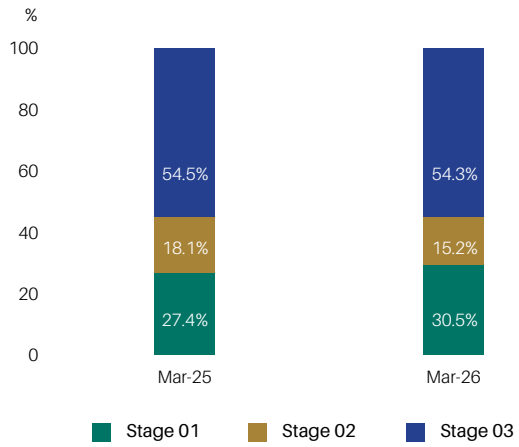
These adjustments were undertaken as a prudent measure to ensure the adequacy of provisioning and the resilience of the balance sheet under evolving risk conditions.

Integrated Risk Management Report

Gross Loans and Impairment Provision

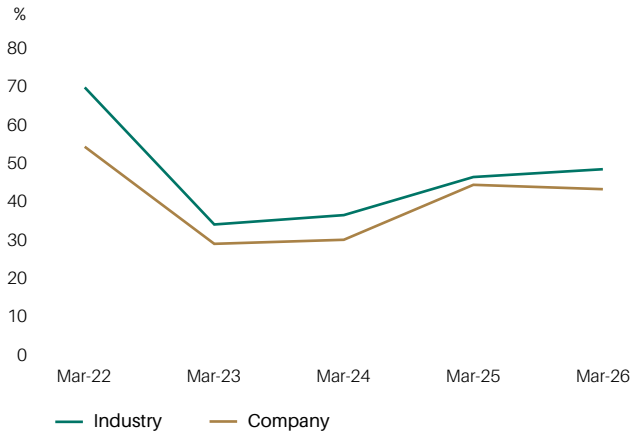


Stage Analysis of Impairment Provisions



During the year under review, with signs of economic recovery, the Company adopted an aggressive growth strategy for its loan book, leading to a notable increase in Stage 1 loan composition.

Provision Coverage Ratio



⋆ Industry is comprised of LFCs and SLCs which represents data as at 31st December 2025
Source - CBSL

Note 1: The definitions related to Non-Performing Assets (NPA) and NPA ratios were revised in 2022 and 2023 to align with SLFRS 9 and reflect updated supervisory requirements. As a result, both the Company's and industry figures have been restated for the preceding three financial years to ensure comparability.

Accordingly, the data for the last two financial years now represents the Stage 3 Impairment Coverage Ratio, calculated as Stage 3 Impairment Allowance to Stage 3 Advances, providing a more accurate and standardized measure of credit risk in line with current regulatory and accounting standards.

Stress Test on Top 20 Customers

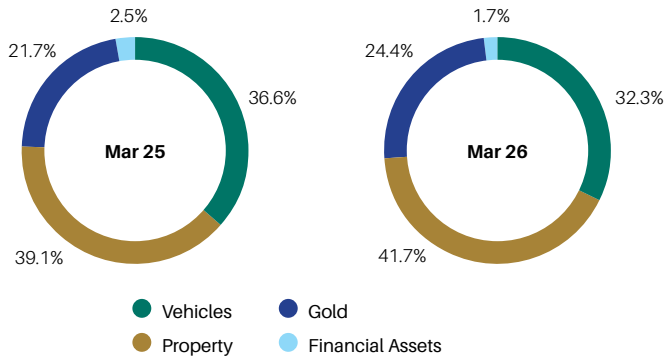
Stressed Scenario - Top 20 customers falling into NPL category impacting the capital adequacy ratio

Current Total Capital Adequacy Ratio – 22.18%

Minimum regulatory threshold – 12.5%

Scenario	1	2	3
Magnitude of Shock	Top 5	Top 10	Top 20
Capital Adequacy Ratio	21.76%	21.43%	20.90%

Main Types of Collaterals

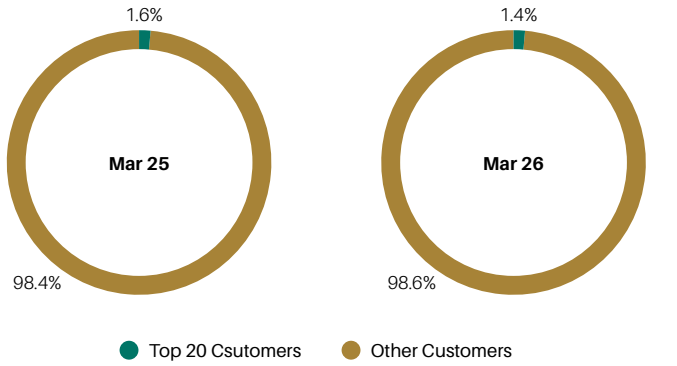


As at 31st March 2026, 96.7% of the Company's total loan book is secured by either physical or financial collateral, demonstrating SDF's strong emphasis on credit risk mitigation.

This high level of collateralization significantly enhances the Company's ability to manage default risk, ensures better recovery in the event of non-performing loans, and reinforces the overall resilience of the loan portfolio. It also reflects the Company's commitment to maintaining a robust and secured lending framework in line with its risk appetite and regulatory expectations.

Trend Analysis - Credit Concentration Risk

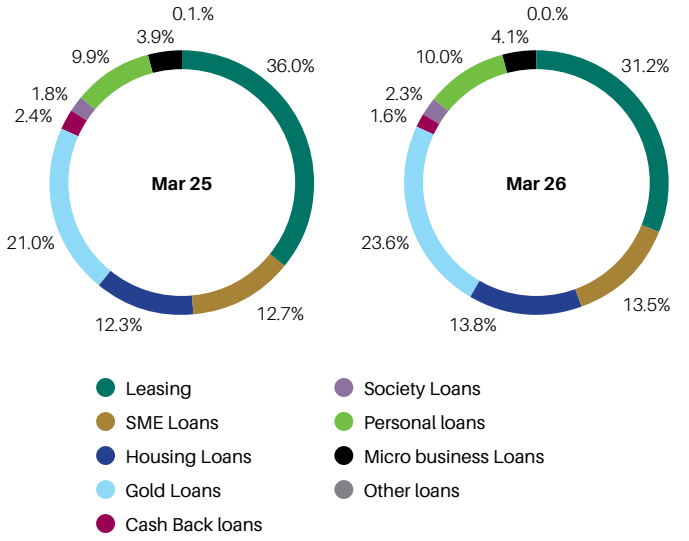
Concentration on Top 20 customers



During the year under review, the Company continued to uphold a conservative risk approach, deliberately avoiding the disbursement of large loan facilities. As a result of this prudent strategy, the concentration of exposure to the top 20 borrowers has decreased, reflecting a more balanced and diversified credit portfolio.

This approach has strengthened the Company's overall risk profile by reducing dependency on a few large borrowers and minimizing potential concentration risk. It also aligns with the Company's broader objective of maintaining financial stability, especially amid evolving market and economic conditions.

Product Wise Concentration

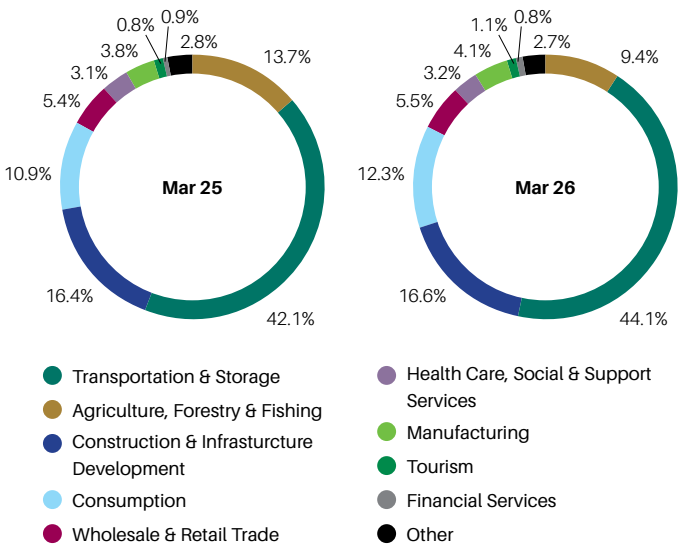


During the year under review, SDF recorded an increase in portfolio concentration within the Personal Loan, Housing Loan, and Gold Loan segments. This trend reflects evolving customer preferences and changing market conditions amid the continued recovery of the domestic economy. Improved consumer confidence and increased demand for retail credit products contributed to the growth of these segments within the overall lending portfolio.

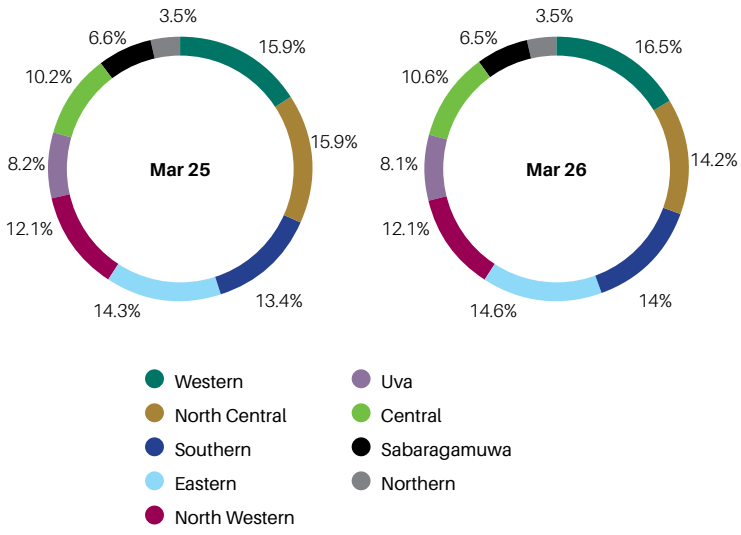
In contrast, the concentration of the Leasing portfolio has declined over the past two years. This reduction reflects the Company's efforts to maintain a balanced and diversified asset portfolio while responding to changing market dynamics and regulatory considerations. SDF continues to closely monitor portfolio concentrations and sector exposures to ensure alignment with its risk appetite, promote portfolio diversification, and strengthen the resilience of its credit portfolio against adverse economic and sector-specific developments.

Integrated Risk Management Report

Industry Wise Concentration



Province Wise Concentration



In terms of industry-wise concentration, Agriculture, Forestry and Fishing, Construction, and Consumption sectors have seen an increase in exposure. Recognizing the risks associated with these sectors, particularly the agriculture sector, SDF has implemented proactive measures to manage potential risks, especially those stemming from climate change and environmental fluctuations.

To mitigate the risks in the agricultural sector, SDF has registered under the Agricultural and Agrarian Insurance Board, which provides coverage against catastrophic production losses. This insurance helps shield the Company from the financial impact of adverse climate events, ensuring that its agricultural portfolio remains resilient in the face of unpredictable weather conditions and other environmental risks.

Additionally, SDF has taken further steps to safeguard its agricultural financing by signing Memorandums of Understanding (MOUs) and establishing buy-back agreements with the primary suppliers of agro-equipment and machinery. These agreements help secure the value of the assets financed by SDF, reducing the risks associated with default or depreciation in asset value. This comprehensive approach enhances the stability of SDF's loan book and provides a buffer against sector-specific challenges, especially in agriculture, where external factors play a significant role in production outcomes.

SDF has successfully maintained a well-diversified portfolio, strategically spread across the country, supported by its robust network of 56 branches.

Liquidity Risk Management at SDF

Liquidity risk management is a critical function for any finance company, as it ensures that the firm can meet its short-term obligations and continue operating smoothly under both normal and stressed conditions. Effective liquidity planning allows the Company to maintain financial stability, respond to unexpected cash flow needs, and seize growth opportunities without compromising its core operations.

Risk Monitoring Mechanisms

Liquidity risk is managed by the Asset-Liability Committee (ALCO), which oversees the Company's liquidity management policies. The Finance Department, guided by ALCO, is responsible for managing liquidity limits. Liquidity risk is a standard agenda item at ALCO meetings. The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including during periods of financial stress.

Few Risk Mitigation Strategies Implemented by the Company;

- Regular monitoring of liquidity positions to ensure financial stability.
- Maintaining an adequate buffer of liquid assets to cover potential short-term obligations.

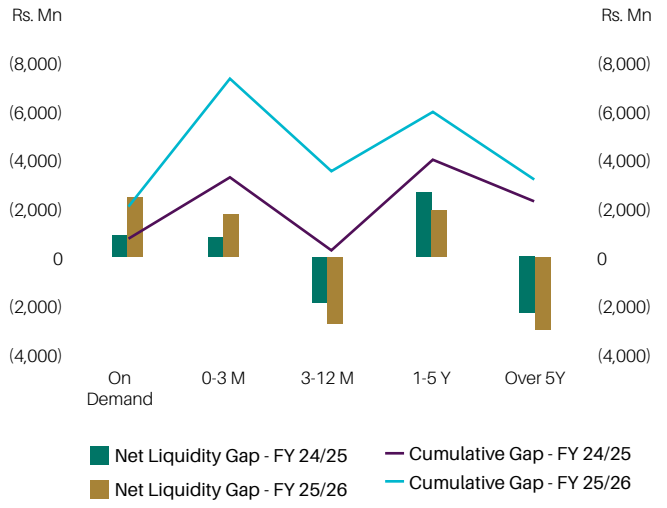
- Ongoing monitoring and forecasting of cash inflows and outflows to proactively manage liquidity needs.
- Contingency Funding Plans (CFPs) to ensure preparedness for unforeseen liquidity events.
- Diversified funding sources to meet unexpected liquidity requirements.
- Asset-Liability Management (ALM) to balance the timing and structure of assets and liabilities effectively.
- Regular review of Key Risk Indicators (KRIs) and Risk Appetite levels for liquidity risk to ensure they align with the Company's financial goals and risk tolerance.

Trend/Ratio Analysis

Key Risk Indicator (KRI)	Risk Appetite set for FY 2025/26	SDF Figures as at 31.03.2026	Industry Average as of 31.12.2025
Interest Earning Assets to Total Assets	>=90%	95.89%	N/A
Deposit Renewal Ratio (Overall)	>=85%	85.67%	N/A
Over dependency on single depositor	<=5%	3.59%	N/A
Liquid Assets to Total Assets	5% - 10%	7.21%	8.15%
Liquid Assets to Deposits	N/A	21.0%	17.89%
Liquid Assets to External Funds (Total Deposits and Borrowings)	7.5% - 12.5%	8.66%	10.71%

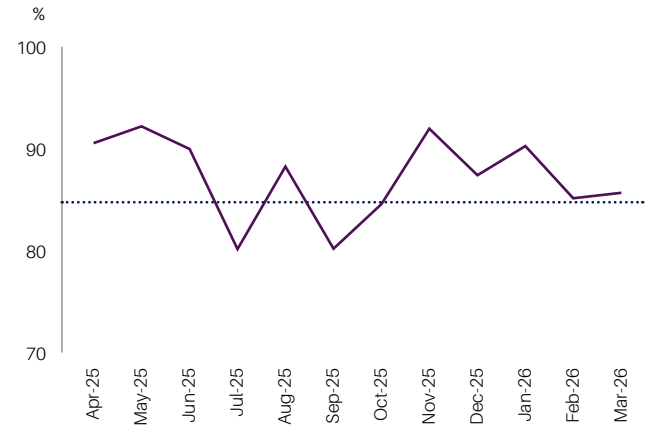
Trend Analysis - Liquidity Risk

Net Liquidity Gap Based on Remaining Contractual Maturities



Despite normal maturity mismatches inherent in the NBFI business model, the Company sustained a positive cumulative liquidity profile across all contractual maturities, supported by diversified funding sources, strengthened capital buffers, and disciplined treasury management.

Deposit Renewal Ratio



Throughout FY2025-26, SDF has successfully maintained its Fixed Deposit (FD) renewal ratio above the risk appetite threshold of 85% apart from two instances. This increase in the risk appetite reflects the Company's growing confidence in its funding stability and ability to manage liquidity risks effectively. By maintaining a renewal ratio above this benchmark, SDF continues to strengthen its financial position and retain customer trust, ensuring a stable and reliable funding base.

Integrated Risk Management Report

Liquid Assets Stress Test

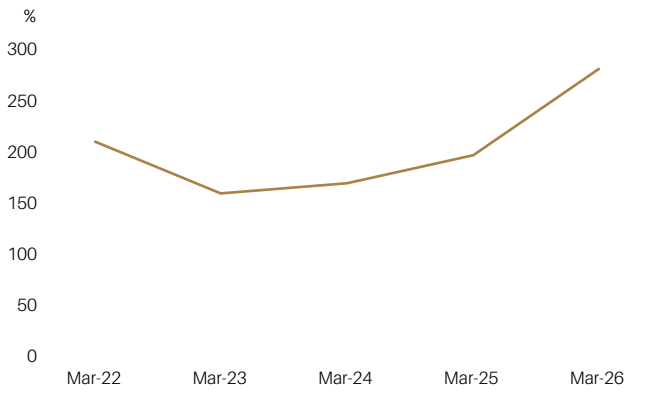
Stressed Scenario – Sudden fall in deposit base impacting liquid asset ratio.

Required Liquid Asset Ratio - 10.46%
Actual Liquid Asset Ratio (Unstressed) - 14.31%

Scenario	1	2	3
Magnitude of Shock	2.50%	5.0%	7.50%
New liquid asset ratio	13.23%	12.12%	10.97%

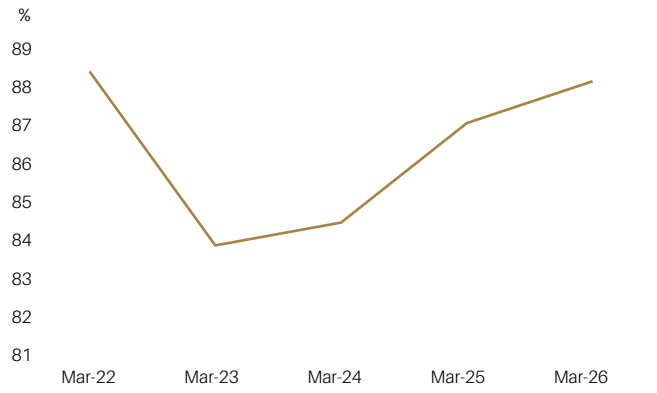
Loans to Deposits Ratio

Loans to Deposits Ratio



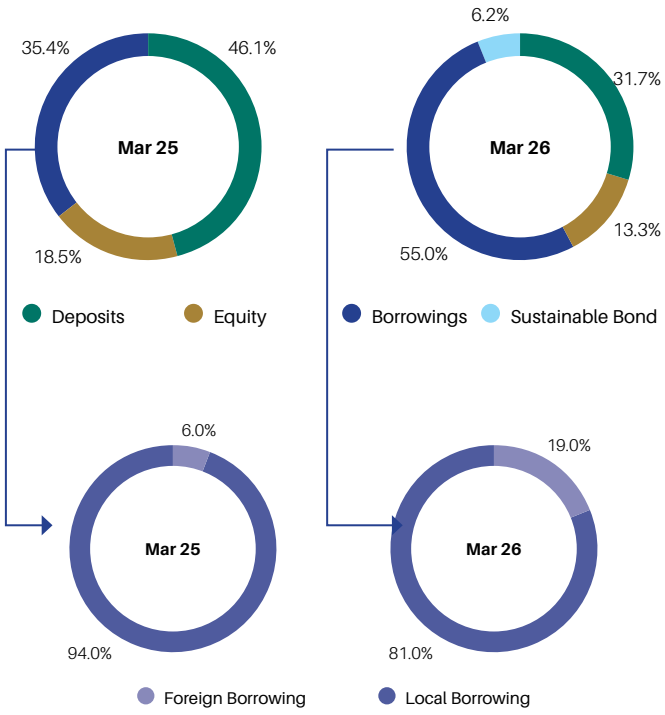
The Company's loan book is predominantly financed through customer deposits. A Loans to Deposits ratio exceeding 100% indicates that the Company is effectively utilizing its deposits to convert them into interest-earning assets at an optimal level. This ratio reflects the Company's ability to leverage available deposits to support its lending activities, thereby generating returns on those assets.

Net Loans to Total Assets Ratio



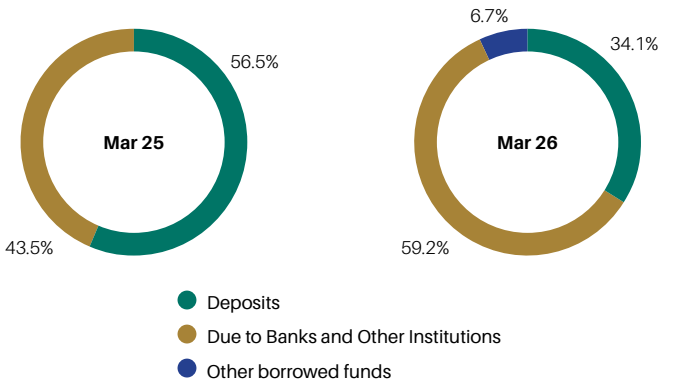
During the year, the demand for credit has increased significantly, driven by the revival of the economy. As economic conditions improved, businesses and consumers alike sought greater access to financing to fuel expansion, investment, and consumption. This rise in demand presents an opportunity for SDF to grow its loan portfolio and contribute to the broader economic recovery.

Funding Mix



The funding mix has shifted structurally representing a high reliance on borrowings. However, during the year under review, the Company has been able to further diversify its funding mix through successfully issuing Sri Lanka's first listed, rated, high-yield sustainable bonds worth of Rs. 2 billion to fund social impact projects and green initiatives, targeting financial inclusion and climate resilience. Further, several other foreign impact fund lenders also reached SDF and currently company's borrowing represent funds received from 3 such institutions.

Interest Bearing Liabilities Mix



Capital Management at SDF

Capital management is essential for a finance company as it ensures the firm maintains adequate liquidity and solvency to meet its obligations, absorb potential losses, and comply with regulatory requirements. Effective capital management is key to supporting sustainable growth by optimizing the balance between risk and return. This allows the company to lend, invest, and operate efficiently while safeguarding the interests of its stakeholders. It also enhances investor confidence and financial stability, both of which are vital in the highly regulated and risk-sensitive financial sector.

Risk Monitoring Mechanisms

The adequacy of capital is closely monitored at the ALCO level, where the committee reviews the capital position and evaluates the capital management activities undertaken by the Company.

Few Risk Mitigation Strategies Implemented by the Company;

- **Capital Adequacy Planning:** Developing a structured approach to ensure capital is maintained at adequate levels.
- **Diversified Investments and Exposures:** Spreading investments across various asset classes, industries, and geographies to reduce the impact of any single failure.
- **Liquidity Management:** Maintaining sufficient liquidity buffers to meet financial obligations.
- **Limit Setting & Risk Appetite Frameworks:** Establishing clear boundaries for risk-taking aligned with the company's strategic objectives.
- **Contingency Funding Plans:** Preparing for potential liquidity shortfalls in times of financial stress.
- **Internal Capital Adequacy Assessment Process (ICAAP):** The Company is in the process of developing and adopting ICAAP to assess the adequacy of capital relative to risks.
- **Ongoing Monitoring and Reporting:** Continuously assessing and reporting on capital adequacy to ensure regulatory compliance and financial stability.

Trend/Ratio Analysis

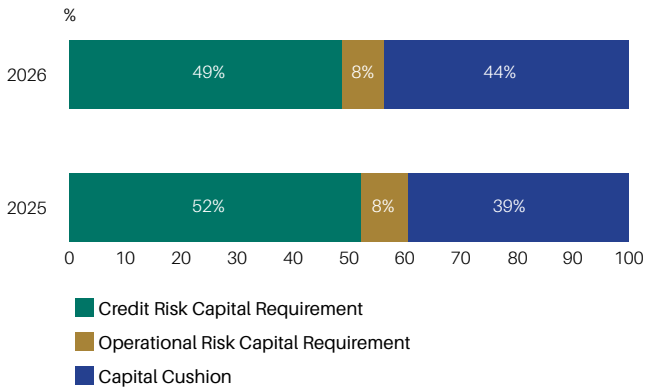
The Capital Adequacy Ratio (CAR) is a key indicator of the financial strength of a finance company. It is used to safeguard depositors and promote the stability and efficiency of the financial system. A higher CAR indicates that the company has the ability to absorb losses and fulfil its obligations to account holders without halting operations. Over time, minimum regulatory requirements for CAR have been increased to enhance the resilience of the financial sector, and currently applicable regulatory thresholds are as follows.

	Tier 1 Capital	Total Capital	Unimpaired Core Capital Requirement (01.01.2022 onwards)
01-07-22 onwards	8.50%	12.50%	2.5Bn

Capital Adequacy position was as follows;

Category	Mar-25	Mar-26
Tier 1 Capital	3,723,375	4,133,000
Total Capital	3,744,089	5,907,865
Total Risk Weighted Amount	18,148,891	26,637,756
Risk Weighted Amount for Credit Risk	15,633,177	23,047,232
Risk Weighted Amount for Operational Risk	2,515,714	3,590,524
Tier I Ratio %	20.52%	15.48%
Total Capital Ratio %	20.63%	22.13%

Breakdown of the CAR



Integrated Risk Management Report

The Company has consistently maintained Capital Adequacy Ratios (CARs) well above the minimum regulatory requirements. However, with the rapid growth of its business, these ratios have experienced a slight decline. To strengthen capital adequacy for the expected business growth, the Company is currently in the process of developing strategies and exploring emerging financial instruments to strengthen its capital position moving forward. (Refer to the Capital Adequacy Ratio calculation on page... for further details.)

Market Risk Management at SDF

Market risk management is crucial for financial institutions as it safeguards the company from potential losses triggered by fluctuations in market variables such as interest rates, exchange rates, equity prices, and commodity prices. Given that financial companies are deeply involved in trading, lending, and investment activities, they are particularly vulnerable to these risks. If not properly managed, sudden shifts in the market can deplete profits, damage capital, and strain liquidity. Effective market risk management ensures that a company can maintain financial stability, adhere to regulatory requirements, and foster trust with clients and investors by proactively identifying, measuring, and controlling risks.

Risk Monitoring Mechanisms

The movement of market variables is continuously reviewed by the Asset-Liability Committee (ALCO) during its monthly meetings. Based on these reviews, pricing decisions and their potential impacts are assessed, allowing for informed decision-making.

Sub risks arising from market risk are discussed in detail as follows.

a) Interest Rate Risk

Interest Rate Risk is the risk of declining earnings (profitability) due to the movement of interest rates. Impact on the Company's Net Interest Income (NII) due to fluctuations in market interest rates is closely monitored. The Company uses the interest rate sensitivity of its assets and liabilities for modelling the financial impact.

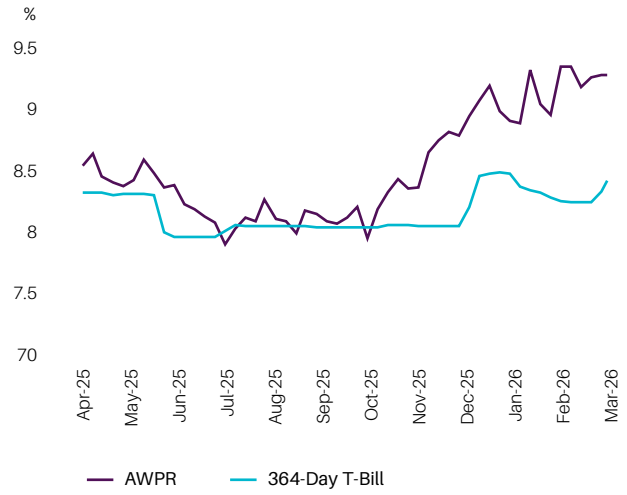
The table below illustrates the impact on Net Interest Income from different interest rate scenarios.

Stress Test on NII from Parallel Interest Rate Shocks

Annual Impact on NII	2025		2026	
	Increase	Decrease	Increase	Decrease
1%	(32.8)	32.8	(13.2)	13.2
2%	(65.6)	65.6	(26.4)	26.4
3%	(98.4)	98.4	(39.7)	39.7

Trend Analysis

T-Bill (364D) Vs AWPR



With the recovery of the economy and the Central Bank of Sri Lanka's (CBSL) proactive measures, both the T-Bill rate and AWPR (Average Weighted Prime Rate) experienced a declining trend. As the year progressed, these rates began to stabilize, reflecting a more balanced economic outlook.

b) Commodity Price Risk

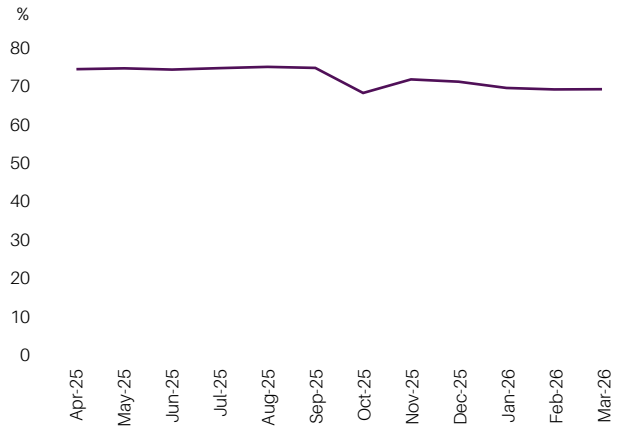
In the context of SDF, commodity price risk is most prominently associated with fluctuations in gold prices, given the Company's exposure through its Gold Loans Portfolio. The potential volatility in gold prices directly impacts the value of collateral securing these loans.

To mitigate this risk, SDF ensures that it maintains healthy safety margins and Loan-to-Value (LTV) ratios that provide a buffer against adverse price movements. The Company's approach involves continuous monitoring of Key Risk Indicators (KRIs) specific to the Gold Loans Product, which is reviewed on a monthly basis by the Risk Management Department.

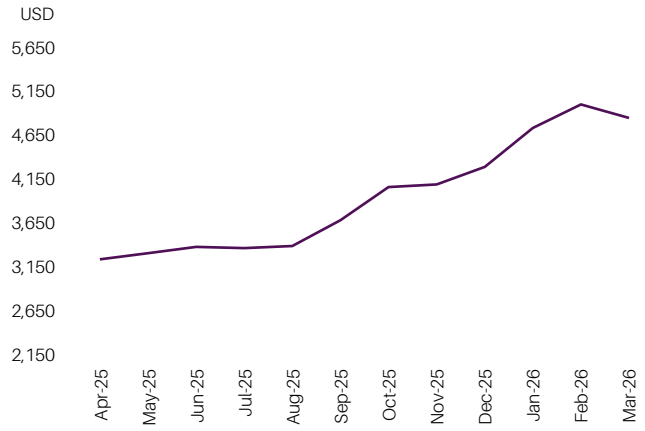
Furthermore, SDF closely tracks gold price fluctuations and adjusts the gold-backed advances accordingly, ensuring that the collateral value aligns with market conditions. This proactive approach enables the Company to effectively manage commodity price risk while maintaining the stability of its loan portfolio.

Trend Analysis - Gold Market Price Movements

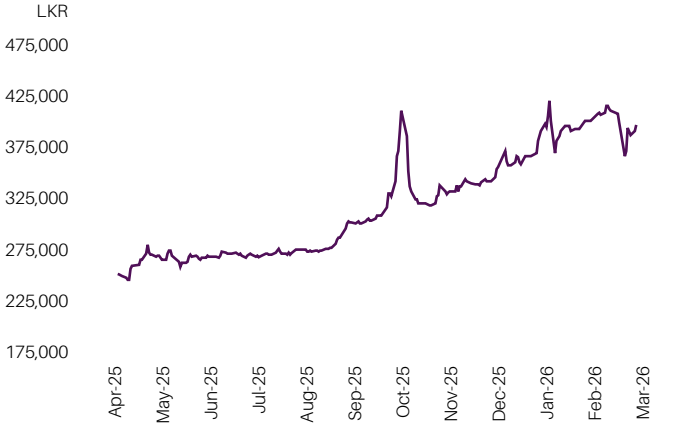
Average LTV



Global Gold Price Movement



Loacal 24K Suv price



During FY 2025/26, both global and local gold prices experienced a significant upward trend, influenced by a combination of geopolitical developments, macroeconomic conditions, and increased investor demand. Heightened geopolitical tensions, particularly arising from the Russia-Ukraine conflict and continued instability in the Middle East, increased global uncertainty and strengthened the demand for gold as a safe-haven asset. In addition, central banks in several emerging economies continued to expand their gold reserves as part of broader reserve diversification strategies and to reduce exposure to geopolitical and currency-related risks.

Market expectations relating to potential interest rate reductions by the U.S. Federal Reserve, amid easing inflationary pressures and concerns over slower global economic growth, further supported gold prices by reducing the opportunity cost associated with holding non-yielding assets. At the same time, growing concerns surrounding global economic uncertainty, recessionary pressures, and financial market volatility contributed to increased investor preference for low-risk and inflation-hedging assets such as gold.

The upward momentum in gold prices was also supported by increased retail and institutional demand, particularly from key markets such as China and India, where gold continued to be viewed as a store of value and portfolio diversification instrument. Consequently, the favorable market conditions observed during the year contributed to a notable appreciation in gold prices within both international and domestic markets.

c) Foreign Exchange Risk

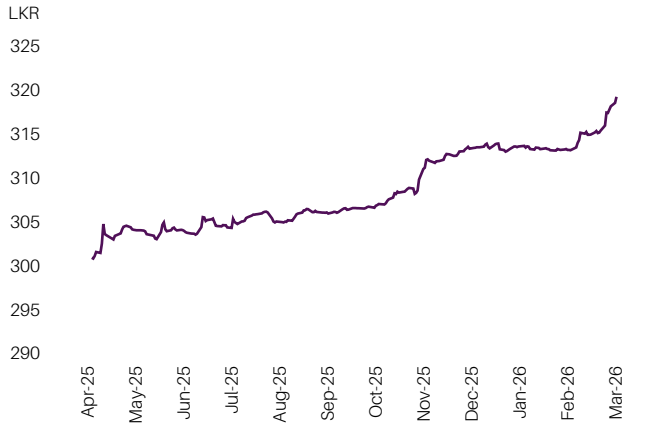
Foreign Exchange Risk refers to the potential loss arising from adverse fluctuations in the value of the Sri Lankan Rupee (LKR) against foreign currencies.

Integrated Risk Management Report

SDF's direct exposure to foreign exchange risk is limited. However, the Company has access to foreign currency funding and currently, the Company has received foreign impact funds from three institutions as senior debt facilities and of which the capital portions are fully hedged and only exposure to foreign exchange risk stem through the interest differential.

SDF also has an indirect exposure to foreign currency risk through its gold-backed loan portfolio. While global gold prices are denominated in USD, the local impact is largely subdued due to prevailing restrictions on gold imports, which help to stabilize the local gold price in LKR terms.

Exchange Rate Movement - LKR/USD



d) Equity Price Risk

Equity Price Risk refers to the potential financial loss arising from unfavorable movements in the market prices of equity investments. As of the reporting period, SDF is not exposed to Equity Price Risk, as the Company does not hold any investments in listed or unlisted equity securities.

Operational Risk Management at SDF

As Sarvodaya Development Finance PLC (SDF) continues to evolve, its operational risk profile has become more complex driven by factors such as expanded business operations, greater reliance on technology, outsourced functions, and an evolving regulatory landscape. Recognizing that operational risk is embedded in every product, activity, process, and system, SDF has placed effective operational risk management at the core of its Enterprise Risk Management (ERM) Framework.

Risk Monitoring Mechanisms

To provide structured oversight, SDF has established a dedicated Operational Risk Management Committee (ORMC) at the management level. The Committee is responsible for identifying, evaluating, and mitigating operational risks across the organization.

Few Risk mitigation strategies implemented by the Company;

SDF employs a systematic approach to minimize its exposure to operational risk, balancing risk mitigation with cost efficiency. Operational risk is managed through a consistent framework that focuses on risk identification, assessment, control, and monitoring.

Some of the key controls related to Operational risk management are;

- Formation of the Operational Risk Management Committee (ORMC) to lead oversight efforts
- Regular review and update of policies related to operational risk
- Early adoption and compliance with the Finance Business Directions Act No. 04 of 2024 on Operational Risk Management
- Implementation of internal policies, procedures, Memoranda of Understanding (MOUs), Service Level Agreements (SLAs), and Non-Disclosure Agreements (NDAs) to manage third-party relationships
- Deployment of internal IT controls to secure operations and data integrity
- Conducting Branch-wise Operational Risk Assessments (ORA) to identify and manage local risk exposures
- Initiated Risk Control Self-Assessment (RCSA) covering all the processes.

Each business unit is accountable for maintaining operational risk management standards, and potential financial losses from unforeseen events are mitigated through comprehensive insurance coverage.

Business Continuity Management (BCM) of SDF

SDF's Business Continuity Management (BCM) framework ensures organizational resilience by preparing for and responding to Significant Business Disruptions (SBDs)—events that could severely impact the Company's ability to deliver key services. The goal of BCM is to ensure the continuity of critical operations with minimal disruption, thereby protecting stakeholders, the Company's brand, and its value-generating activities.

BCM Governance and Oversight

To ensure alignment between business and continuity objectives, SDF has established a BCM Steering Committee. This Committee is responsible for:

- Overseeing the rollout of the Business Continuity Management System (BCMS) across the organization
- Ensuring that BCM strategies are aligned with corporate objectives
- Keeping the BCMS up to date and responsive to the changing risk landscape
- Facilitating a culture of preparedness and resilience throughout the organization

SDF's BCM approach reflects a commitment to operational excellence, stakeholder protection, and regulatory compliance in times of crisis.

Strategic Risk Management At SDF

SDF continuously monitors the evolving business landscape to identify emerging opportunities and challenges. The Company adopts a proactive and adaptive approach to strategy formulation, ensuring that risks associated with business strategies are carefully evaluated and managed. All strategic decisions are grounded in risk-aware planning, supporting sustainable value creation and long-term resilience.

A comprehensive Three-Year Strategic Plan (FY2025–26 to FY2027–28) has been developed, incorporating clear quantitative indicators that are regularly monitored to track progress and ensure alignment with the Company's risk appetite and performance goals.

Risk Monitoring Mechanisms

Strategic risks are regularly assessed and reviewed by the Management Committee (ManCom) through monthly meetings. This enables the Company to implement corrective, preventive, and responsive measures in a timely and informed manner.

Few Risk mitigation strategies implemented by the Company;

- A robust budgeting process, supported by variance analysis, to identify deviations from planned targets and take timely corrective actions.
- A structured Strategic Planning Process, which incorporates risk assessments and scenario analysis to ensure resilience.
- Environmental scanning tools such as:
  - PESTLE Analysis (Political, Economic, Social, Technological, Legal, and Environmental factors)
  - SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)

These tools provide insights into the external and internal factors that could impact strategic objectives.

IT and Information Security Risk Management at SDF

In today's fast-paced digital environment, the role of Information Technology (IT) and Information Security (IS) has become critical to the success and sustainability of financial institutions. As digital channels become the primary interface for customer interaction, robust IT systems are essential for delivering secure, efficient, and uninterrupted financial services.

Simultaneously, the increasing volume and complexity of cyber threats underscore the need for strong information security measures to protect sensitive data, ensure regulatory compliance, and maintain customer trust. At SDF, IT and IS are recognized not merely as support functions, but as strategic enablers of resilience, innovation, and competitive advantage.

Risk Monitoring Mechanisms

To ensure rigorous oversight and risk mitigation in this vital area, SDF has established two dedicated Management-Level Committees:

- Information Technology Steering Committee (ITSC)
- Information Security Committee (ISC)

These committees oversee the development and implementation of IT and IS strategies and are responsible for reviewing system upgrades, emerging threats, and regulatory compliance.

Additionally, IT and IS-related developments and risks are regularly reviewed by the Board Integrated Risk Management Committee (BIRMC).

Recognizing the strategic significance of IT and IS functions, the Board of Directors has formed a dedicated Board Sub-Committee, effective from 1st April 2025, to provide enhanced oversight and governance in these areas.

Few Risk mitigation strategies implemented by the Company;

- Developed a comprehensive Technology Risk Management Framework to guide the identification and mitigation of IT-related risks.
- Formulated and regularly updated the IT& IS Risk Database to maintain visibility over evolving risks and control measures.
- Conducted Vulnerability Assessment and Penetration Testing (VA/PT) to identify and address system vulnerabilities.
- Reviewed and enhanced all IT-related policies to align with current best practices and regulatory expectations.
- Delivered continuous staff training programs to raise awareness on cybersecurity threats and safe practices.

Integrated Risk Management Report

- Developed an overarching IT Strategy and Roadmap to align technological investments with business goals.
- Strengthened the Privileged Access Monitoring (PAM) mechanism to safeguard critical systems and sensitive data from unauthorized access.

(Refer to the Intellectual Capital Report on page 145 and BITIS Committee Report on page 232 for further details.)

LEGAL/Regulatory Risk Management at SDF

SDF is firmly committed to conducting its business in full compliance with the Company's Code of Conduct, as well as all applicable laws, regulations, and directives issued by regulatory authorities. The Company maintains a zero-tolerance approach toward any form of non-compliance and has embedded this principle within a robust Corporate Governance Framework.

To uphold these standards, the Compliance Function, established under the oversight of the Board Integrated Risk Management Committee (BIRMC), operates independently and is tasked with ensuring that all operations align with legal and regulatory obligations. This function is governed by a Compliance Charter approved by the Board of Directors.

The Compliance Function proactively monitors business activities, offers compliance advisory services, and works closely with management and staff to foster a culture of integrity and regulatory discipline.

Few Key Responsibilities of the Compliance Department

- To build and maintain a compliant organizational environment, the Compliance Department undertakes the following responsibilities:
- Advisory Role: Provide timely guidance to management and staff on compliance matters, ensuring awareness of legal and regulatory developments.
- Training and Education: Conduct regular training sessions on applicable laws, regulations, rules, and standards. Serve as a point of contact for compliance-related queries.
- Ongoing Monitoring: Regularly assess the adequacy and effectiveness of internal compliance controls and recommend corrective actions where deficiencies are identified.
- Compliance Risk Assessment: Evaluate compliance risks related to existing and proposed business activities, including new products, services, and business practices.
- Incident Tracking and Feedback: Maintain records of compliance breaches and successes, using this data to improve control frameworks and implement necessary remedial actions.
- Transaction and Process Monitoring: Continuously observe business transactions and processes to detect potential compliance risks or irregularities.
- Policy and Standards Development: Establish compliance standards and guidelines, ensure they are clearly communicated, and verify adherence through internal reviews and testing.
- Anti-Money Laundering (AML) & Counter-Terrorist Financing (CTF): Ensure the timely detection and reporting of any suspicious activity related to money laundering or terrorism financing to the relevant law enforcement authorities.

Human Resources Risk Management at SDF

At SDF, employees are recognized as one of the Company's most valuable assets, playing a pivotal role in achieving organizational goals. Accordingly, the Company places strong emphasis on managing human resource risks to ensure a resilient, engaged, and high-performing workforce.

Few HR Risk mitigation strategies implemented by the Company;

- Employee Engagement Initiatives: Regular programs and activities are conducted to boost engagement, motivation, and team cohesion.
- Work Stress Management: Dedicated efforts are made to promote employee well-being and manage workplace stress, ultimately enhancing productivity and job satisfaction.
- Training and Skill Development: Gaps in staff competencies are continuously assessed, with targeted training provided to build capabilities and support career development.
- Monitoring Turnover Ratios: Employee attrition is closely tracked to identify trends and implement retention strategies where necessary.
- Succession Planning: Potential leaders within the organization are identified and developed to build a strong second line of leadership.
- Stay Interviews: These are conducted to gain insights into why employees remain with the Company and to identify potential factors that may influence future departures.
- Exit Interviews: Departing employees are interviewed to understand the reasons for their resignation, with insights used to improve HR practices and workplace culture.

(Refer to the Human Capital Report on page 152 for more details.)

Environmental, Social And Governance (ESG) Risk Management at SDF

At SDF, sustainability has been embedded in the Company's ethos since its inception. It is a defining element of SDF's identity, shaping a differentiated and impactful business model that aims to create long-

term value with a broader social purpose. Through development and impact financing, SDF contributes meaningfully to Sri Lanka's transition toward a green, inclusive, and balanced economy.

In alignment with the United Nations Sustainable Development Goals (SDGs) and the Roadmap for Sustainable Finance issued by the Central Bank of Sri Lanka (CBSL), SDF prioritizes ESG risk management to promote environmentally responsible, socially inclusive, and ethically governed business practices.

ESG Risk Monitoring Mechanisms

Recognizing the importance of tracking progress and impact, SDF has implemented a structured approach to measuring and managing ESG risks:

- The Company has adopted "experienz", a dedicated ESG performance platform, to quantify, monitor, and analyze ESG initiatives across three key pillars: Environmental, Social, and Governance.
- Measurement of Greenhouse Gas (GHG) emissions, specifically Scope 1 and Scope 2 emissions, based on fuel usage and electricity consumption (from the national grid and solar power).
- The platform tracks energy efficiency and supports carbon footprint analysis as part of environmental risk management.

SDF conducts a quarterly employee well-being survey, covering:

- Career Well-being
- Work Environment and Methods
- Leadership and Organizational Culture
- Physical and Emotional Well-being
- Rewards and Benefits

The insights are visualized through the platform's dashboards, which are presented at Management meetings for strategic review and action. The platform also facilitates impact analysis, tracking the indirect employment created through SME financing, supporting the Company's development finance goals.

A Management-Level Sustainability Committee has been established to oversee ESG risk management and ensure adherence to SDF's Sustainable Development Policy and ESG Risk Management Policy. This committee is tasked with safeguarding the Company's long-term sustainability and strategic alignment with ESG principles.

Few ESG Risk mitigation strategies implemented by the Company;

- Formulated and adopted the Sustainable Development Policy and ESG Risk Management Policy.
- Acquired and actively utilizes the experienz platform to monitor ESG performance metrics and progress.
- Established a Sustainability Committee at management level to guide and govern ESG strategy.
- Recruited dedicated personnel to lead and implement sustainability initiatives across the organization.
- Developing custom financial products aimed at supporting entrepreneurs engaged in green and climate-friendly businesses, with concessionary interest rates.

Reputational Risk Management At SDF

With the growing influence of social media, reputational risk has become increasingly sensitive and far-reaching, as negative perceptions or incidents can quickly spread to a wide network of stakeholders. SDF recognizes the importance of safeguarding its reputation and has established proactive monitoring and mitigation strategies to address potential threats.

Reputational Risk Monitoring Mechanisms

SDF continuously monitors events and circumstances that may pose reputational risks, and takes prompt, proactive, and corrective actions to mitigate their impact.

Few Reputational Risk Mitigation Strategies implemented by the Company;

- Ongoing employee training on business ethics, corporate values, and professional conduct to prevent actions that may lead to reputational harm.
- High-priority handling of customer complaints, with a strong focus on timely resolution and care.
- Active participation in community development initiatives as part of the Company's community integration strategy.
- Appointment of a Key Responsible Person (KRP) to independently oversee the Customer Complaint Handling Procedure.
- Establishment of a centralized unit dedicated to handling customer complaints.
- Regular policy reviews, assessments of internal control adequacy, and related staff training.
- Progress toward obtaining an international certification for the Customer Protection Framework, further reinforcing trust and accountability.
- Raising awareness of the Company's contributions to sustainability goals, enhancing stakeholder confidence and brand equity.

(For additional details, refer to the Social and Relationship Capital section on page 164)

Independent Assurance Reports

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT FINANCE PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI STANDARDS IN THE INTEGRATED ANNUAL REPORT - 2025/2026

Scope

We have been engaged by the management of Sarvodaya Development Finance PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative) Standards ("Information") in its Integrated Annual Report for the year ended 31 March 2026 (the "Report").

Management's Responsibility

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The firm applies Sri Lanka Standards on Quality Management 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 Responsibility

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI standards. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000 - Revised") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 (Revised) involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Performing a comparison of the content of the Report against the GRI Standards.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- Cross checking the non-financial data /information presented in the Report with the supporting documents and schedules maintained by the Company.

C S Manoharan FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **L A C Tillekeratne** ACA, **D C A J Yapa** ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2026.
- Checking the calculations performed by the organization on a sample basis through recalculation.
- Independently reviewing the content of the Report and request changes if required.
- Reviewing Board minutes to ensure consistency with the content of the Sustainability Report.
- Obtaining a letter of representation from management dated on the issuance of assurance report.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2026, is not presented, in all material respects, with reference to the GRI standards.

Disclosures covered by our limited assurance engagement

The selected disclosures covered by our limited assurance engagement are:

Sustainability related disclosures	Sarvodaya Development Finance PLC's sections	Page number
GRI Standards	GRI content index	413 to 418

Other Matters

Our assurance is not extending to the prospective/comparative information, or any other information presented in the Report other than based on the GRI standards. Further, we do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Deloitte Partners

Deloitte Partners
Chartered Accountants

Colombo

5 June 2026

Independent Assurance Report on the Directors' Statement on Internal Control

Deloitte.

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Introduction

We were engaged by the Board of Directors of Sarvodaya Development Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control (the "Statement") included in the annual report for the year ended 31 March 2026.

Management's Responsibility for the Statement of Internal Control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Management

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 Standards on Quality Management and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Responsibilities and Compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the company.

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

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, during this engagement, performed an audit or review of the financial information.

Summary of Work Performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

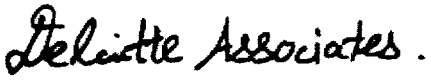
G J David FCA, **T U Jayasinghe** FCA, **P D R Bharatha** FCA, **W A D Gayan** ACA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **S Y Kodagoda** ACA, **M M M Manzeer** FCA

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

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 have adopted in the review of the design and effectiveness of internal control of the Company.



Deloitte Associates
Chartered Accountants

Colombo

5 June 2026

Jaffna

EMPOWERING VILLAGE ORGANIC FARMERS

FROM ONE ACRE IN JAFFNA, CHEMICAL-FREE GRAPES THAT REACH THE WHOLE ISLAND.

I am thirty-nine, and grapes have been our family's work since my father's time. I have carried that trade forward on close to an acre of land, and I keep vegetables growing alongside the vines.

What matters most to me is how I grow. I use no toxic fertiliser and no harmful pesticides, only careful, honest cultivation that I am willing to put my name to. That choice has earned the trust of buyers, and today my produce reaches markets right across the island.

Jaffna is known for many things. I am proud that clean, quality grapes, grown the way my father taught me, are now among them.

Customer Name: Kamalakumaran Sasitharan



Financial Calendar

This calendar sets out the key reporting and governance events for the financial year ended 31 March 2026, together with our forward calendar for the year ending 31 March 2027. Dates fall within the requirements of the Colombo Stock Exchange Listing Rules, the Finance Business Act and the Companies Act No. 07 of 2007.

Key milestones at a glance, 2025/26 and 2026/27

A chronological view of the principal financial reporting, governance and shareholder events.

Date	Month	Milestone
29	May 2025	Publication of Interim Financial Statements for the quarter ended 31 March 2025
28	May 2025	Authorisation for issue of audited Financial Statements for 2024/25
02	Jun 2025	Publication of Annual Report for the financial year ended 31 March 2025
25	Jun 2025	15th Annual General Meeting of the Company
25	Jul 2025	Payment of final dividend of LKR 1.25 per share for the financial year ended 31 March 2025
30	Jul 2025	Publication of Interim Financial Statements for the quarter ended 30 June 2025
30	Oct 2025	Publication of Interim Financial Statements for the quarter ended 30 September 2025
29	Jan 2026	Publication of Interim Financial Statements for the quarter ended 31 December 2025
11	March 2026	Payment of interim dividend of LKR 1.00 per share for the financial year ended 31 March 2026
19	May 2026	Publication of Interim Financial Statements for the quarter ended 31 March 2026
5	Jun 2026	Publication of Annual Report for the financial year ended 31 March 2026
30	Jun 2026	16th Annual General Meeting of the Company

Submission of Interim Financial Statements (Colombo Stock Exchange)

Submission of Interim Financial Statements (CSE Listing Rule 7.4)	2025/26 Submitted on	2026/27 To be submitted on or before
For the 3 months ended 30 June (unaudited)	30 July 2025	15 August 2026
For the 3 and 6 months ended 30 September (unaudited)	30 October 2025	15 November 2026
For the 3 and 9 months ended 31 December (unaudited)	29 January 2026	15 February 2027
For the 3 months and year ended 31 March (unaudited)	19 May 2026	30 May 2027

All interim Financial Statements were submitted to the Colombo Stock Exchange within the timelines prescribed under Listing Rule 7.4. Statements were also uploaded to the Company website on the date of submission.

Publication of Six Month and Annual Financial Statements (Central Bank of Sri Lanka)

Publication of Six Month Financial Statements (Central Bank of Sri Lanka requirement)	2025/26 Published in newspapers on			2026/27 To be published on or before
	English	Sinhala	Tamil	
For the year ended 31 March (audited)	24 June 2025	24 June 2025	24 June 2025	30 June 2026
For the 6 months ended 30 September (unaudited)	19 November 2025	19 November 2025	19 November 2025	30 November 2026

Publication in newspapers complies with the requirements set out under the Finance Business Act No. 42 of 2011 and the directions issued by the Central Bank of Sri Lanka.

Annual Report, Annual General Meeting and Dividend Calendar

Category	2025/26	2026/27
Annual Report publication		
Annual Report and Accounts signed / to be signed	In May 2026	In May 2027
Publication of Annual Report	In June 2026	In June 2027
Annual General Meeting		
Annual General Meeting	16th AGM on or before 30 June 2026	17th AGM on or before 30 June 2027
Dividend payment		
Final dividend for the previous financial year	LKR 1.25 per share paid in July 2025 for FY 2024/25	To be paid in July 2026 (subject to shareholder approval at 16th AGM)
Interim dividend for the financial year	LKR 1.00 per share paid during FY 2025/26	To be considered by the Board
Final dividend for the financial year (proposed)	To be proposed by the Board	To be proposed by the Board

Notes and Shareholder Communication Channels

Throughout the year, SDF engages with investors through multiple channels: the Annual General Meeting (held annually), the Annual Report (annually), quarterly Interim Financial Statements, semi-annual newspaper publications, the corporate website, mandatory disclosures via the Colombo Stock Exchange, press releases and social media. All quarterly statements, the audited Financial Statements, dividend announcements and material disclosures are released to the Colombo Stock Exchange and are available on the Company website at www.sarvodayafinance.lk.

Investor queries may be directed to: The Company Secretary, Sarvodaya Development Finance PLC, No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka.

Financial Reports

Independent Auditor's Report	**288**
Statement of Profit or Loss and Other Comprehensive Income	**292**
Statement of Financial Position	**293**
Statement of Changes in Equity	**294**
Statement of Cash Flows	**295**
Notes to the Financial Statements	**296**

Independent Auditor's Report



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To the Shareholders of Sarvodaya Development Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

G J David FCA, **T U Jayasinghe** FCA, **P D R Bharatha** FCA, **W A D Gayan** ACA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **S Y Kodagoda** ACA, **M M M Manzeer** FCA

Impairment of loans and receivables	
Risk Description: As at the reporting date, 80% of the total assets of the Company consisted of loans & advances and lease receivables amounted to Rs. 29,792 Mn. This amount is presented net of an impairment allowance of Rs. 1,198 Mn. Management applies the Expected Credit Loss (ECL) model under SLFRS 9 to determine impairment allowances for loans and receivables. This involved significant judgment in evaluating the credit risk of borrowers, staging criteria, incorporation of forward-looking macroeconomic information, and complex modelling techniques. Due to the higher level of estimation uncertainty involved and significance of its impact on the amounts reported in the financial statements, we have considered it as a Key Audit Matter. Basis of impairment allowance and assumptions used by the management in its calculation, is disclosed in note 22.1 to 22.4.	**How the matter was addressed in our audit** We designed our audit procedures to obtain sufficient and appropriate evidence on the reasonableness of the impairment allowance and included the following. ◉ Obtained an understanding on the management process for the determination of impairment of Loans and receivables and, evaluate the designing and operating effectiveness of the controls used by the management in that process. ◉ Evaluated the model used to calculate impairment allowance to assess its appropriateness considering the requirements of SLFRS 9 ◉ Checked the underlying calculations and data on a sample basis for accuracy and completeness of them. ◉ Assessed the reasonableness of the judgments and assumptions used by management in determining the impairment allowance under the Expected Credit Loss (ECL) model by corroborating them with internal data available with the Company and publicly available information, where appropriate ◉ Assessed the adequacy of the disclosures made in the notes 22.1 to 22.4 of the financial statements.

Other Information

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

Independent Auditor's Report

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 financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 6355.

Deloitte Associates.

DELOITTE ASSOCIATES
Chartered Accountants
Colombo

5 June 2026

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR	Variance LKR	Variance %
Income	5	304	6,423,300,561	4,374,394,969	2,048,905,592	46.8%
Interest Income			5,845,684,642	4,063,784,067	1,781,900,575	43.8%
Interest Expenses			(2,270,651,937)	(1,424,294,944)	(846,356,993)	59.4%
Net Interest Income	6	304	3,575,032,705	2,639,489,123	935,543,582	35.4%
Net Fee and Commission Income	7	305	455,416,752	268,010,645	187,406,107	69.9%
Other Operating Income	8	305	122,199,167	42,600,257	79,598,910	186.9%
Total Operating Income			4,152,648,624	2,950,100,025	1,202,548,599	40.8%
Impairment Charges for Loans and Other Losses	9	306	(546,160,413)	(438,903,833)	(107,256,579)	24.4%
Net Operating Income			3,606,488,211	2,511,196,191	1,095,292,020	43.6%
Operating Expenses						
Personnel Expenses	10	307	(919,538,941)	(699,474,891)	(220,064,050)	31.5%
Depreciation of Property, Plant and Equipment			(68,569,655)	(46,980,467)	(21,589,188)	46.0%
Amortisation of Right of Use Assets			(102,886,978)	(93,152,274)	(9,734,704)	10.5%
Amortisation of Intangible Assets			-	(3,096,618)	3,096,618	-100.0%
Other Operating Expenses	11	308	(694,151,884)	(529,311,630)	(164,840,254)	31.1%
Operating Profit before Tax on Financial Services			1,821,340,753	1,139,180,311	682,160,442	59.9%
Tax on Financial Services	12	308	(462,642,128)	(309,580,258)	(153,061,870)	49.4%
Profit before Taxation			1,358,698,625	829,600,053	529,098,572	63.8%
Income Tax Expenses	13	309	(538,564,245)	(355,787,122)	(182,777,123)	51.4%
Profit for the Year			820,134,380	473,812,931	346,321,449	73.1%
Other Comprehensive Income that will not be Reclassified to Profit or Loss						
Actuarial Gains/(Losses) on Defined Benefit Plans	33	339	(5,852,139)	(4,764,196)	(1,087,943)	22.8%
Deferred Tax (Charge)/Reversal on above items			1,755,642	1,429,259	326,383	22.8%
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss			(4,096,497)	(3,334,937)	(761,560)	22.8%
Other Comprehensive Income for the Year, Net of Tax			(4,096,497)	(3,334,937)	(761,560)	22.8%
Total Comprehensive Income/(Expenses) for the Year			816,037,883	470,477,994	345,559,889	73.4%
Earning per Share - Basic *	14	310	5.48	3.17		
Dividend per Share **	15	311	1.00	1.25		

* Calculated based on profit/(loss) for the year

**Interim dividend 2025/26

Accounting Policies and Notes from pages 296 to 365 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Notes	Page	2026 LKR	2025 LKR	Variance LKR	Variance %
Assets						
Cash and Cash Equivalents	17	312	1,079,054,481	927,665,722	151,388,759	16.3%
Financial Investments	18	313	1,580,176,849	906,304,991	673,871,858	74.4%
Other Financial Assets	19	313	3,573,763,280	459,810,771	3,113,952,509	677.2%
Financial Assets at Amortised Cost - Loans and Receivables	20	314	20,601,779,525	12,322,099,025	8,279,680,500	67.2%
Financial Assets at Amortised Cost - Lease Rentals Receivables	21	316	9,190,542,856	6,860,059,251	2,330,483,605	34.0%
Other Non Financial Assets	23	323	389,483,119	276,583,187	112,899,932	40.8%
Investment Property	24	323	246,710,000	246,710,000	-	0.0%
Property, Plant and Equipment	25	325	369,746,346	271,420,091	98,326,255	36.2%
Right-of-use Assets	26	327	233,092,294	227,819,115	5,273,179	2.3%
Intangible Assets	27	328	1,080,000	1,080,000	-	0.0%
Deferred Tax Assets	28	329	106,240,355	42,374,071	63,866,284	150.7%
Total Assets			37,371,669,105	22,541,926,224	14,829,742,881	65.8%
Liabilities						
Due to Banks and Other Institutions	29	331	18,426,799,038	7,565,769,379	10,861,029,659	143.6%
Debt Securities Measured at amortised cost -Sustainable Bonds	30	334	2,088,362,362	-	2,088,362,362	100.0%
Financial Liability at Amortised Cost - Due to Customers	31	336	10,608,963,615	9,832,710,440	776,253,175	7.9%
Lease Liability	32	337	259,927,363	249,451,675	10,475,688	4.2%
Other Non Financial Liabilities	33	338	1,157,189,706	724,704,208	432,485,498	59.7%
Current Tax Liabilities	34	338	316,497,931	154,998,448	161,499,483	104.2%
Post Employment Benefit Obligation	35	339	90,523,407	70,333,157	20,190,250	28.7%
Total Liabilities			32,948,263,422	18,597,967,307	14,350,296,115	77.1%
Shareholders' Funds						
Stated Capital	36	341	2,696,113,032	2,696,113,032	-	0.0%
Reserves	37	342	259,625,219	218,618,500	41,006,719	18.8%
Retained Earnings	38	342	1,467,667,432	1,029,227,385	438,440,047	42.6%
Total Shareholders' Funds			4,423,405,683	3,943,958,917	479,446,766	12.2%
Total Liabilities and Shareholders' Funds			37,371,669,105	22,541,926,224	14,829,742,881	65.8%
Commitments and Contingencies	39	343	22,964,879	20,317,100		
Net Assets Value per Share	40	343	29.57	26.36		

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Manori Wannigama
Head of Finance



Nilantha Jayanetti
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board of Directors by;



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director

Accounting Policies and Notes from pages 296 to 365 form an integral part of these Financial Statements.

27 May 2026
Colombo

Statement of Changes in Equity

Year ended 31 March	Stated Capital	Statutory Reserves	Revaluation Reserves	Retained Earnings	Total Equity
	LKR	LKR	LKR	LKR	LKR
Balances as at 01 April 2024	2,696,113,032	138,413,092	56,514,761	679,677,472	3,570,718,357
Comprehensive Income for the year					
Profit for the Year	-	-	-	473,812,931	473,812,931
Other Comprehensive Income	-	-	-	(3,334,937)	(3,334,937)
Total Comprehensive Income for the year	-	-	-	470,477,994	470,477,994
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	23,690,647	-	(23,690,647)	-
Final dividend	-		-	(97,237,434)	(97,237,434)
Total transaction with equity holders	-	23,690,647	-	(120,928,080)	(97,237,434)
Balances as at 31 March 2025	2,696,113,032	162,103,739	56,514,761	1,029,227,385	3,943,958,917
Comprehensive Income for the year					
Profit for the Year	-	-	-	820,134,380	820,134,380
Other Comprehensive Income	-	-	-	(4,096,497)	(4,096,497)
Total Comprehensive Income for the year	-	-	-	816,037,883	816,037,883
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	41,006,719	-	(41,006,719)	-
Final dividend 2024-2025				(186,995,065)	(186,995,065)
Interim Dividend 2025-2026	-		-	(149,596,052)	(149,596,052)
Total transaction with equity holders	-	41,006,719	-	(377,597,836)	(336,591,117)
Balances as at 31 March 2026	2,696,113,032	203,110,458	56,514,761	1,467,667,432	4,423,405,683

Accounting Policies and Notes from pages 296 to 365 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR
Cash Flows From / (Used in) Operating Activities				
Profit before Income Tax Expense			1,358,698,625	829,600,053
Adjustments for				
Impairment Charges for Loans and Other Losses	9.	306	546,160,413	438,903,833
Profit on Disposal of Property, Plant and Equipment			(27,828,703)	(239,401)
(Profit)/Loss on ROU assets			-	(635,124)
Provision for Defined Benefit Plans	10.	307	21,777,636	17,447,047
Depreciation of Property, Plant and Equipment	25.1	326	68,569,655	46,980,467
Amortisation of Intangible Assets			-	3,096,618
Amortisation of Right to Use Assets			102,886,978	93,152,274
Interest on debentures			110,208,875	-
Interest Expenses on Lease Creditor			32,443,205	33,583,789
Operating Profit before Working Capital Changes			2,212,916,684	1,461,889,556
(Increase)/Decrease in Loans and Receivables	20.	314	(8,498,655,209)	(5,578,637,759)
(Increase)/Decrease in Lease Rentals Receivables	21.	316	(2,658,745,837)	(1,466,152,207)
(Increase)/Decrease in Other Financial Assets			(3,113,952,509)	(408,850,053)
(Increase)/Decrease in Other Non Financial Assets			(112,899,932)	(46,228,968)
Increase/(Decrease) in Amounts Due to Customers	31.	336	776,253,175	2,340,704,471
Increase/(Decrease) in Other Non Financial Liabilities			434,107,252	296,441,423
Cash Generated from Operations			(10,960,976,376)	(3,400,833,537)
Retirement Benefit Liabilities Paid			(7,439,525)	(8,870,150)
Net Collection of LRAB Fund			21,900	(245,216)
Income Tax Paid	34.	338	(439,175,405)	(330,440,861)
Net Cash From/(Used in) Operating Activities			(11,407,569,406)	(3,740,389,764)
Cash Flows from / (Used in) Investing Activities				
Sales of Property, Plant and Equipment			28,463,149	(518,169)
Acquisition of Property, Plant and Equipment	25.1	326	(167,583,640)	(94,194,044)
Financial Investment on acquisition			(673,871,858)	(133,826,800)
Net Cash Flows from/(Used in) Investing Activities			(812,992,348)	(228,539,013)
Cash Flows from / (Used in) Financing Activities				
Funds received from bank and other institutional borrowings	29.2	331	17,867,077,748	6,272,533,824
Repayment of bank and other institutional borrowings	29.2	332	(6,961,139,301)	(1,646,501,812)
Repayment of Lease Liability			(130,959,672)	(115,724,394)
Proceed from debenture issue	30.	334	2,000,000,000	-
Deferred Transaction Cost-Debenture			(19,884,704)	-
Dividend Payment			(338,234,770)	(95,628,781)
Net Cash Flows from/(Used in) Financing Activities			12,416,859,302	4,414,678,837
Net Increase in Cash and Cash Equivalents			196,297,546	445,750,060
Cash and Cash Equivalents at the beginning of the year			526,086,496	80,336,436
Cash and Cash Equivalents at the end of the year	**A**		722,384,042	526,086,496
A Cash and Cash Equivalents at the end of the year				
Favorable Cash & Cash Equivalents			1,079,054,481	927,665,722
Unfavorable Cash & Cash Equivalents			(356,670,439)	(401,579,227)
Total Cash and Cash Equivalents at the end of the year	**17.1**	312	722,384,042	526,086,496

Accounting Policies and Notes from pages 296 to 365 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

Sarvodaya Development Finance PLC (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Licensed Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The shares of the Company have a primary listing on the Colombo Stock Exchange (CSE).

The registered office of the Company is located at No 155/A, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loans, Leasing, Housing Loans, Business Loans, Gold Loans and other credit facilities and related services.

1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2026 (including comparatives) have been approved and authorized for issue by the Board of Directors on 27th May 2026.

1.4 Number of Employees

The staff strength of the Company as of 31 March 2026 and 31 March 2025 is 652 and 603 respectively.

2. Basis of Preparation of Financial Statements

2.1. Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Significant Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs/LKASs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' of the Annual Report

These Financial Statements include the following components;

- a Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 292).
- A Statement of Financial Position provides the information on the financial position of the Company as at the year-end (Refer page 293).
- A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 294).
- A Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 295) and
- Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 296 to 365).

2.3. Preparation of Financial Statements

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Name	Basis of Measurement	Note Number/s	Page Number/s
Land & buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	Note 25.1	Page 326
Defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	Note 35.1	Page 339
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 323

2.4. Presentation of Financial Statements

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery and settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 42 to these Financial Statements. No adjustments have been made to the inflationary factors affecting the Financial Statements.

2.5. Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards – LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Offsetting

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 or interpretation, and specifically disclosed in the accounting policies of the Company.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

2.6. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency, unless indicate otherwise.

2.7. Going Concern

The Board of Directors of the Company has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.9. Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provide scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 19 on page 313.
- The contractual cash Flow characteristics of the financial assets as set out in Note 19.1 on page 313.

Impairment losses on financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash Flows and collateral values when determining impairment losses.

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment losses on loans and lease receivables

The Company use number of estimates and assumptions for the calculation of impairment losses on loans and lease receivables. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 9 on page 306 to the financial statements.

Notes to the Financial Statements

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company does not have historical loss experience on debt instruments at amortised cost. The Company does not have financial investments that required impairment charges.

Useful life time of Property, Plant and Equipment

The Company 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. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 325 to the financial statements.

Useful life time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 328 to the financial statements.

Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 329 to the financial statements.

Post-Employment Benefit obligation

Details of the 'Post-Employment benefit obligation' are given in Note 35 on page 339 to the financial statements.

Related Party Transactions

Details of the 'Related Party Transactions' are given in Note 44 on page 346 to the financial statements.

3. Material Accounting Policy Information

3.1 Amendments to LKAS 1 Classification of Liabilities as Current or Non-current

The Company has adopted the amendments to LKAS 1, published in January 2020 and the amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed in above those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

3.2 Amendments to LKAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The Company has adopted the amendments to LKAS 1, published in November 2022 and the amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

It also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

3.3 Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures on Supplier Finance Arrangements

The Company has adopted the amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures on Supplier Finance Arrangements for the first time in the current year.

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

Note 48 provides the required disclosures related to these amendments.

3.4 Amendments to SLFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may

have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SLFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SLFRS 16.

3.5 Changes in Accounting Standards

The accounting policies adopted by the Company are consistent with those used in the previous financial year and has not early adopted any other accounting standard other than specially mentioned in Note. 4, standards issued but not yet effective.

3.6 Financial Instruments – initial recognitions and subsequent measurement

3.6.1 Date of recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Those trades are initially recognised on the settlement date.

3.6.2 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business Model Assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis. Because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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 Company's original expectations, the Company 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.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on 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).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise 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 principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;

Notes to the Financial Statements

- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the Statement of Financial Position.

Financial assets measured at amorised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 20 on page 314.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2026.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2026.

3.6.3 Derecognition of financial assets and financial liabilities

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 asset which have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
    - The Company has transferred substantially all the risks and rewards of the asset; or
    - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company 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 company 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 that the company could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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 Statement of Profit or Loss.

3.6.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

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 Company's trading activity.

3.6.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 47 on page 349.

3.7 Impairment of non-financial assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.8 Provisions

Provisions are recognised in the Statement of Financial Position when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the 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 Company 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. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.9 Borrowing cost

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

3.10 Income tax

Details of the 'income tax expense' are given in Note 13 on page 309 to the financial statements.

3.11 Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 329 to the financial statements.

3.12 Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.13 Tax on financial services

Details of the 'VAT and SSCL on financial services are given in Note 12 on page 308 to the financial statements.

4. Standards Issued but not yet Effective

In the current year, the Company has applied the below amendment to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the

Notes to the Financial Statements

other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

New and revised SLFRS Accounting Standards in issue but not yet effective

The Company has not applied the following new and revised accounting standards that have been issued but are not yet effective for annual reporting period ending 31 March 2026.

Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7.

SLFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to LKAS 7 and LKAS 33, as well as the revised LKAS 8 and SLFRS 7, become effective when an entity applies SLFRS 18. SLFRS 18 requires retrospective application with specific transition provisions.

The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

SLFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

SLFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply SLFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The directors of the company do not anticipate that SLFRS 19 will be applied for purposes of the Company's financial statements.

Annual improvements to IFRS – Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

The directors of the company anticipate that the application of these improvements may have an impact on the company's financial statements in future periods.

Contracts Referencing Nature-dependent Electricity – Amendments to SLFRS 9 and SLFRS 7

The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the SLFRS 7 disclosure amendments must be implemented alongside the SLFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The directors of the company anticipate that the application of these improvements may not have an impact on the company's financial statements in future periods.

Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency

These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
- it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The directors of the company anticipate that the application of these improvements may not have an impact on the company's financial statements in future periods.

Notes to the Financial Statements

5. Income

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR
Interest Income	6.1	304	5,845,684,642	4,063,784,067
Net Fee and Commission Income	7	305	455,416,752	268,010,645
Other Operating Income (net)	8	305	122,199,167	42,600,257
Total Income			6,423,300,561	4,374,394,969

Recognition of interest income for credit facilities under moratoriums

The adjusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

6. Net Interest Income

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial Asset or Financial Liability

Once the recorded value of financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Recognition of interest income for credit facilities under moratoriums

The adjusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

Year ended 31 March	2026 LKR	2025 LKR
6.1 Interest Income		
Financial Assets at Amortised Cost - Loans and Receivables	3,806,130,131	2,316,032,487
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,807,710,657	1,628,854,047
Financial Investments	203,422,014	92,902,132
Cash and cash equivalent - Savings Deposits	28,350,399	23,609,802
Other Financial Assets	71,441	2,385,599
Total Interest Income	5,845,684,642	4,063,784,067
6.1 Interest Expenses		
Due to Bank and Other Institution	1,274,661,359	522,251,415
Financial Liabilities at Amortised Cost - Due to Customers	853,338,498	868,459,740
Debt instrument issued	110,208,875	-
Lease Liabilities	32,443,205	33,583,789
Total Interest Expenses	2,270,651,937	1,424,294,944
Net Interest Income	3,575,032,705	2,639,489,123

7. Net Fee and Commission Income

Accounting Policy

The Company earns fee and commission income from a diverse range of services it provides to its customes.

The Company recognises Fee and Commission income net of directly attributable expenses.

Credit Related Fees and Services

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, CRIB charges, Insurance commission and Other credit related changes.

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 expense are recognised on an accrual basis.

	2026	2025
	LKR	LKR
7.1 Fee and Commission Income		
Credit Related Fees and Commissions	154,571,255	120,146,640
Service Charge	380,940,731	225,911,334
Total Fee and Commission Income	535,511,986	346,057,975
7.2 Fee and Commission Expenses		
Credit Related Fees and Commissions	63,104,746	57,904,623
Service Charge	16,990,488	20,142,707
Total Fee and Commission Expenses	80,095,234	78,047,330
Total Net Fee and Commission Income	455,416,752	268,010,645

8. Other Operating Income

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating income on an accrual basis.

Other operating income includes recoveries of written-off loans and receivables, gains from property, plant & equipments and reversal of provision of Loan Risk Assurance Benefit Fund.

	2026	2025
	LKR	LKR
Recoveries of Written-Off Loans & Receivables	88,390,934	22,714,177
Profit/(Loss) on Disposal of Property Plant & Equipment	27,828,703	239,401
Rent income from investment property	1,381,700	8,290,200
Other Sundry Income	4,597,830	11,356,479
Total Other Operating Income	122,199,167	42,600,257

Notes to the Financial Statements

9. Impairment Charges /(Reversal) for Loans and Other Losses

Accounting Policy

The Company recognises the changes in the impairment provisions for loans and lease receivables and other customers, which are assessed as per the SLFRS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 22 to these Financial Statements.

	2026	2025
	LKR	LKR
Loans and Receivables	217,129,258	214,751,444
Finance Lease Rental Receivables	328,262,233	222,411,311
Provision for Other Assets	768,922	1,741,079
Total Impairment Charges for Loans and Other Losses	546,160,413	438,903,833

9.1 Impairment charge/(reversal) for loans and other losses (Detailed breakdown)

For the year ended 31st March	2026			
	Disposal loss/ Write-offs	Charge	(Reversal)	Net Amount
	LKR	LKR	LKR	LKR
Loans and Receivables	(5,193,218)	409,819,295	(187,496,819)	217,129,258
Lease Rentals Receivables	(140,620,514)	513,960,727	(45,077,980)	328,262,233
Other receivables		768,922		768,922
Total	(145,813,731)	924,548,943	(232,574,799)	546,160,413

For the year ended 31st March	2025			
	Disposal loss/ Write-offs	Charge	(Reversal)	Net Amount
	LKR	LKR	LKR	LKR
Loans and Receivables	(53,352,141)	517,485,928	(249,382,343)	214,751,444
Lease Rentals Receivables	(145,768,364)	459,819,386	(91,639,711)	222,411,311
Other receivables		8,572,250	(6,831,171)	1,741,079
Total	(199,120,505)	985,877,564	(347,853,225)	438,903,833

9.2 Impairment charges to the Statement of Profit or Loss- Stage wise analysis

For the year ended 31st March	2026			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Loans and Receivables	84,021,629	46,886,031	86,221,598	217,129,258
Lease Rentals Receivables	63,121,718	(9,611,243)	274,751,758	328,262,234
Other receivables			768,922	768,922
Total	147,143,347	37,274,788	361,742,278	546,160,413

For the year ended 31st March	2025			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Loans and Receivables	50,567,155	35,180,202	129,004,087	214,751,444
Lease Rentals Receivables	23,151,501	13,541,799	185,718,010	222,411,311
Other receivables			1,741,079	1,741,079
Total	**73,718,656**	**48,722,001**	**316,463,176**	**438,903,833**

10. Personnel Expenses

Accounting Policy

Personnel costs includes salaries and bonus, other staff related expenses, terminal benefit charges and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

Contributions to defined benefit plans are recognised in the Statement of profit or Loss and other comprehensive income based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19, Defined benefit Obligations.

	2026	2025
	LKR	LKR
Salaries and Other Related Expenses	759,337,784	578,234,111
Employer's Contribution to Employees' Provident Fund	59,215,016	44,234,731
Employer's Contribution to Employees' Trust Fund	14,804,252	11,063,280
Gratuity Charge for the Year	21,777,636	17,447,047
Directors' Emoluments	17,605,000	10,240,000
Other Staff Related Expenses	46,799,253	38,255,722
Total Personnel Expenses	919,538,941	699,474,891

Notes to the Financial Statements

11. Other Operating Expenses

Accounting Policy

Other operating 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. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Crop Insurance Levy

As per provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the crop insurance levy is payable at 1 percent of profit after tax.

	2026	2025
	LKR	LKR
Auditors Remuneration	6,616,338	4,746,188
Professional and Legal Expenses	14,497,835	7,628,213
Deposit Insurance Premium	14,842,605	13,265,625
General Insurance Expenses	18,122,001	10,094,519
Office Administration and Establishment Expenses	343,102,208	299,842,324
Travelling & Transport Expenses	130,191,480	94,053,712
Other Expenses	309,428	-
Marketing and Promotional Expenses	166,469,989	99,681,050
Total Other Operating Expenses	694,151,884	529,311,630

12. Tax on Financial Services

Accounting Policy

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT and SSCL on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services is charged as 18% with effect from 01 January 2022

Social Security Contribution Levy

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 1 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

	2026	2025
	LKR	LKR
Value Added Tax on Financial Services	404,839,865	270,571,986
Social Security Contribution Levy	57,802,263	39,008,272
Total Tax on Financial Services	462,642,128	309,580,258

13. Income Tax Expenses

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/Income is recorded in the Statement of Profit or Loss expect to the extent it relates to items recognized directly in Equity or Statement of Comprehensive Income (OCI), in which case it is recognized in Equity or OCI.

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 and any adjustment to tax payable in respect of prior year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. 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 13.1 to these Financial Statements.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 28 to the financial statements.

The tax rates and laws utilized for computing the amount are based on those enacted or substantively enacted by the reporting date. According to the new budget proposal, the company was eligible for a concessionary tax rate of 12% due to its listing on the Colombo Stock Exchange before December 31, 2021. However, it is important to note that the concessionary rate has been discontinued by the Inland Revenue Department (IRD) effective from October 1, 2022. As a result, the company is now liable for income tax at a rate of 30% from that date onwards

The components of the income tax expense for the years ended 31 March 2026 and 2025 are:

	2026	2025
	LKR	LKR
Income Taxation		
Taxation based on Profits for the Year (Note 13.1)	601,640,020	357,441,374
Under/ (Over) Provision of Current Taxes in respect of Previous Years	(965,132)	(16,947,210)
Deferred Taxation		
Amount of Deferred Tax Expenses/ (Income)	(62,110,643)	15,292,958
Amount of Deferred Tax Expenses/ (Income) relating to changes in tax rates	-	-
Total Tax Expenses	538,564,245	355,787,122
Deferred tax charge/ (reversal) for other comprehensive income	1,755,642	1,429,259
Income tax charge/ (reversal) recognised in statement of comprehansive income	1,755,642	1,429,259

Notes to the Financial Statements

13.1 Reconciliation of Accounting Profit And Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March are as follows.

		2026	2025
		LKR	LKR
Profit Before Tax		1,358,698,625	829,600,053
Add :	Disallowable Expenses	1,056,876,743	788,184,451
	Taxable Loss on Leasing Business	-	-
	Adjustment on SLFRS 16	9,766,527	11,011,668
Less:	Tax Deductible Expenses	(420,064,623)	(437,600,426)
	Disallowable Income	189,461	275,499
Adjusted Profit / (Loss) for Tax Purposes		2,005,466,733	1,191,471,246
Assessable Income		2,005,466,733	1,191,471,246
Less - Allowable Losses		-	-
Taxable Income		2,005,466,733	1,191,471,246
Income Tax @ 30%		601,640,020	357,441,374
Income Tax on Current Year's Profit		601,640,020	357,441,374
Effective tax rate (Excluding deferred tax) (%)		33.03%	31.38%
Effective tax rate (%)		29.57%	31.23%

14. EARNINGS PER SHARE

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) on 'Earnings per Share'.Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

	2026	2025
	LKR	LKR
Amount used as the numerator		
Profit attributed to ordinary shareholders (Rs)	820,134,380	473,812,931
Amount used as the denominator		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	149,596,052	149,596,052
Basic / Diluted Earnings per Share (LKR)	5.48	3.17

15. Dividend Paid and Proposed

Accounting Policy

Provision for final dividends is recognised at the time the divided recommended and declared by the Board of Directors, is approved by the shareholder Interim dividends payable is recognised when Board approves such dividends in accordance with the Companies Act No 07 of 2007.

15.1 Dividend per Share

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR
Dividends for Ordinary Shares:				
Final Dividends for the financial year 2024/25 (LKR 1.25 per share)	15.2.1	311	-	186,995,065
Interim Dividends for the financial year 2025/26 (LKR 1.00 per share)	15.3.1	311	149,596,052	-
Total Dividends			149,596,052	186,995,065
No of Ordinary Shares at the End of the Year			149,596,052	149,596,052
Divided per Share (LKR)			1.00	1.25

15.2 Dividend for the year 2024/25

15.2.1 Final dividend

The company was paid a final dividend of 1.25 rupees per share in respect of the financial year 2024/25 on the then-issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka.

15.3 Dividend for the year 2025/26

15.3.1 Interim dividend

The company was paid a interim dividend of 1.0 rupee per share in respect of the financial year 2025/26 on the then-issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka.

16. Analysis of Financial Instruments by Measurement Basis

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

Notes to the Financial Statements

16.1 Analysis of Financial Instruments by Measurement Basis

	2026		2025	
	Amortised Cost	Total	Amortised Cost	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and Cash Equivalents	1,079,054,481	1,079,054,481	927,665,722	927,665,722
Financial Investments	1,580,176,849	1,580,176,849	906,304,991	906,304,991
Other Financial Assets	3,573,763,280	3,573,763,280	459,810,771	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	20,601,779,525	20,601,779,525	12,322,099,025	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	9,190,542,856	9,190,542,856	6,860,059,251	6,860,059,251
Total Financial Assets	36,025,316,991	36,025,316,991	21,475,939,760	21,475,939,760
Financial Liabilities				
Due to Banks and Other Institutions	18,426,799,038	18,426,799,038	7,565,769,378	7,565,769,379
Debt Securities Measured at amortised cost -Sustainable Bonds	2,088,362,362	2,088,362,362	-	-
Due to Customers	10,608,963,615	10,608,963,615	9,832,710,440	9,832,710,440
Lease Liabilities	259,927,363	259,927,363	249,451,675	249,451,675
Total Financial Liabilities	31,384,052,378	31,384,052,378	17,647,931,494	17,647,931,494

17. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks. The cash in hand comprises of local currency only.

	2026	2025
	LKR	LKR
Cash in Hand	190,698,922	157,849,858
Balances with Banks	888,355,559	769,815,864
Total Cash and Cash Equivalents	1,079,054,481	927,665,722

17.1 Net cash and Cash Equivalents for the Purpose of the Cash Flow Statement

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

Year ended 31 March			2026	2025
	Notes	Page	LKR	LKR
Favorable Cash & Cash Equivalents	17	312	1,079,054,481	927,665,722
Unfavorable Cash & Cash Equivalents	29.1	331	(356,670,439)	(401,579,227)
Cash & Cash Equivalents for Cash Flow Purposes			722,384,042	526,086,496

18. Financial Investments

Accounting Policy

Financial investments include Government Securities and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2026	2025
	LKR	LKR
Sri Lanka Government Securities - REPO	1,580,176,849	906,304,991
Total Financial Investments	1,580,176,849	906,304,991

REPO includes Rs.453 million representing unutilized proceeds from the issuance of Sustainability Bond. In accordance with the Sustainability Bond Framework and the terms of issuance, these proceeds are allocated and monitored separately and are intended to be utilized solely for financing and/or refinancing eligible sustainability loans and grants.

19. Other Financial Assets

Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2026	2025
	LKR	LKR
Fixed Deposits	3,562,743,643	459,810,771
Unit trusts	11,019,637	-
Total Other Financial Assets	3,573,763,280	459,810,771

19.1 Contractual Maturity Analysis of Other Financial Assets

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Fixed Deposits	712,367,303	2,850,376,340	-	3,562,743,643
Unit trusts	11,019,637	-	-	11,019,637
Total Other Financial Assets	723,386,940	2,850,376,340	-	3,573,763,280

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Fixed Deposits	8,003,301	229,500,000	222,307,470	459,810,771
Total Other Financial Assets	8,003,301	229,500,000	222,307,470	459,810,771

Notes to the Financial Statements

20. Loans and Receivables

Accounting Policy

Loans and receivables include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of comprehensive income.

	2026	2025
	LKR	LKR
SME Loans	4,186,750,410	2,515,372,453
Micro Loan	4,624,373,780	2,782,573,154
Housing Loan	4,258,667,504	2,444,308,649
Society Loan	448,711,141	361,950,830
Gold Loan	7,302,304,187	4,242,460,916
Loan on Deposits	510,580,699	493,105,178
Gross Loan and Receivables	21,331,387,721	12,839,771,180
Less : Allowance for Impairment Charges (Note 22.1)	(729,608,196)	(517,672,155)
Net Loans and Receivables	20,601,779,525	12,322,099,025

20.1 Analysis

20.1.1 Analysis by stage wise

As at 31 March 2026	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Collective Impaired loans and receivables	18,351,328,087	2,141,552,427	593,363,687	21,086,244,201
Less - Allowance for Impairment Charges	(221,608,537)	(132,982,460)	(129,873,679)	(484,464,676)
	18,129,719,550	2,008,569,967	463,490,008	20,601,779,525

As at 31 March 2026	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual Impaired loans and receivables			245,143,520	245,143,520
Less - Allowance for Impairment Charges			(245,143,520)	(245,143,520)
	-	-	-	-

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Collective Impaired loans and receivables	10,345,835,839	1,594,693,692	899,241,649	12,839,771,180
Less - Allowance for Impairment Charges	(137,586,908)	(86,096,429)	(293,988,819)	(517,672,155)
	10,208,248,931	1,508,597,263	605,252,830	12,322,099,025

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Individual Impaired loans and receivables			195,499,475	195,499,475
Less - Allowance for Impairment Charges			(182,176,964)	(182,176,964)
	-	-	13,322,511	13,322,511

20.1.2 Analysis by Currency

	2026	2025
	LKR	LKR
Sri Lankan Rupee	21,331,387,721	12,839,771,180
Gross total	21,331,387,721	12,839,771,180

20.1.3 Analysis by Industry

	2026	2025
	LKR	LKR
Agriculture & Fishing	8,044,592,777	4,601,215,953
Manufacturing	1,250,160,733	713,796,774
Tourism	325,727,569	149,570,136
Transport	391,842,134	138,371,784
Constructions	4,901,830,554	3,088,460,722
Trades	1,497,726,931	1,022,241,855
Financial and Business Services	240,595,061	157,348,268
Infrastructure	959,614,655	584,107,487
Other Services	3,719,297,307	2,384,658,202
Gross total	21,331,387,721	12,839,771,181

Notes to the Financial Statements

20.2 Movement in gross loan and receivables during the year (Under SLFRS 9)

	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Gross carrying amount as at 1st April 2025	10,345,835,840	1,594,693,692	899,241,649	12,839,771,181
New assets originated or purchased	14,750,451,342	1,206,439,283	132,022,693	16,088,913,318
Assets derecognised or repaid (excluding write offs)	(5,958,298,333)	(1,144,401,853)	(489,403,376)	(7,592,103,562)
Transfers to Stage 1	181,466,784	(159,880,342)	(21,586,442)	-
Transfers to Stage 2	(850,010,680)	857,131,802	(7,121,122)	-
Transfers to Stage 3	(118,116,865)	(212,430,155)	330,547,020	-
Amounts written off			(5,193,218)	(5,193,218)
Gross carrying amount as at 31st March 2026	18,351,328,087	2,141,552,427	838,507,205	21,331,387,719

	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Gross carrying amount as at 1st April 2024	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562
New assets originated or purchased	10,083,253,985	1,793,370,725		11,876,624,710
Assets derecognised or repaid (excluding write offs)	(4,643,317,414)	(1,453,165,025)	(201,504,513)	(6,297,986,952)
Transfers to Stage 1	89,895,027	(77,133,899)	(12,761,128)	-
Transfers to Stage 2	(502,257,671)	518,098,712	(15,841,040)	-
Transfers to Stage 3	(63,823,756)	(111,432,911)	175,256,667	-
Amounts written off			(53,352,140)	(53,352,140)
Gross carrying amount as at 31st March 2025	10,345,835,840	1,594,693,692	899,241,649	12,839,771,180

21. Lease Rentals Receivable

Accounting Policy

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised on the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Lease rental receivable include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement, lease rental receivable is subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit or Loss.

21.1 Lease Rentals Receivable

	2026	2025
	LKR	LKR
Gross Lease Rentals Receivables	13,011,395,718	10,038,073,714
Less: Unearned Income	(3,351,800,662)	(2,896,603,981)
Total Lease Rentals Receivables	9,659,595,056	7,141,469,733
(Less): Allowance for Impairment Charges (Note 22.1)	(469,052,200)	(281,410,482)
Net Lease Rentals Receivables	9,190,542,856	6,860,059,251

21.2 Analysis

21.2.1 Analysis by stage wise

As at 31 March 2026	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Collective Impared Lease Rentals Receivables	8,059,490,100	911,135,028	498,629,333	9,469,254,461
Less - Allowance for expected credit losses (ECL)	(144,161,122)	(49,194,766)	(106,579,719)	(299,935,607)
	7,915,328,978	861,940,262	392,049,614	9,169,318,854

As at 31 March 2026	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Individual Impared Lease Rentals Receivables			190,340,593	190,340,593
Less - Allowance for expected credit losses (ECL)			(169,116,593)	(169,116,593)
	-	-	21,224,000	21,224,000

As at 31 March 2025	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Collective Impared Lease Rentals Receivables	5,386,519,693	1,078,946,447	627,612,989	7,093,079,129
Less - Allowance for expected credit losses (ECL)	(81,039,404)	(58,806,009)	(99,790,465)	(239,635,878)
	5,305,480,289	1,020,140,438	527,822,524	6,853,443,251

As at 31 March 2025	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Individual Impared Lease Rentals Receivables			48,390,603	48,390,603
Less - Allowance for expected credit losses (ECL)			(41,774,603)	(41,774,603)
	-	-	6,616,000	6,616,000

21.2.2 Analysis by Currency

	2026	2025
	LKR	LKR
Sri Lankan Rupee	9,659,595,056	7,141,469,733
Gross total	9,659,595,056	7,141,469,733

Notes to the Financial Statements

21.2.3 Analysis by Industry

	2026	2025
	LKR	LKR
Agriculture & Fishing	5,630,538,984	3,859,890,110
Manufacturing	141,369,568	44,432,512
Tourism	21,245,815	30,495,398
Transport	2,530,094,575	2,554,771,212
Construction	253,668,375	182,965,721
Trades	82,864,392	42,579,684
New Economy	2,610,592	415,815
Financial and Business Services	11,031,997	11,377,690
Infrastructure	35,051,892	41,494,567
Other Services	951,118,865	373,047,023
Gross total	9,659,595,054	7,141,469,733

21.4 Maturity of Lease Rentals Receivables

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Gross Lease Rental Receivables	4,553,530,872	8,442,083,080	15,781,766	13,011,395,718
Less: Unearned Income	(1,050,814,817)	(2,300,234,333)	(751,513)	(3,351,800,662)
Total Lease Rental Receivables	3,502,716,056	6,141,848,748	15,030,253	9,659,595,056
(Less): Allowance for Impairment Charges (Note 22.1)	(75,498,727)	(393,229,509)	(323,964)	(469,052,200)
Net Lease Rentals Receivables	3,427,217,329	5,748,619,239	14,706,289	9,190,542,854

21.5 Maturity of Lease Rentals Receivables

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Gross Lease Rental Receivables	4,736,335,695	5,301,738,018	-	10,038,073,713
Less: Unearned Income	(1,774,737,133)	(1,121,866,847)	-	(2,896,603,980)
Total Lease Rental Receivables	2,961,598,562	4,179,871,171	-	7,141,469,733
(Less): Allowance for Impairment Charges (Note 19.6)	(75,507,036)	(205,903,446)	-	(281,410,482)
Net Lease Rentals Receivables	2,886,091,526	3,973,967,725	-	6,860,059,251

21.6 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2026	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Gross carrying amount as at 1st April 2025	5,386,519,693	1,078,946,447	676,003,593	7,141,469,733
New assets originated or purchased	5,401,994,732	309,584,041	36,598,324	5,748,177,097
Assets derecognised or repaid (excluding write offs)	(2,163,164,185)	(618,101,938)	(308,165,140)	(3,089,431,262)
Transfers to Stage 1	243,912,890	(229,191,174)	(14,721,716)	-
Transfers to Stage 2	(558,592,573)	562,406,191	(3,813,618)	-
Transfers to Stage 3	(251,180,458)	(192,508,539)	443,688,997	-
Amounts written off			(140,620,514)	(140,620,514)
Gross carrying amount as at 31st March 2026	8,059,490,100	911,135,028	688,969,926	9,659,595,054

Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2025	Stage1	Stage2	Stage3	Total
	LKR	LKR	LKR	LKR
Gross carrying amount as at 1st April 2024	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718
New assets originated or purchased	4,105,688,579			4,105,688,579
Assets derecognised or repaid (excluding write offs)	(2,127,003,944)	(406,383,244)	(106,149,184)	(2,639,536,372)
Transfers to Stage 1	201,339,336	(184,387,779)	(16,951,557)	-
Transfers to Stage 2	(608,968,815)	633,329,241	(24,360,427)	-
Transfers to Stage 3	(166,076,497)	(130,430,052)	296,506,549	-
Amounts written off			(281,653,192)	(281,653,192)
Gross carrying amount as at 31st March 2025	5,386,519,693	1,078,946,447	676,003,593	7,141,469,733

22. Allowance for Impairment Charges

Accounting Policy

Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

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 collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as 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.

Notes to the Financial Statements

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 01: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

Stage 03: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

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.

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 draw downs on committed facilities, and accrued interest from missed payments.

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 from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

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 allowance 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 Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (AWPLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market 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.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company 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 Risk Department. Renegotiated loans 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 the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

From 1 April 2019,when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 48.2 The Company also considers whether the assets should be classified as Stage 3.

Write-off of Financial Assets at Amortised Cost

Financial assets and the related impairment allowance accounts are normally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

Collateral Valuation

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Direction No 03 of 2006 and subsequent amendments thereto issued by CBSL.

Collateral repossessed

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39. The Company'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 will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than six months in arrears, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

22.1 Allowance for Impairment Charges for Loans and Receivables

	2026			2025		
	On Loan Receivable	On Lease Rental Receivable	Total	On Loan Receivable	On Lease Rental Receivable	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at Beginning of the Year	517,672,155	281,410,482	799,082,637	356,272,852	340,652,363	696,925,215
Charge for the Year	217,129,258	328,262,233	545,391,491	214,751,444	222,411,311	437,162,755
Amounts Written Off	(5,193,218)	(140,620,514)	(145,813,732)	(53,352,141)	(281,653,192)	(335,005,333)
Balance as at End of the Year	729,608,196	469,052,200	1,198,660,396	517,672,155	281,410,482	799,082,637
Individual Impairment	245,143,520	169,116,593	414,260,113	116,034,518	20,425,934	136,460,452
Collective Impairment	484,464,676	299,935,607	784,400,283	401,637,637	260,984,548	662,622,185
Total	729,608,196	469,052,200	1,198,660,396	517,672,155	281,410,482	799,082,637

Notes to the Financial Statements

22.2 Movement in allowance for expected credit losses

As at 31st March 2026	Stage1 LKR	Stage2 LKR	Stage3 LKR	Total LKR
Balance as at 01st April 2025	218,626,312	144,902,437	435,553,887	799,082,637
Charge/(Reversal) to income statement	147,143,347	37,274,788	360,973,355	545,391,490
Write-off during the year			(145,813,732)	(145,813,732)
Balance as at 31st March 2026	365,769,659	182,177,226	650,713,511	1,198,660,396

As at 31st March 2025	Stage1 LKR	Stage2 LKR	Stage3 LKR	Total LKR
Balance as at 01st April 2024	150,657,462	96,745,906	449,521,846	696,925,215
Charge/(Reversal) to income statement	67,968,850	48,156,532	321,037,374	437,162,755
Write-off during the year			(335,005,333)	(335,005,333)
Balance as at 31st March 2025	218,626,312	144,902,437	435,553,887	799,082,637

22.3 Stage Movement in Allowance for Impairment Losses

As at 31st March 2026	Stage1 LKR	Stage2 LKR	Stage3 LKR	Total LKR
ECL amount as at 1st April 2025	218,626,312	144,902,437	435,553,888	799,082,637
New assets originated or purchased	258,668,907	75,521,100	45,541,381	379,731,388
Assets derecognised or repaid (excluding write offs)	(110,658,778)	(10,574,675)	286,893,555	165,660,102
Transfers to Stage 1	35,037,644	(27,258,151)	(7,779,493)	-
Transfers to Stage 2	(30,635,485)	32,454,485	(1,819,000)	-
Transfers to Stage 3	(5,268,942)	(32,867,969)	38,136,911	-
Amounts written off			(145,813,732)	(145,813,732)
ECL amount as at 31st March 2026	365,769,658	182,177,227	650,713,510	1,198,660,395

22.4 Stage Movement in Allowance for Impairment Losses

As at 31st March 2025	Stage1 LKR	Stage2 LKR	Stage3 LKR	Total LKR
ECL amount as at 1st April 2024	150,657,462	96,745,905	449,521,846	696,925,214
New assets originated or purchased	252,138,876			252,138,876
Assets derecognised or repaid (excluding write offs)	(174,956,939)	48,383,987	311,596,832	185,023,880
Transfers to Stage 1	20,746,642	(15,917,794)	(4,828,848)	-
Transfers to Stage 2	(25,445,446)	31,120,716	(5,675,270)	-
Transfers to Stage 3	(4,514,283)	(15,430,377)	19,944,660	-
Amounts written off			(335,005,332)	(335,005,332)
ECL amount as at 31st March 2025	218,626,312	144,902,437	435,553,888	799,082,637

23. Other Non Financial Assets

Accounting Policy

The Company classifies all non-financial assets other than Intangible Assets, Property, Plant & Equipment and Deferred Tax Assets under other non-financial assets. Other non-financial assets, include inventories, other advance, rent deposit and other receivable amounts. These assets are non-interest earning and recorded at the amounts that are expected to be received. Prepayments that form a part of other receivable are amortized during the period in which it is utilized.

	2026	2025
	LKR	LKR
Inventories	61,441,112	63,785,146
Rent Deposit	26,787,500	22,037,500
Other Receivable	301,254,507	190,760,541
Total Other Non Financial Assets	**389,483,119**	276,583,187

Inventories

Inventories include LKR 57,496,934/- from unsold properties that have acquired from loan customers, as ordered by the courts, as part of the recovery of defaulted loan facilities. These land stocks are held for resale, not for investment purposes.

24. Investment Property

Accounting Policy

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Other Comprehensive Income in the year in which they arise.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Fair value of investment property

Investment property of the Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directoLKR The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Owner occupied properties and investment property

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

Notes to the Financial Statements

Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2026 (2025 – Nil).

	2026	2025
	LKR	LKR
Balance as at 1 April	246,710,000	246,710,000
Gain from fair value adjustment	-	-
Balance as at 31 March	246,710,000	246,710,000

The Company has recorded rent income for year ended 31 March 2026 - 1,381,700/- (2025 - Rs 8,290,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

24.1 Information on investment properties of the Company – Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	Fair value gains/ (losses) recognised in Income Statement
No 45, Rawathwatta Road, Moratuwa	Market comparable method	24-Feb-2025	Estimated price per perch. LKR 2,000,000/- (Land Extent - 48.69 perches) Building (Square feet) 14650	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000/-	Land LKR 97,380,000/- Building LKR 149,330,000/-	NIL

24.2 Information on investment properties of the Company – Extents and Locations

Property	Number of Building	Extent (Perches)	Building (Square feet)	Fair value of the investment property - Land	Fair value of the investment property - Building	Carrying value of the investment property before fair valuation - Land	Carrying value of the investment property before fair valuation - Building
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	149,330,000	56,340,000	63,900,000

24.3 Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Fair value of the investment property - Building
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	• Price per perch for land • Price per square foot for building • Depreciation rate for building	Estimated fair value would increase/ (decrease) if; • Price per perch of land would increase/ (decrease) • Price per square foot for building would increase/(decrease) • Depreciation rate for building would (decrease)/increase

24.4 Details about valuer

Market valuation of the above investment property was carried out on 24th February 2025 by Mr A. D. N. Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

25. Property, Plant & Equipment

Accounting Policies

Basis of Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & 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 assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

Cost Model

The Company applies the 'Cost Model' to all property, plant & equipment other than free hold land and building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

The Company engages an Independent Valuer to determine the fair value of free hold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

During the current financial year, the Company revalued its freehold lands and buildings.

Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Repairs and Maintenance

Repairs and Maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is derecognised.

Useful Life Time of Property, Plant & equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Company review the residual values, useful lives and methods of depreciation of property, plant & 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.

The estimated useful lives of the assets for the year ended 31 March 2026 and 2025, are as follows:

Assets Category	Useful Life
Buildings	40 Years
Office Equipment	5 Years
Computer Equipment	5 Years
Furniture & Fittings	10 Years
Plant & Machinery	8 Years
Motor Vehicles	5 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each reporting date and is adjusted, as appropriate.

Notes to the Financial Statements

25.1 The Movement in Property, Plant & Equipment

As at 31 March 2026	Land	Furniture& Fittings	Office Equipment	Computer Equipment	Plant& Machinery	Motor Vehicle	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost or Valuation							
Balance as at 1 April 2025	36,100,000	144,242,493	123,497,377	138,221,588	70,627,699	54,903,822	567,592,979
Additions during the year	-	51,324,208	12,214,919	44,970,588	9,173,925	49,900,000	167,583,640
Disposal during the year	-	(1,829,445)	(257,549)	(605,116)	(2,305,558)	(15,850,000)	(20,847,668)
Balance as at 31 March 2026	36,100,000	193,737,256	135,454,747	182,587,060	77,496,066	88,953,822	714,328,952
(Less) : Accumulated depreciation							
Balance as at 1 April 2025	-	74,135,705	68,438,474	67,498,453	44,170,940	41,929,317	296,172,888
Charge during the year	-	13,625,412	18,132,562	22,327,164	6,154,016	8,330,502	68,569,655
Disposal during the year	-	(1,704,075)	(186,635)	(575,293)	(2,234,544)	(15,459,392)	(20,159,938)
Balance as at 31 March 2026	-	86,057,041	86,384,401	89,250,324	48,090,412	34,800,427	344,582,605
Net book value at 31 March 2026	36,100,000	107,680,215	49,070,346	93,336,736	29,405,654	54,153,395	369,746,346

As at 31 March 2025	Land	Furniture& Fittings	Office Equipment	Computer Equipment	Plant& Machinery	Motor Vehicle	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost or Valuation							
Balance as at 1 April 2024	36,100,000	127,450,061	109,902,208	88,353,118	62,115,629	54,903,822	478,824,838
Additions during the year	-	17,671,760	17,729,268	49,984,985	8,808,030	-	94,194,044
Disposal during the year	-	(879,328)	(4,134,099)	(116,516)	(295,959)		(5,425,902)
Balance as at 31 March 2025	36,100,000	144,242,493	123,497,377	138,221,588	70,627,699	54,903,822	567,592,979
(Less) : Accumulated depreciation							
Balance as at 1 April 2024	-	63,325,289	56,035,900	57,985,640	39,753,357	37,239,369	254,339,555
Charge during the year	-	11,654,506	16,308,000	9,623,586	4,704,426	4,689,948	46,980,467
Disposal during the year	-	(844,090)	(3,905,426)	(110,773)	(286,843)	-	(5,147,134)
Balance as at 31 March 2025	-	74,135,705	68,438,474	67,498,453	44,170,940	41,929,317	296,172,888
Net book value at 31 March 2025	36,100,000	70,106,789	55,058,903	70,723,135	26,456,759	12,974,505	271,420,091

25.1.1 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of LKR 167,583,640/- (2025 - LKR 94,194,044/-) Cash payment amounting to LKR 167,583,640/- (2024 - LKR 94,194,044/-) was paid during the year for purchase of property, plant & equipment.

25.1.2 Fully-depreciated property, plant & equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is LKR 181,761,927/-. (2025 - LKR 176,974,816/-)

Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2026	Cost 2025	Fair value 2026 LKR	Fair value 2025 LKR
No 45, Rawathwatta Road, Moratuwa	24th Feb 2025	Market Comparable Method Estimated price per perch LKR 2,000,000/-	18.05	-	LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

Market valuation of the above Land & Buildings was carried out by Mr A. D. N. Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2026 and 31 March 2025.

25.4 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2025: Nil)

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2026 and 31 March 2025.

25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2026 and 31 March 2025.

26. Right-of-use Assets

Accounting Policies

Measurement Basis

Right-of-use assets are recognised at the commentsment of the lease at the present value of the lease payment plus any prepaid lease rental.

Amortisation

The Company amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

Determination of the lease term for the lease contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts for branches/head ofice that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the

Notes to the Financial Statements

commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

	2026	2025
	LKR	LKR
Cost		
Balance as at 1 April	470,136,473	517,886,627
Additions during the year	108,240,262	161,117,053
Less - Termination during the year	(70,232,006)	(208,867,207)
Balance as at March	508,144,729	470,136,473
Accumulated Depreciation		
Balance as at 1 April	242,317,358	332,734,123
Charges for the year	102,886,978	93,152,274
Less - Termination during the year	(70,151,901)	(183,569,039)
Balance as at March	275,052,435	242,317,358
Carrying Amount as at 31 March	233,092,294	227,819,115

27. Intangible Assets

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the supply of services, for rental to others or for administrative purposes.

Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortization and impairment

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

27.1 Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it'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.

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2026 and 2025 is given below.

Computer software	3 Years
Computer software - E-Finance	5 Years

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

27.2 Computer Software

	2026	2025
	LKR	LKR
Cost		
Balance as at 1 April	63,141,236	63,141,236
Additions during the year	-	-
Disposal during the year	-	-
Balance as at 31 March	63,141,236	63,141,236
Amortisation & Impairment		
Balance as at 1 April	62,061,236	58,964,618
Charge for the year	-	134,118
Disposal/Write off during the year	-	2,962,500
Balance as at 31 March	62,061,236	62,061,236
Net book value as at end of the year	1,080,000	1,080,000
Net book value of total intangible assets	1,080,000	1,080,000

Intangible assets include fully amortised software amounting to LKR 62.06 million as at 31 March 2026 (LKR 45.98 million as at 31 March 2025), which are still in use as at the reporting date.

28. Deferred Taxation

Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position 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:

(I) 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

(II) Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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
- Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or par t of the deferred tax asset to be utilized.

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.

Notes to the Financial Statements

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of reporting date.

Year ended 31 March 2026	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of other comprehensive income
	LKR	LKR	LKR	LKR
Accelerated depreciation for tax purposes	-	21,543,484	(4,636,078)	-
Finance leases	-	-	-	-
Right-of Use Assets	-	11,874,361	(428,899)	-
Revaluation Reserve	-	59,431,633	-	-
Defined benefit plans	27,157,022	-	4,301,433	1,755,642
Impairment Provision	171,932,811	-	62,874,186	-
	199,089,833	92,849,478	62,110,643	1,755,642
Deferred tax effect on profit or loss and other coprehensive income	-	-	62,110,643	1,755,642
Recognised under equity	-	-	-	-
Net Deferred tax assets	106,240,355	-	-	-

Year ended 31 March 2025	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of other comprehensive income
	LKR	LKR	LKR	LKR
Accelerated depreciation for tax purposes	-	16,907,406	(9,518,553)	-
Finance leases	-	-	-	-
Right-of Use Assets	-	11,445,461	(9,356,170)	-
Revaluation Reserve	-	59,431,634	-	-
Defined benefit plans	21,099,947	-	2,573,069	1,429,259
Impairment Provision	109,058,625	-	1,008,696	-
	130,158,572	87,784,501	(15,292,958)	1,429,259
Deferred tax effect on profit or loss and other coprehensive income	-	-	(15,292,958)	1,429,259
Recognised under equity	-	-	-	-
Net Deferred tax assets	42,374,071	-	-	-

29. Due to Banks & Other Institutions

Accounting Policy

Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR
Bank Overdrafts	28.1	331	356,670,439	401,579,227
Loans and Other Bank Facilities	29.2	331	17,916,173,322	7,121,625,044
Interest Payable on Bank Facilities			153,955,277	42,565,108
Total Due to Banks & Other Institution			**18,426,799,038**	**7,565,769,379**

29.1 Bank Overdraft

The outstanding balances of bank overdrafts as at the Statement of Financial Position date are fully secured by Loan & Receivables and the Company has unutilised Bank Overdraft of LKR 157,238,336/- as at 31 March 2026 (2025 - LKR. 52,101,571.58/-).

29.2 Loans and Other Bank Facilities

Year ended 31 March 2026	As at 01.04.2025 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2026 LKR
NDB Term Loan	941,800,000		(274,600,000)	667,200,000
HNB Term Loan	1,943,800,000	8,300,000,000	(4,327,320,000)	5,916,480,000
Sampath Bank Solar Loan	2,361,977		(1,089,390)	1,272,587
Cargills Bank Term Loan	655,555,548	740,000,000	(423,333,348)	972,222,200
Seylan Bank	48,800,000		(48,800,000)	-
Securitisation Loan	747,195,938		(450,818,129)	296,377,809
Peoples Bank	891,580,000	500,000,000	(700,160,000)	691,420,000
Rotary Loan	28,997,757	3,450,000	(32,447,757)	-
DFCC Term Loan	500,000,000	800,000,000	(366,666,667)	933,333,333
PABC Term Loan	481,250,000		(125,100,000)	356,150,000
Bank of Ceylon Term loan	-	1,000,000,000	(27,777,778)	972,222,222
Cash Back Loan Peoples Bank	427,814,426	422,098,300	(161,352,726)	688,560,000
Cash Back Loan - Commercial Bank	-	2,565,000,000	-	2,565,000,000
USD Term Loan - EDFI	452,469,398	442,467,329	(128,193,790)	766,742,937
USD Term Loan- TRIPLE JUMP	-	1,203,259,119	-	1,203,259,119
USD Term Loan - INCOFIN	-	1,530,803,000	-	1,530,803,000
Public Bank Term Loan	-	360,000,000	(4,869,885)	355,130,115
Total Loans and Other Bank Facilities	7,121,625,044	17,867,077,748	(7,072,529,470)	17,916,173,322

Notes to the Financial Statements

Year ended 31 March 2025	As at 01.04.2024	Loans Obtained	Repayment	As at 31.03.2025
	LKR	LKR	LKR	LKR
NDB Term Loan	431,666,665	1,000,000,000	(489,866,665)	941,800,000
HNB Term Loan	374,120,000	1,750,000,000	(180,320,000)	1,943,800,000
Sampath Bank Term Loan	164,000,000	-	(164,000,000)	-
Sampath Bank Solar Loan	3,340,943	-	(978,967)	2,361,976
Cargills Bank Term Loan	120,848,000	880,000,000	(345,292,452)	655,555,548
Seylan Bank	99,200,000	-	(50,400,000)	48,800,000
Securitisation Loan	1,068,315,306	-	(321,119,368)	747,195,938
Peoples Bank	241,660,000	750,000,000	(100,080,000)	891,580,000
Rotary Loan	28,364,402	12,250,000	(11,616,645)	28,997,757
DFCC Term Loan	-	500,000,000	-	500,000,000
PABC Term Loan	-	500,000,000	(18,750,000)	481,250,000
Cash Back Loan Peoples Bank	-	427,814,426	-	427,814,426
USD Term Loan - EDFI	-	452,469,398	-	452,469,398
Total Loans and Other Bank Facilities	2,531,515,316	6,272,533,824	(1,682,424,097)	7,121,625,044

29.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
NDB Term Loan	249,600,000	417,600,000	-	667,200,000
HNB Term Loan	3,332,520,000	2,583,960,000	-	5,916,480,000
Sampath Bank Solar Loan	1,218,183	54,404	-	1,272,587
Cargills Bank Term Loan	533,333,348	438,888,852	-	972,222,200
Securitisation Loan	296,377,809	-	-	296,377,809
Peoples Bank	200,160,000	491,260,000	-	691,420,000
DFCC Term Loan	350,000,000	583,333,333		933,333,333
PABC Term Loan	125,100,000	231,050,000		356,150,000
Bank Of Ceylon Term loan	333,333,336	638,888,886		972,222,222
Cash Back Loan Peoples Bank	-	688,560,000		688,560,000
Cash Back Loan - Commercial Bank	429,500,000	2,135,500,000		2,565,000,000
USD Term Loan - EDFI	63,187,676	703,555,261		766,742,937
USD Term Loan - Triple Jump	450,132,787	753,126,332		1,203,259,119
USD Term Loan - Incofin	154,374,000	1,376,429,000		1,530,803,000
Public Bank - Term Loan	72,000,000	283,130,115		355,130,115
Bank Overdrafts	346,578,047	-		346,578,047
Interest Payable on Bank Facilities	15,3955,277	-		153,955,277
Total Loans and Other Bank Facilities	7,091,370,464	11,325,336,182	-	18,416,706,646

	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	27/11/2024 -27/11/2028	900,000,000	4-5 Years	Variable	Lease & SME portfolio
HNB Term Loan	21/12/2021- 07/11/2029	2,100,000,000	5 Years	Variable	Business Loans, Micro Loans,Lease & SME Loans
Sampath Bank Solar Loan	12/06/2020- 09/09/2020	6,308,000	7 Years	Fixed	Solar Panals
Cargills Bank Term Loan	30/06/2021- 10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Peoples Bank	27/06/2024 - 25/03/2032	500,000,000	5 Years	Variable	Lease & SME portfolio
DFCC Term Loan	03/09/2024	500,000,000	4 Years	Variable	Lease receivables
PABC Term Loan	28/02/2025	500,000,000	4 Years	Variable	Mortgage Bonds & Gold loan Receivables
USD Term Loan - EDFI	14/06/2024	459,000,000	8 Years	Fixed	Unsecured
Bank Of Ceylon Term loan	2/17/2026	1,000,000,000	3 Years	Fixed	Lease receivables
Cash Back Loan Peoples Bank	4/16/2025	383,467,500	3-6 Years	Fixed	USD Fixed deposit
Cash Back Loan - Commercial Bank	07/08/2025- 25/03/2026	2,565,000,000	2-3 Years	Fixed	USD Fixed deposit
USD Term Loan - Triple Jump	7/31/2025	1,203,259,119	3 Years	Fixed	Unsecured
USD Term Loan - Incofin	10/8/2025	1,530,803,000	3 Years	Fixed	Unsecured
Public Bank - Term Loan	2/2/2026	360,000,000	5 Years	Variable	Housing & SME Receivables

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
NDB Term Loan	274,600,000	667,200,000	-	941,800,000
HNB Term Loan	410,320,000	1,533,480,000	-	1,943,800,000
Sampath Bank Term Loan		-	-	-
Sampath Bank Solar Loan	1,091,838	1,270,139	-	2,361,976
Cargills Bank Term Loan	183,333,348	472,222,200	-	655,555,548
Seylan Bank	48,800,000	-	-	48,800,000
Securitisation Loan	450,818,129	296,377,809	-	747,195,938
Peoples Bank	200,160,000	691,420,000	-	891,580,000
Cash Back Loan Peoples Bank		260,775,000	167,039,426	427,814,426
Rotary Loan	18,237,454	10,760,303	-	28,997,757
USD Term Loan - EDFI		270,997,348	181,472,050	452,469,398
DFCC Term Loan	62,500,000	437,500,000		500,000,000
PABC Term Loan	125,100,000	356,150,000		481,250,000
Other Borrowings	-	-		-
Bank Overdrafts	390,210,853	11,368,374		401,579,227
Interest Payable on Bank Facilities	6,642,823	35,922,285		42,565,108
Total Due to Customers	2,171,814,444	5,045,443,458	348,511,476	7,565,769,378
Total Due to Customers	7,091,370,464	11,325,336,182	-	18,416,706,646

Notes to the Financial Statements

	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	27/11/2024 -27/11/2028	900,000,000	4-5 Years	Variable	Lease & SME portfolio
HNB Term Loan	21/12/2021- 07/11/2029	2,100,000,000	5 Years	Variable	Business Loans, Micro Loans,Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020- 09/09/2020	6,308,000	7 Years	Fixed	Solar Panals
Cargills Bank Term Loan	30/06/2021- 10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Peoples Bank	27/06/2024 - 25/03/2032	500,000,000	5 Years	Variable	Lease & SME portfolio
Rotary Loan	30/04/2019- 13/03/2023	41,985,000	3 Years	Variable	NA
DFCC Term Loan	03/09/2024	500,000,000	4 Years	Variable	Lease receivables
PABC Term Loan	28/02/2025	500,000,000	4 Years	Variable	Mortgage Bonds & Gold loan Receivables
USD Term Loan - EDFI	14/06/2024	459,000,000	8 Years	Fixed	Unsecured

30. Debt Securities Measured at Amortised Cost

On 08th October 2025, the Company issued Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable, High Yield, Sustainable Bonds totaling LKR 2,000,000,000/-. These bonds are listed on the Colombo Stock Exchange (CSE) and are designed to strengthen the Company's Tier 2 Capital base while financing eligible green and social projects under the Company's Sustainable Bond Framework.

	2026	2025
	LKR	LKR
Balance at the beginning of the year	-	-
Gross Proceeds from Bond Issue	2,000,000,000	-
(-) Unamortised Transaction Costs (Note 30.1)	(19,884,703)	-
Interest payable	108,247,065	-
Payments Made During the Year	-	-
Balance at the End of the Year	2,088,362,362	-

30.1 Unamortised Transaction Costs

Transaction costs include professional fees, listing fees, and brokerage costs directly attributable to the issuance. These are amortised over the tenure of the bonds (5 years) using the Effective Interest Rate (EIR) method.

	2026
	LKR
Total transaction costs incurred	21,692,403
Amortisation recognised in Profit or Loss for the period	(1,807,700)
Balance as at 31 March 2026	19,884,703

30.2 Debt Securities at amortised cost

Instrument Type	Issue Date	Maturity Date	Total Value	Listing Status	Rating (Instrument)
Tier 2 Subordinated Redeemable Sustainable Bonds	8-Oct-25	8-Oct-30	LKR 2,000,000,000/-	Listed on the Colombo Stock Exchange	BBB-(STABLE) by Lanka Rating Agency (LRA)

30.3 Detailed Breakdown of Bond Types

Bond Type	Interest Rate (p.a.)	Frequency	Amortised Cost (LKR)
Type A	12%	Annual	1,740,000,000
Type B	11.50%	Semi-Annual	260,000,000
Total			2,000,000,000

30.4 Detailed Bond Fund Utilisation

No.	Objective as per Prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilization as per prospectus	Amount allocated in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of Utilized against allocation (B/A)	Clarification if not fully utilized including where are the funds invested (e.g. whether lent to related party/s etc.).
1	To improve the capital Adequacy ratio	Initial issue of LKR 1 Bn and a maximum issue of LKR 2 BN	Upon allotment, following CBSL's final confirmation for Tier 2 recognition of proceeds.	2,000,000,000	100%	1,754,151,500	87.71%	According to the CBSL governing board approval received on 03.12.2025
2	Social Eligible Financing Projects	75% of the Bond Proceeds (Each SBP category will receive at least 10% of the allocated Bond Proceeds for Social Eligible Financing Projects	12 Months	1,500,000,000	75%	1,500,000,000	100.00%	-
3	Green Eligible Financing Projects	25% of the Bond Proceeds (Each GBP category will receive at least 30% of the allocated Bond Proceeds for Green Eligible Financing Projects)	12 Months	500,000,000	25%	46,969,938	9.39%	Funds would be invested in Repo, cash equivalents, money market or savings (excluding greenhouse gas-intensive activities) at the prevailing rates at the time of investments

Notes to the Financial Statements

30.5 Debt Securities Issued at amortised cost -By Maturity

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
As at 31 March 2026	108,247,065	1,980,115,297	-	2,088,362,362
	108,247,065	1,980,115,297	-	2,088,362,362

31. Due to Customers

Accounting Policies

Due to other customers include non-interest bearing deposits, savings deposits, term deposits and other deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Direction No. 2 of 2010 Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of LKR 1,100,000/- for each depositor. The Company has paid LKR 14,790,932/- as the premium of the said Insurance scheme during the financial year under review (2025 - LKR 12,983,812/-).

	2026	2025
	LKR	LKR
Fixed Deposits	8,863,720,651	8,176,257,230
Savings Deposits	1,745,242,964	1,656,453,210
Total Due to Customers	10,608,963,615	9,832,710,440

31.1 Contractual Maturity Analysis Of Customer Deposits

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Fixed Deposits	7,380,168,708	1,483,551,943		8,863,720,651
Savings Deposits	1,646,443,177	58,600,709	40,199,078	1,745,242,964
Total Due to Customers	9,026,611,885	1,542,152,652	40,199,078	10,608,963,615

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Fixed Deposits	6,762,803,222	1,413,454,008	-	8,176,257,230
Savings Deposits	1,539,464,458	72,259,085	44,729,667	1,656,453,210
Total Due to Customers	8,302,267,680	1,485,713,093	44,729,667	9,832,710,440

We have raised fixed deposits with a pre-termination option to the customers; hence, fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

32. Lease Creditor

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

	2026	2025
	LKR	LKR
Balance as at 1 April	249,451,675	202,487,184
Additions	105,260,137	159,360,367
Interest Expenses	32,443,205	33,583,789
Payments	(127,227,654)	(115,724,394)
Early termination of lease		(30,255,271)
Balance as at 31 March	259,927,363	249,451,675

32.1 Contractual Maturity Analysis Of Lease Creditor

As at 31 March 2026	Within One Year	1 - 5 Years	Total
	LKR	LKR	LKR
Lease Liability	88,350,727	171,576,636	259,927,363
Total Lease Liability	88,350,727	171,576,636	259,927,363

As at 31 March 2025	Within One Year	1 - 5 Years	Total
	LKR	LKR	LKR
Lease Liability	85,389,547	164,062,128	249,451,675
Total Lease Liability	85,389,547	164,062,128	249,451,675

32.2 Contractual Maturity Analysis Of Lease Creditor-Undiscounted cash flow

As at 31 March 2026	Within One Year	1 - 5 Years	Total
	LKR	LKR	LKR
Lease Liability	116,096,466	210,333,706	326,430,172
Total Lease Liability	116,096,466	210,333,706	326,430,172

As at 31 March 2025	Within One Year	1 - 5 Years	Total
	LKR	LKR	LKR
Lease Liability	114,130,567	198,731,769	312,862,336
Total Lease Liability	114,130,567	198,731,769	312,862,336

Notes to the Financial Statements

33. Other Non Financial Liabilities

Accounting Policy

These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognised when the Company 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.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of directors and approved by the Shareholder Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10 on 'Events after the Reporting Period'.

	2026	2025
	LKR	LKR
Accrued Expenses	101,023,960	63,356,847
Loan and Lease Creditor	798,768,962	492,689,469
Others (Note 31.1)	255,120,246	164,759,600
Loan Risk Assurance Fund	1,792,052	1,770,153
Dividend Payable	484,486	2,128,139
	1,157,189,706	724,704,208

33.1 This balance included bonus provision, unidentified direct deposit balance and the other sundry payable items.

34. Current Tax Liabilities

Accounting Policies

The Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	2026	2025
	LKR	LKR
Balance as at 1st April	154,998,448	144,945,145
Provision for the year	600,674,888	340,494,164
Less: Tax paid	(439,175,405)	(330,440,861)
Balance as at 31st March	316,497,931	154,998,448

35. Post-Employement Benefit Obligations

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'

Basis of Measurement

The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated 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 rates and the Company's policy on salary revisions.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognized immediately in the P&L.

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occur

35.1 Provision for Defined Benefit Plan

	2026	2025
	LKR	LKR
Balance at the beginning of the year	70,333,157	56,992,064
Amount Charge for the Year	21,777,636	17,447,047
Actuarial (Gains)/Losses	5,852,139	4,764,196
Payments Made During the Year	(7,439,525)	(8,870,150)
Balance at the End of the Year	90,523,407	70,333,157

Notes to the Financial Statements

35.2 Expenses on Defined Benefit Plan

	2026	2025
	LKR	LKR
Amount recognised in the Statement of Profit or Loss		
Current Service Cost for the Year	13,611,957	10,380,032
Interest Cost for the Year	8,165,679	7,067,015
Total Amount recognised in the Statement of Profit or Loss	21,777,636	17,447,047
Amount recognised in the Statement of other Comprehansive income		
Actuarial (Gains)/ Losses	5,852,139	4,764,196
Total Amount recognised in the Statement of other Comprehansive income	5,852,139	4,764,196
Total Expenses on Defined Benefit Plan	27,629,775	22,211,243

35.3 Retirement Age

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021. The change in the PVDBO is recognized immediately in the P&L.

35.4 Assumptions and the sensitivity of the assumptions used for the provision of retirement gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2026 and 2025 by Messrs Piyal S Goonetilleke Associates, a professional actuary.

The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

35.5 Actuarial Assumptions

	2026	2025
Discount Rate	11.4%	11.6%
Salary scale	11.0%	11.0%
Staff Turnover		
20 to 30 years	10%	10.0%
35 years	7.5%	7.5%
40 years	5.0%	5.0%
45 years	2.5%	2.5%
50 years	1.0%	1.0%
Average Future Working Life	12.0 Yrs	12.0 Yrs
Weighted Average Duration of the Define Benefit Obligation	12.2 Yrs	11.7 Yrs
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table.	Long Term 1987 Soc. Sec. Table.
Retirement age	Retirement age of 60 Years	Retirement age of 60 Years

35.6 Actuarial Gains and Losses

As per actuarial valuation, actuarial gain and loss has arisen during the year because of change in Discount rate.

35.7 Sensitivity of Assumptions Employed on Actuarial Valuation

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in statement of comprehensive income and statement of financial position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31 March 2026.

Increase/ (decrease) in Discount Rate	Increase/ (decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase (decrease in Results for the year	Sensitivity Effect on Pension Fund Surplus Increase/ (decrease)
		LKR	LKR
+1%		8,529,839	8,529,839
(-1%)		(9,974,541)	(9,974,541)
	+1%	(9,669,391)	(9,669,391)
	(-1%)	8,434,631	8,434,631

36. Stated Capital

Issued and Fully Paid-Ordinary shares

	Number of Shares	2026	Number of Shares	2025
		LKR		LKR
At the beginning of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032
Issued during the year	-	-	-	-
At the end of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032

36.1 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

Notes to the Financial Statements

37. Reserves

37.1 Statutory Reserve Fund

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 20% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

37.2 Revaluation Reserve Fund

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company's Property, Plant & Equipment with net of differed tax on revaluation.

	Statutory Reserve	Revaluation Reserve	Total
	LKR	LKR	LKR
As at 1 April 2024	138,413,092	56,514,761	204,631,162
Transfers to/(from) during the year	23,690,647	-	23,690,647
As at 31 March 2025	162,103,739	56,514,761	218,618,500
As at 1 April 2025	162,103,739	56,514,761	218,618,500
Transfers to/(from) during the year	41,006,719	-	41,006,719
As at 31 March 2026	203,110,458	56,514,761	259,625,219

38. Retained Earnings

	2026	2025
	LKR	LKR
Balance as at 1 April	1,029,227,385	679,677,472
Profit for the Year	820,134,380	473,812,931
Other Comprehensive Income	(4,096,497)	(3,334,937)
Transfer to Statutory Reserves Fund	(41,006,719)	(23,690,647)
Dividend Paid	(336,591,117)	(97,237,434)
Balance as at 31 March	1,467,667,432	1029,227,385

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

39. Commitments and Contingencies

Accounting Policy

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 as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions contingent liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Year ended 31 March	Notes	Page	2026 LKR	2025 LKR
Contingent Liabilities	39.1	343	22,964,879	20,317,100
Commitments	39.2	343	-	-
			22,964,879	**20,317,100**

39.1 Contingent Liabilities

In the normal course of business, the Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

	2026 LKR	2025 LKR
Cases pending against the Company	22,964,879	20,317,100
Total contingent Liabilities	22,964,879	20,317,100

39.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date.

40. Net Assets Value Per Share

	2026 LKR	2025 LKR
Amounts Used as the Numerators:		
Total Equity Attibutable to Equity Holdders	4,423,405,683	3,943,958,917
Number of Ordinary Shares Used as Denominators:		
Total Number of Ordinary Shares in Issue	149,596,052	149,596,052
Net Assets Value per Share (LKR)	29.57	26.36

Notes to the Financial Statements

41. Assets Pledge

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged	Carrying Amount Pledged	Included Under
		2026	2025	
		LKR	LKR	
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	375,000,000	317,937,962	Loans and Receivables
Rental receivable on SME Loan	Term Loan	-	837,280,836	Loans and Receivables
Rental receivable on Lease	Term Loan	1,499,575,555	3,019,241,075	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	-	990,606,251	Loans and Receivables
Rental receivable on Lease & Gold Receivables	Securitisation	450,000,000	643,870,850	Lease Rental Receivable
Gold Loan Receivables	Term Loan	534,225,000	-	Loans and Receivables
Rental receivable on SME Loan &Lease receivables		349,800,000	-	Loans and Receivables/ Lease rental receivable
Rental receivable on Loan &Lease receivables	Short Term Loan	1,250,000,000	-	Loans and Receivables/ Lease rental receivable
Rental receivable on Loan &Lease receivables	Term Loan	6,355,670,633	-	Loans and Receivables/ Lease rental receivable
Rental receivable on Loan receivables	Term Loan	750,000,000	-	Loans and Receivables
Rental receivable on Loan receivables	Short Term Loan	130,000,000	-	Loans and Receivables
Rental receivable on Gold &Lease receivables	Term Loan	867,360,000	-	Loans and Receivables/ Lease rental receivable
Rental receivable on housing & SME receivables	Term Loan	472,323,053	-	Loans and Receivables

42. Comparative Information

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

Income Statement

There were no reclassification during the financial year.

Statement of Financial Position.

There were no reclassification during the financial year.

43. Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

	2026		
	Within 12 Months	After 12 Months	Total
	LKR	LKR	LKR
Assets			
Cash and Cash Equivalents	1,068,962,089	-	1,068,962,089
Financial Investments	1,580,176,849	-	1,580,176,849
Other Financial Assets	723,386,940	2,850,376,340	3,573,763,280
Financial Assets at Amortised Cost - Loans and Receivables	11,575,450,451	9,026,329,073	20,601,779,525
Financial Assets at Amortised Cost - Lease Rentals Receivables	3,427,217,329	5,763,325,527	9,190,542,856
Other Non Financial Assets	359,348,206	30,134,913	389,483,119
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	369,746,347	369,746,347
Right-of-use Lease Assets	-	233,092,294	233,092,294
Intangible Assets	-	1,080,000	1,080,000
Deferred Tax Assets	-	106,240,355	106,240,355
Total Assets	18,734,541,865	18,627,034,849	37,361,576,714
Liabilities			
Due to Banks and Other Institutions	6,590,839,507	11,825,867,139	18,416,706,646
Debt Securities Measured at amortised cost -Sustainable Bonds	-	2,088,362,362	2,088,362,362
Financial Liability at Amortised Cost - Due to Customers	9,026,611,884	1,582,351,731	10,608,963,615
Other Non Financial Liabilities	646,417,883	510,771,824	1,157,189,707
Current Tax Liabilities	316,497,931	-	316,497,931
Lease Liability	88,350,727	171,576,636	259,927,363
Post Employment Benefit Liability	-	90,523,407	90,523,407
Total Liabilities	16,668,717,932	16,269,453,099	32,938,171,031
Net Assets/(Liability)	2,065,823,933	2,357,581,750	4,423,405,683

Notes to the Financial Statements

	2025		
	Within 12 Months	After 12 Months	Total
	LKR	LKR	LKR
Assets			
Cash and Cash Equivalents	927,665,722	-	927,665,722
Financial Investments	906,304,991	-	906,304,991
Other Financial Assets	8,003,301	451,807,470	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	5,496,223,567	6,825,875,458	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	2,886,091,526	3,973,967,725	6,860,059,251
Other Non Financial Assets	260,510,658	16,072,529	276,583,187
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	271,420,091	271,420,091
Right-of-use Lease Assets	-	227,819,115	227,819,115
Intangible Assets	-	1,080,000	1,080,000
Deferred Tax Assets	-	42,374,071	42,374,071
Total Assets	10,484,799,765	12,057,126,459	22,541,926,224
Liabilities			
Due to Banks and Other Institutions	2,171,814,444	5,393,954,935	7,565,769,379
Financial Liability at Amortised Cost - Due to Customers	8,302,267,680	1,530,442,760	9,832,710,440
Other Non Financial Liabilities	515,673,919	209,030,289	724,704,208
Current Tax Liabilities	154,998,448	-	154,998,448
Lease Liability	85,389,547	164,062,128	249,451,675
Post Employment Benefit Liability	-	70,333,157	70,333,157
Total Liabilities	11,230,144,039	7,367,823,269	18,597,967,307
Net Assets/(Liability)	(745,344,273)	4,689,303,190	3,943,958,917

44. Related Party Transactions

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', on an arms length basis at commercial rate.

Details of related party transactions which the company had during the year are as follows,

44.1 Transactions with Key Managerial Personnel (KMPs) and their family members

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the board of directors of the Company and Chief Executive Officer who directly report to Board of Directors have been classified as KMPs of the Company.

44.1.1 Key Management Personnel Compensation

	2026	2025
	LKR	LKR
Short Term Employment Benefits	21,701,250	15,975,000
Directors Fees & Expenses	17,605,000	10,240,000
Total Key Management Personnel Compensation	39,306,250	26,215,000

In addition to the above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line with the approved employment terms of the Company.

44.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Family Members (CFMs)

CFMs of KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

The Company carries out transactions with KMPs and their CFMs in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

44.1.2.1 Transaction with KMPs, and their Close Family Members

	2026	2025
	LKR	LKR
Items in Statement of Financial Position		
Deposits balance as of reporting date	**8,511,634**	11,341,767
Interest Payable on Deposits	**212,614**	255,947
	8,724,247	11,597,714
Items in Statement of Profit or Loss		
Interest accrued during the period	**1,039,593**	1,242,751
	1,039,593	1,242,751

44.1.3 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMPs and their CFMs or Shareholders

	2026	2025
	LKR	LKR
Items in Statement of Financial Position		
Deposit balance held with related companies	**635,000,000**	483,399,630
	635,000,000	483,399,630
Items in Statement of Profit or Loss		
Interest Income on Financial Investments	**52,943,542**	46,386,837
Dividend Paid during the year	**1,948,725**	580,092
Expenses made during the year	**2,782,785**	2,778,669
	57,675,052	49,745,598

44.1.4 Transactions with Group Entities

The Group entities include the Parent , Fellow Subsidiaries and Associate companies of the parent.

Notes to the Financial Statements

44.1.4.1 Transactions with Sarvodaya Economic Enterprises Development (Gte) Ltd (SEEDS)

SEEDS holds 36.1% ownership of the Company and identified as related party with more than 10% ownership of the SDF.

SEEDS (Gte) Ltd

	2026	2025
	LKR	LKR
Items in Statement of Financial Position		
Interest payable on Deposits	569,755	228,159
Deposit balance as at reporting date	73,770,000	27,870,000
	74,339,755	28,098,159
Items in Statement of Profit or Loss		
Interest Accrued During the Period	4,500,917	4,981,827
Dividend Paid during the year	121,500,000	35,100,000
	126,000,917	40,081,827

44.1.4.2 Transactions with Janashakthi Limited

Janashakthi Limited holds 10.76% ownership of the Company and identified as a related party company with more than 10% ownership of the SDF. There were no transactions carried out with Janashakthi Limited during the reporting period, except for the final dividend payment of LKR 20,111,587.50 pertaining to the financial year 2024/25 and interim dividend payment of LKR 16,089,270.00 pertaining to the financial year 2025/26.

44.1.4.3 Transactions with Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS)

Lanka Jathika Sarvodaya Shramadana Sangamaya has a direct share holding of 2.9% of SDF and has a significance indirect influence over the entity through the 36.1% of ownership held by SEEDS and identified as a related party as defined in the LKAS 24.

Lanka Jathika Sarvodaya Shramadana Sangamaya

	2026	2025
	LKR	LKR
Items in Statement of Financial Position		
Interest Payable on Deposits	3,124,221	5,479,200
Fixed Deposits	307,197,477	300,057,378
Loan on Deposits	-	16,972,748
Lease Receivables	9,792,150	-
Lease Liability	29,147,385	64,648,315
Rent Paid	40,568,081	37,802,076
	389,829,314	424,959,717
Items in Statement of Profit or Loss		
Interest Accrued During the Period	26,094,829	21,464,861
Interest Income on Loan on Deposits	587,504	385,076
Interest Income on Lease Receivables	107,571	-
Dividend Paid during the year	10,141,301	3,019,250
Interest Expense on Lease Creditor	5,067,151	4,177,775
Other Expenses made during the year	4,500,000	-
	46,498,356	29,046,962

45. Events Occurring After the Reporting Date

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

46. Capital

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

46.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

47. Fair Value of Financial Instruments

Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account 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.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Valuation model

For all Financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the Financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

47.1 Assets & Liabilities Recorded at Fair Value

The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Company's estimate of assumptions that a market participant would make when valuing assets and liabilities.

Property, Plant & Equipment

Property, Plant & Equipment Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Notes to the Financial Statements

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy

As at 31 March 2026	Date of valuation	Level1	Level2	Level3	Total
		LKR	LKR	LKR	LKR
Non financial assets - Investment property					
Land and building	24th March 2025	-	-	246,710,000	246,710,000
		-	-	246,710,000	246,710,000
Non financial assets - Property, Plant and Equipment					
Land	24th March 2026	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

As at 31 March 2025	Date of valuation	Level1	Level2	Level3	Total
		LKR	LKR	LKR	LKR
Non financial assets - Investment property					
Land and building	24th February 2025	-	-	246,710,000	246,710,000
		-	-	246,710,000	246,710,000
Non financial assets - Property, Plant and Equipment					
Land	24th February 2025	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

	2026		2025	
	Investment Property	Freehold Land	Investment Property	Freehold Land
	LKR	LKR	LKR	LKR
Balance as at 1 April	246,710,000	36,100,000	246,710,000	36,100,000
Revaluation reserve credit to revaluation reserve	-	-	-	-
Total gain/(loss) recognised in profit or loss:	-	-	-	-
Balance at 31 March	246,710,000	36,100,000	246,710,000	36,100,000

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2026 and 31 March 2025 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobervable unputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2026		**LKR**				
Property, Plant and Equipment						
Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	24/02/2025	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	24/02/2025	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobervable unputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2025		**LKR**				
Property, Plant and Equipment						
Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	24/02/2025	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	24/02/2025	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

47.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets of which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Notes to the Financial Statements

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 market interest rates for debts with similar credit risk and maturity.

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes 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 March 2026	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR	LKR	LKR	LKR	LKR
Financial Assets					
Cash and Cash Equivalents		888,355,559	-	888,355,559	1,079,054,481
Financial Investments	-	1,612,670,838	-	1,612,670,838	1,580,176,849
Other Financial Assets	-	3,914,059,432	-	3,914,059,432	3,573,763,280
Financial Assets at Amortised Cost - Loans and Receivables	-	22,885,276,974	-	22,885,276,974	20,601,779,525
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	9,902,033,045	-	9,902,033,045	9,190,542,856
	-	39,202,395,849	-	39,202,395,849	36,025,316,991
Financial Liabilities					
Due to Banks and Other Institutions	-	18,426,799,038	-	18,426,799,038	18,426,799,038
Due to Customers	-	10,608,963,615	-	10,608,963,615	10,608,963,615
Lease Liabilities	-	348,386,246	-	348,386,246	259,927,363
	-	29,384,148,899	-	29,384,148,899	29,285,597,624

As at 31 March 2025	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR	LKR	LKR	LKR	LKR
Financial Assets					
Cash and Cash Equivalents		769,815,864	-	769,815,864	927,665,722
Financial Investments	-	918,585,865	-	918,585,865	906,304,991
Other Financial Assets	-	446,068,948	-	446,068,948	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	-	13,624,435,890	-	13,624,435,890	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	7,597,500,306	-	7,597,500,306	6,860,059,251
	-	23,356,406,873	-	23,356,406,873	21,475,939,760
Financial Liabilities					
Due to Banks and Other Institutions	-	7,565,769,378	-	7,565,769,378	7,565,769,378
Due to Customers	-	9,832,710,440	-	9,832,710,440	9,832,710,440
Lease Liabilities	-	252,838,328	-	252,838,328	249,451,676
	-	17,651,318,146	-	17,651,318,146	17,647,931,494

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

48. Risk Management

48.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring through established risk limits and controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for prudently managing the risk exposures relating to his or her responsibilities. Company's risk strategy focuses on managing principal risks faced by the Company while striking a fair balance between the risk return trade-off. Based on the unprecedented impact on economy and financial services sector due to the uncertainty prevailed in the macro- business environment, a robust approach in risk management is considered as of paramount importance by the Company.

In the course of its business activities, Sarvodaya Development Finance PLC is constantly exposed to risks that include but are not limited to following risk types;

1. Credit Risk
2. Liquidity Risk
3. Market Risk
4. Capital Management and
5. Operational Risk.

	Note No.	Page No.
Risk Governance Structure	48	353
Board Integrated Risk Management Committee (BIRMC)	48	353
Asset- Liability Committee (ALCO)	48	353
Credit Committee	48	354
Management Committee (MANCOM)	48	354
Product Development Committee (PDC)	48	354
Information Technology Steering Committee (ITSC)	48	354
Risk Management Department (RMD)	48	354
Credit Risk	48	354
Liquidity Risk and Funding Management	48.3	354
Operational Risk	48.2	359
Market Risk	48.4	359
Interest Rate Risk	48.6	364
Foreign Currency Risk	48.6	364

Risk Management Structure

At Sarvodaya Development Finance PLC, the management of risks, plays an integral part in all its business activities. The identification, evaluation, measurement, mitigation, decision making and control implementation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance PLC is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders.

Board Integrated Risk Management Committee (BIRMC)

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.and it is the apex body which oversight the different risk profiles of the company. The Board has appointed a subcommittee, Board Integrated Risk Management Committee (BIRMC) and has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. The BIRMC reviews and assesses the Company's overall risks and focuses on policy recommendations and strategies and ensure that the Board of directors is duly updated of its activities.The committe has established an independent risk management function through the Risk Management Department which is responsible for managing risk -taking activities across the company.

Risk Management Department (RMD)

The business units (i.e. Credit Department, Operations Department and Branches etc.) have the primary responsibility for identifying risks as the first line of defence. The Risk Management Department, which provides an independent oversight function, acts as the 2nd line of defense. The RMD is headed by the Head of Risk Management who directly reports to the Chair of the BIRMC and also has an administrative reporting to the CEO. The RMD accompanies with other control functions (most notably Internal Audit, Compliance and Finance) of the Company that might uncover risk management issues. Each of the control functions has a different focus and potential overlap between them is kept to a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks.

Sarvodaya Development Finance PLC is aware of a wide spectrum of risks that it is exposed to, and provides attention to each and every risk factor that could hinder the achievement of the company's

Notes to the Financial Statements

overall objectives. The Company has put in place structures and processes to address these risks which are vested to functional departments. Additionally, the BIRMC carries out independent risk evaluations (both qualitative and quantitative) and the results are shared with the Management team of the Company as well as the Board of Directors.

The following Management Level Committees, each with a defined responsibility, support the BIRMC by executing their respective management mandates.

Asset - Liability Committee (ALCO)

The ALCO comprises of senior management personnel who are in charge of Treasury, Finance, Risk,Compliance, Credit, Fund Mobilisation, Operations, Recoveries and Marketing. ALCO is headed by the CEO and responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest rate risk and liquidity risk while maintaining profitability.

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC). BCC is comprised of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive, Independent Director. The key management personnel attend the meetings upon invitation. BCC oversees the management of credit quality of the lending portfolio and recovery actions.

MCC is comprised of Senior Management Personnel and headed by the CEO. MCC approves credit facilities within its delegated authority and reviews the methodologies for assessing credit risk and monitors concentration risk.

Management Committee (MANCOM)

ManCom is comprised of senior management personnel and headed by the CEO. This Committee oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures

Product Development Committee (PDC)

The Committee is comprised of Senior Management personnel , internal stakeholders from business units and other 'ad hoc' members with expertise in applicable functions such as credit, operations, legal, information technology, information security, audit, risk management, and compliance. The Committee covers all the new developments as well as significant changes to existing products, processes and systems of SDF.

Information Technology Steering Committee (ITSC)

The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve and secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair.The committee is chaired by the CEO and will be facilitated by the Head of IT and / or Senior Manager IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Operations & Administration.

Information Security Committee (ISC)

The prime objective of the ISC is to oversee the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of Information Security and Technology Risk Management. The ISC is chaired by the CEO. The Chief Operating Officer (COO), Head of Operations and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Compliance Officer will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter relating to their areas is to be discussed. Head of internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. The Committee reports to the Board of Directors through BIRMC.

48.2 Credit Risk

Overview

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customer. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customer Credit risk is considered as Sarvodaya Development Finance PLC's major risk exposure. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Credit Risk Management

The Board of Directors of the Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for managing the Company's credit risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to respective officers with the delegated authority (DA) of the CEO.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of borrowers' risk. All internal risk ratings are tailored to various products namely SME Loans and Leasing. For accounting purposes, the Company uses a collective model for recognition of losses on impaired financial Assets.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the company act as a possible secondary recourse. Collaterals generally include cash, marketable securities, properties, stocks, trade debtors, other receivables, machineries and equipment and other physical or financial assets are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka.

Clear guidelines are in place to determine the suitability of collaterals as a tool of mitigating credit risk based on their different characteristics and valuations, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The Company has a panel of appointed professional valuers in order to obtain valuations for the properties, machineries and vehicles which are obtained as collaterals.

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations.

The Company also accepts personal guarantees, guarantees from other financial institutions and creditworthy bodies as collaterals for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Impact Assessment of Macro-Economic and Business Environment Challenges

The Company's Integrated Risk Management Framework enables the closely assessing and reviewing of the elevated risks which have arisen from internal and external factors on an ongoing basis while escalating those risks which are seen to be pertinent to the Board in a timely manner taking corrective and proactive measures to mitigate their impact on the operations of the Company in order to ensure SDF's continued resilience and risk adjusted returns. The effectiveness of these measures have been witnessed by the Company's lower NPL Ratio than the industry average and the Company regularly monitors its credit exposures, portfolio performance and external trends which may impact risk management outcomes while taking prudent measures to intensify the repayment patterns of the credit customers which is essential to safeguard the interest of all the stakeholders of the Company

Impairment Assessment

Detailed Note on impairment method has disclosed in note 22 on page 319.

48.2.1 Maximum Exposure to Credit Risk

The Company consider total loan and lease balances to calculate collective impairment.

	2026				
	Neither Past Due Nor Impaired	Past Due But Not Impaired	Individually Impaired	Collectively Impaired	Total
	LKR	LKR	LKR	LKR	LKR
Assets					
Cash and Cash Equivalents	1,079,054,481	-	-	-	1,079,054,481
Loans and Receivable (Gross)	510,580,223	-	245,143,520	20,575,663,978	21,331,387,721
Lease Rentals Receivables (Gross)	-	-	190,340,593	9,469,254,463	9,659,595,056
Financial Investments	1,580,176,849	-	-	-	1,580,176,849
Other Financial Assets	3,573,763,280	-	-	-	3,573,763,280
Total Financial Assets	6,743,574,833	-	435,484,113	30,044,918,441	37,223,977,387

Notes to the Financial Statements

	2025				
	Neither Past Due Nor Impaired	Past Due But Not Impaired	Individually Impaired	Collectively Impaired	Total
	LKR	LKR	LKR	LKR	LKR
Assets					
Cash and Cash Equivalents	927,665,722	-	-	-	927,665,722
Loans and Receivable (Gross)	493,104,685	-	195,499,475	12,151,167,020	12,839,771,180
Lease Rentals Receivables (Gross)	-	-	48,390,603	7,093,079,130	7,141,469,733
Financial Investments	906,304,991	-	-	-	906,304,991
Other Financial Assets	459,810,771	-	-	-	459,810,771
Total Financial Assets	2,786,886,169	-	243,890,078	19,244,246,150	22,275,022,397

48.2.2 Analysis of Credit Concentration Risk

The Company has a Board approved Risk Appetite Statement (RAS) which is in line with the Strategic Plan of the Company. Accordingly, risk appetite limits have been set for different criteria with the objective of maintaining risk levels at acceptable levels resulting in a well diversified portfolio continuously. These risk limits are regularly monitored by the Risk Management Department and the Board Integrated Risk Management Committees to ensure that they are in par with the evolving developments in the operating environment which includes macro-economic factors as well, so they can indicate early warning signals to the decision makers of the Company to be proactive in terms of credit concentration risk management.

48.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

	2026					
Sector wise Breakdown	Cash and Cash Equivalents	Loans and Receivable	Lease Rental Receivable	Financial Investments	Other Financial Assets	Total Financial Assets
	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture & Fishing	-	8,044,592,778	5,630,538,986	-	-	13,675,131,764
Manufacturing	-	1,250,160,733	141,369,568	-	-	1,391,530,301
Tourism	-	325,727,569	21,245,815	-	-	346,973,384
Transport	-	391,842,134	2,530,094,575	-	-	2,921,936,709
Constructions	-	4,901,830,554	253,668,375	-	-	5,155,498,929
Trades	-	1,497,726,931	82,864,392	-	-	1,580,591,323
New Economy	-		2,610,592	-	-	2,610,592
Financial and Business Services	1,079,054,481	240,595,061	11,031,997	-	3,573,763,280	4,904,444,819
Infrastructure	-	959,614,655	35,051,891	-	-	994,666,546
Government	-			1,580,176,849	-	1,580,176,849
Other Services	-	3,719,297,306	951,118,865	-	-	4,670,416,171
Total	1,079,054,481	21,331,387,721	9,659,595,056	1,580,176,849	3,573,763,280	37,223,977,387

Sector wise Breakdown	2025 Cash and Cash Equivalents	Loans and Receivable	Lease Rental Receivable	Financial Investments	Other Financial Assets	Total Financial Assets
	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture & Fishing	-	4,601,215,953	3,859,890,110	-	-	8,461,106,063
Manufacturing	-	713,796,774	44,432,513	-	-	758,229,287
Tourism	-	149,570,136	30,495,398	-	-	180,065,534
Transport	-	138,371,784	2,554,771,212	-	-	2,693,142,996
Constructions	-	3,088,460,722	182,965,721	-	-	3,271,426,443
Trades	-	1,022,241,855	42,579,684	-	-	1,064,821,539
New Economy	-	7,048,536	415,816	-	-	7,464,352
Financial and Business Services	927,665,722	150,299,731	11,377,690	-	459,810,771	1,549,153,914
Infrastructure	-	584,107,487	41,494,568	-	-	625,602,055
Government	-			906,304,991	-	906,304,991
Other Services	-	2,384,658,202	373,047,023	-	-	2,757,705,225
Total	927,665,722	12,839,771,180	7,141,469,733	906,304,991	459,810,771	22,275,022,397

48.2.2.2 Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	Term Loan and receivables Past Due But Not Impaired	Lease receivable Past Due But Not Impaired	Total Past Due But Not Impaired
	LKR	LKR	LKR
As at 31 March 2026			
Central	2,430,191,343	860,643,468	3,290,834,811
Eastern	2,455,262,865	2,062,055,155	4,517,318,020
North Central	1,470,550,455	2,939,707,837	4,410,258,292
Northern	763,984,419	321,291,620	1,085,276,039
North Western	3,049,490,872	685,780,003	3,735,270,875
Sabaragamuwa	1,190,561,672	251,862,737	1,442,424,409
Southern	3,833,309,926	501,264,186	4,334,574,112
Uva	1,920,808,089	1,151,292,131	3,072,100,220
Western	4,217,228,079	885,697,917	5,102,925,996
Total	21,331,387,720	9,659,595,054	30,990,982,774
As at 31 March 2025			
Central	1,346,720,070	683,368,711	2,030,088,781
Eastern	1,559,750,707	1,319,776,959	2,879,527,667
North Central	920,633,170	2,240,097,651	3,160,730,821
Northern	493,394,741	204,220,938	697,615,679
North Western	1,823,107,111	596,195,428	2,419,302,539
Sabaragamuwa	756,160,601	200,050,483	956,211,084
Southern	2,376,750,356	300,100,430	2,676,850,786
Uva	1,034,727,008	968,159,426	2,002,886,434
Western	2,528,527,416	629,499,705	3,158,027,121
Total	12,839,771,180	7,141,469,733	19,981,240,913

Notes to the Financial Statements

48.2.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customer For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

The following table shows the fair value of collateral and credit enhancements held by the Company.

	31 March 2026		31 March 2025	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
Company	**LKR**	**LKR**	**LKR**	**LKR**
Cash and cash equivalents (excluding cash in hand)	888,355,559	-	769,815,864	-
Financial Investments	1,580,176,849	-	906,304,991	-
Other Financial Assets	3,573,763,280	3,573,763,280	459,810,771	459,810,771
Loans and Receivables	21,331,387,721	-	12,839,771,180	-
Lease Rental Receivable	9,659,595,056	-	7,141,469,733	-
	37,033,278,465	3,573,763,280	22,117,172,539	459,810,771

Sensitivity of impairment provision on loans and receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income
	Stage 1	Stage 2	Stage 3	Total	
	Past Due But Not Impaired	Past Due But Not Impaired	Past Due But Not Impaired	Past Due But Not Impaired	Past Due But Not Impaired
	LKR	LKR	LKR	LKR	LKR
As at 31 March 2026					
PD 1% increase across all age buckets	37,767,884	6,101,664		43,869,548	(43,869,548)
PD 1% decrease across all age buckets	(37,767,884)	(6,101,664)		(43,869,548)	43,869,548
LGD 5% increase	76,908,224	38,539,356	52,480,407	167,927,987	(167,927,987)
LGD 5% decrease	(76,908,224)	(38,539,356)	(52,480,407)	(167,927,987)	167,927,987
Probability weighted Economic Scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(6,006)	(132,990)		(138,996)	138,996
– Base case 10% decrease, worst case 5% increase and best case 5% increase	6,006	132,990		138,996	(138,996)
As at 31 March 2025					
PD 1% increase across all age buckets	18,797,734	4,329,878	-	23,127,613	(27,457,491)
PD 1% decrease across all age buckets	(18,797,734)	(4,329,878)	-	(23,127,613)	27,457,491
LGD 5% increase	58,179,746	38,290,202	55,133,263	151,603,211	(151,603,211)
LGD 5% decrease	(58,179,746)	(38,290,202)	(55,133,263)	(151,603,211)	151,603,211
Probability weighted Economic Scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	1,639,884	858,868	-	2,498,753	(2,498,753)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	(1,639,884)	(858,868)	-	(2,498,753)	2,498,753

48.3 Liquidity Risk & Funding Management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

Market Liquidity Risk is the inability to easily exit a position without moving the price too much.

Funding Liquidity Risk would arise if the Company is unable to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable.

To limit this risk, the Company's management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

Notes to the Financial Statements

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least monthly and more frequently as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position. Furthermore, the Company maintains the Statutory Liquid Assets Ratio at its required level as a method to measure and control daily liquidity risk.

48.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2026	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and Cash Equivalents	1,079,054,481	-	-	-	-	1,079,054,481
Financial Investments	176,993,288	818,271,096	619,749,507		-	1,615,013,890
Other Financial Assets	-	-	682,194,842	3,294,977,324	-	3,977,172,166
Financial Assets at Amortised Cost - Loans and Receivables	8,924,768,848	1,251,396,148	4,413,334,147	11,664,004,725	231,941,643	26,485,445,512
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,136,392,819	580,530,139	2,836,607,914	8,442,083,080	15,781,766	13,011,395,718
Total Financial Assets	11,317,209,435	2,650,197,383	8,551,886,410	23,401,065,130	247,723,410	46,168,081,767
Financial Liabilities						
Due to Banks and Other Institutions	356,670,439	9,792,722,195	792,100,000	7,485,306,404		18,426,799,038
Debt Securities Measured at amortised cost -Sustainable Bonds				3,195,663,058		3,195,663,058
Due to Customers	1,745,242,964	3,129,342,001	4,152,026,919	1,542,152,652	40,199,078	10,608,963,615
Lease Liability		33,465,502	82,630,963	196,998,296	13,335,410	326,430,172
Total Financial Liabilities	2,101,913,403	12,955,529,698	5,026,757,883	12,420,120,410	53,534,488	32,557,855,882
Total Net Financial Assets/ (Liabilities)	9,215,296,032	(10,305,332,315)	3,525,128,527	10,980,944,720	194,188,921	13,610,225,886

As at 31 March 2025	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and Cash Equivalents	927,665,722	-	-	-	-	927,665,722
Financial Investments	-	790,293,710	131,702,992	-	-	921,996,702
Other Financial Assets	-	12,312,481	12,669,544	305,393,638	231,816,133	562,191,796
Financial Assets at Amortised Cost - Loans and Receivables	5,432,718,772	757,663,289	2,712,211,356	7,251,263,321	109,190,575	16,263,047,313
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,075,124,127	477,682,600	2,589,266,261	5,436,072,338	-	9,578,145,326
Total Financial Assets	7,435,508,621	2,037,952,080	5,445,850,153	12,992,729,297	341,006,708	28,253,046,859
Financial Liabilities						
Due to Banks and Other Institutions	401,579,227	668,490,794	1,101,744,424	5,207,897,009	348,511,477	7,728,222,931
Due to Customers	1,688,721,679	2,938,287,621	3,852,494,510	1,615,660,182		10,095,163,992
Lease Liability	9,954,534	19,807,406	84,368,627	189,258,679	9,473,090	312,862,336
Total Financial Liabilities	2,100,255,440	3,626,585,821	5,038,607,561	7,012,815,871	357,984,567	18,136,249,259
Total Net Financial Assets/ (Liabilities)	5,335,253,181	(1,588,633,741)	407,242,592	5,979,913,426	(16,977,859)	10,116,797,601

48.3.2 Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

As at 31 March 2026	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Cases pending against the company	-	-		22,964,879	-	22,964,879
Total Commitments and guarantees	-	-	-	22,964,879	-	22,964,879

As at 31 March 2025	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Cases pending against the company	-	-		20,317,100	-	20,317,100
Total Commitments and guarantees	-	-	-	20,317,100	-	20,317,100

Notes to the Financial Statements

48.3.2.1 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2025 and as at 31 March 2026 other than the disclosures made under the financial statements notes number 48.3.1 on page number 360.

48.4 Market Risk

Overview

Market risk is the potential of an adverse impact on Company's earnings or capital due to changes in interest rates. During the normal course of its business, Company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the Company to market risk in varying degrees.

Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact Company's profitability, capital or the risk profile.

Upon recognizing various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company, as risk mitigation tools, Company has formed a Liquidity Investment Policy and an Asset and Liability Management Policy. These policies define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by the Asset- Liability Committee (ALCO) and the Board Integrated Risk Management Committee (BIRMC).

ALCO is the core management committee that regularly monitors market risk exposures and initiates appropriate action to optimize overall market risk exposures within the overall risk appetite of the company. In this regard, the major functions carried out by ALCO include:

- proactive managing of liquidity risk profile of the company
- articulating interest rate review of the company
- monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for coordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures, and reviewing Company's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimizing risk-return trade off. The Company has made a strategic decision to maintain a risk appetite moderately above competitor rates since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

48.5 Interest Rate Risk

Interest rate risk is a key constituent of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rates which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio;
- Yield curve risk arising from unanticipated shifts of the market yield curve;

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of Net interest margin took place to be vigilant and proactive towards the special relief measures introduced by the government pertaining to interest rates.

48.5.1 Interest Rate Risk Exposure On Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2026	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31.03.2026
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Assets							
Cash and Cash Equivalents	663,186,310	-	-	-	-	415,868,171	1,079,054,481
Financial Investments	1,580,176,849		-	-	-	-	1,580,176,849
Other Financial Assets	723,386,940		-	2,850,376,340	-	-	3,573,763,280
Financial Assets at Amortised Cost - Loans and Receivables	8,335,367,319	3,263,848,869	5,413,277,832	2,923,637,099	665,648,406	-	20,601,779,525
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,502,727,675	1,924,489,654	4,103,340,083	1,232,005,542	427,979,900	-	9,190,542,856
Total Financial Assets	12,804,845,093	5,188,338,523	9,516,617,915	7,006,018,982	1,093,628,306	415,868,171	36,025,316,991
Financial Liabilities							
Due to Banks and Other Institutions	10,149,392,634	792,100,000	6,644,680,255	840,626,149		-	18,426,799,038
Debt Securities Measured at amortised cost -Sustainable Bonds				2,088,362,362			2,088,362,362
Financial Liability at Amortised Cost - Due to Customers	4,343,553,017	4,152,026,919	856,803,387	685,349,265	40,199,078	531,031,948	10,608,963,615
Lease Liability	25,425,083	62,925,644	109,308,651	50,234,640	12,033,345		259,927,363
Total Financial Liabilities	14,518,370,734	5,007,052,563	7,610,792,293	3,664,572,416	52,232,423	531,031,948	32,557,855,882
Interest Sensitivity Gap	(1,713,525,641)	181,285,960	1,905,825,621	3,341,446,566	1,041,395,882	(115,163,777)	4,641,264,613

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31.03.2025
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Assets							
Cash and Cash Equivalents	104,932,049	-	-	-	-	822,733,673	927,665,722
Financial Investments	411,826,995	494,477,996	-	-	-	-	906,304,991
Other Financial Assets	7,365,598	637,703	-	229,500,000	222,307,470	-	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	4,636,309,729	859,913,838	2,062,780,309	4,488,248,914	274,846,234	-	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	135,961,660	2,750,129,866	1,256,833,802	2,717,133,923	-	-	6,860,059,251
Total Financial Assets	5,296,396,031	4,105,159,403	3,319,614,111	7,434,882,838	497,153,704	822,733,673	21,475,939,760
Financial Liabilities							
Due to Banks and Other Institutions	1,070,070,020	1,101,744,424	3,021,954,415	2,023,489,042	348,511,477	-	7,565,769,378
Financial Liability at Amortised Cost - Due to Customers	4,094,714,888	3,701,567,218	1,210,930,314	274,782,776	44,729,671	505,985,574	9,832,710,440
Lease Liability	19,706,479	65,683,069	112,149,541	44,346,133	7,566,455	-	249,451,675
Total Financial Liabilities	5,184,491,387	4,868,994,711	4,345,034,270	2,342,617,951	400,807,602	505,985,574	17,647,931,494
Interest Sensitivity Gap	111,904,644	(763,835,308)	(1,025,420,158)	5,092,264,887	96,346,102	316,748,099	3,828,008,266

Notes to the Financial Statements

48.5.2 Interest Rate Sensitivity

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in interest rates, with all other variables held constant. The analysis assumes a parallel shift of 100 basis points (bps) in market interest rates applicable to rate-sensitive financial instruments outstanding at the reporting date. The impact of the rate shock on net interest income arising from floating-rate borrowings is presented below.

		Sensitivity of Net Interest Income			
		2026		2025	
Borrowings/ Advance	Increase (Decrease) in 100 basis points	LKR '000		LKR '000	
Borrowing at floating rate	+ 100 / (-100)	(94,538.00)	94,538.00	(60,679)	60679

48.6 Foreign Currency Risk

The Company is exposed to foreign currency risk primarily through its borrowings denominated in United States Dollars (USD). To manage this exposure, the Company has adopted a natural hedging strategy whereby the loan repayments are matched with USD fixed deposits (FDs) of equivalent amounts. These FDs are structured such that their maturities align with the loan repayment schedule.

As a result, the foreign currency exposure arising from the USD-denominated loan is economically hedged through corresponding USD-denominated deposits, thereby mitigating the risk of exchange rate fluctuations on the repayment cash flows.

Risk Management Strategy

The Company's policy is to limit exposure to foreign currency risk by aligning foreign currency assets and liabilities wherever possible. The deposits placed in USD are held to maturity and are not intended for trading purposes. Management monitors the foreign currency exposure and the effectiveness of the natural hedge on an ongoing basis.

Sensitivity Analysis

A sensitivity analysis is performed to assess the impact of reasonable fluctuations in the USD/LKR exchange rate on the Company's net profit and equity, assuming all other variables remain constant.

49. Financial Reporting by Segment

For management purposes, the Company is organised into business units based on its products and services and has three reportable segments, as follows:

Lease

This segment includes Leasing products offered to the customers.

Loan

This segment includes SME, Micro, Personal and Gold loans offered to the customers

Other Business

This segment include all other business activities that Company engaged other than above segments

The Management Committee 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 profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Lease		Loan		Other		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Year ended 31 March	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Interest income	1,807,710,657	1,628,854,047	3,806,130,131	2,316,032,487	231,843,854	118,897,532	5,845,684,642	4,063,784,067
Net fee and commission income	153,612,100	118,867,957	303,043,588	154,215,351	(1,238,935)	(5,072,663)	455,416,752	268,010,645
Other operating income	66,293,201	17,035,633	22,097,734	5,678,544	33,808,233	19,886,080	122,199,167	42,600,257
Gross income	2,027,615,958	1,764,757,637	4,131,271,452	2,475,926,383	264,413,152	133,710,949	6,423,300,561	4,374,394,969
Interest expenses	(716,767,036)	(582,385,970)	(1,460,414,227)	(801,657,562)	(93,470,674)	(40,251,412)	(2,270,651,937)	(1,424,294,944)
Total operating income	1,310,848,922	1,182,371,667	2,670,857,224	1,674,268,821	170,942,478	93,459,537	4,152,648,624	2,950,100,025
Credit loss expenses	(328,262,233)	(222,411,311)	(217,129,258)	(214,751,444)	(768,922)	(1,741,079)	(546,160,413)	(438,903,833)
Net Operating Income	982,586,689	959,960,356	2,453,727,966	1,459,517,377	170,173,556	91,718,458	3,606,488,211	2,511,196,191
Other Expenses	(509,386,917)	(502,443,705)	(1,037,876,832)	(691,616,586)	(66,427,076)	(34,726,229)	(1,613,690,825)	(1,228,786,521)
Depreciation and Amortization	(54,122,986)	(58,565,657)	(110,275,689)	(80,615,956)	(7,057,958)	(4,047,746)	(171,456,633)	(143,229,359)
Segment Result	419,076,787	398,950,994	1,305,575,446	687,284,835	96,688,521	52,944,483	1,821,340,753	1,139,180,311
Tax on financial services							(462,642,128)	(309,580,258)
Income tax expenses							(538,564,245)	(355,787,122)
Profit attributable to share holders							820,134,380	473,812,931
Segment assets	9,190,542,856	6,860,059,251	20,601,779,525	12,322,099,025	7,579,346,724	3,359,767,948	37,371,669,105	22,541,926,224
Total Assets	9,190,542,856	6,860,059,251	20,601,779,525	12,322,099,025	7,579,346,724	3,359,767,948	37,371,669,105	22,541,926,224
Segment liabilities	8,102,726,859	5,659,816,132	18,163,300,570	10,166,211,731	6,682,235,993	2,771,939,444	32,948,263,422	18,597,967,307
Total liabilities	8,102,726,859	5,659,816,132	18,163,300,570	10,166,211,731	6,682,235,993	2,771,939,444	32,948,263,422	18,597,967,307

Medagama

EMPOWERING VILLAGE ARTISAN ENTREPRENEURS

AT TWENTY-EIGHT, I TURN VILLAGE COCOA INTO CHOCOLATE THE WORLD COMES TO TASTE.

I am twenty-eight, and like many in Medagama I grew up around paddy cultivation, which I still tend. But I wanted to build something of my own from what our land already gives us. We grow cocoa here, and I learned to turn it into handmade chocolate, sugar free and made for people who want to enjoy something sweet without the guilt.

Sarvodaya Development Finance backed me with a facility to purchase agricultural machinery, and I have made it a point to keep my repayments in good order, because trust runs both ways. My chocolates have found their audience among the visitors who travel through Galle and Matara, and word has spread among the tourist crowd down south.

From a young farmer's idea to a healthy product that travellers seek out, this has been a journey I never imagined when I started. And it began with cocoa grown in my own village.

SDF Support: Loan facility for agricultural machinery, with a consistently strong repayment record.
Customer Name: R M S Sadaruwan



Decade at a Glance

For the Year ended 31 March	2025/26 Rs. (000)	2024/25 Rs. (000)	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)
Operating Results										
Income	**6,423,301**	4,374,395	3,326,774	2,597,492	1,930,409	1,743,539	1,802,436	1,575,247	1,320,761	1,092,958
Interest Income	**5,845,685**	4,063,784	3,101,982	2,461,331	1,822,315	1,584,745	1,681,679	1,433,374	1,179,563	883,758
Interest Expenses	**2,270,652**	1,424,295	1,322,454	1,221,615	562,116	623,347	750,116	606,621	416,599	280,902
Net Interest Income	**3,575,033**	2,639,489	1,779,528	1,239,717	1,260,199	961,398	931,562	826,753	762,964	602,856
Other Income	**577,616**	310,611	224,791	136,161	108,094	158,795	120,757	141,872	141,198	209,200
Total Operating Income	**4,152,649**	2,950,100	2,004,319	1,375,877	1,368,293	1,120,192	1,052,319	968,626	904,162	812,056
Operating Expenses	**1,785,147**	1,372,016	1,080,571	866,708	800,411	703,903	700,911	717,895	630,190	635,628
Impairment Losses	**546,160**	438,904	332,532	63,092	192,619	60,092	119,318	94,014	89,116	172,259
Profit Before Taxation	**1,821,341**	1,139,180	591,216	446,077	375,264	356,197	232,090	156,717	184,856	4,169
Tax on Financial Services	**462,642**	309,580	181,956	145,945	106,553	89,362	108,023	87,760	70,751	48,027
Income Tax Expenses/ (Reversal)	**538,564**	355,787	159,664	78,482	53,244	83,478	22,351	27,740	21,922	(9,324)
Profit/(Loss) for the Year (PAT)	**820,134**	473,813	249,597	221,649	215,466	183,357	101,716	41,216	92,182	(34,535)
Statement of Financial Position										
Assets										
Cash and Cash Equivalents	**1,079,054**	927,666	544,920	664,044	92,132	130,871	73,226	140,903	116,978	138,046
Loans and Receivables	**20,601,780**	12,322,099	6,958,213	5,105,311	5,110,595	4,954,331	5,230,705	5,113,657	4,697,450	3,477,040
Lease Rentals Receivable	**9,190,543**	6,860,059	5,616,318	4,674,862	4,768,167	2,952,368	1,702,847	1,102,513	611,055	283,559
Financial Investments	**1,580,177**	906,305	772,478	576,027	532,667	374,591	444,939	442,595	282,269	268,211
Other Financial Assets	**3,573,763**	459,811	50,961	874	814	780	164,536	189,277	207,371	282,578
Investment in Subsidiary Companies				-	-	-	-	-	-	-
Other Assets	**1,346,352**	1,065,986	954,958	649,174	670,109	623,657	598,962	460,879	445,054	423,459
Total Assets	**37,371,669**	22,541,926	14,897,848	11,670,294	11,174,484	9,036,598	8,215,216	7,449,824	6,360,176	4,872,893
Liabilities										
Due to Banks	**18,426,799**	7,565,769	3,005,408	1,508,115	2,320,185	1,729,624	1,595,036	835,874	463,277	75,856
Due to Customers	**10,608,964**	9,832,710	7,492,006	6,193,431	4,729,097	4,551,945	5,101,976	5,385,342	4,624,855	3,563,700
Savings	**1,745,243**	1,656,453	1,316,904	1,064,514	1,300,813	1,245,293	1,536,303	1,561,061	1,554,619	1,607,045
Fixed Deposits	**8,863,721**	8,176,257	6,175,102	5,128,917	3,428,284	3,306,652	3,565,673	3,824,281	3,070,216	1,956,654
Other Non Financial Liabilities	**1,157,190**	724,704	425,291	291,925	596,809	282,552	99,221	79,668	84,070	165,765
Post Employment Benefit Liability	**90,523**	70,333	56,992	35,677	32,066	55,829	33,753	27,212	26,416	20,797
Other Liability	**576,425**	404,450	570,236	191,657	191,532	235,263	189,551	23,183	30,768	-
Total Liabilities	**32,948,263**	18,597,967	11,327,129	8,220,806	7,869,689	6,855,213	7,019,536	6,351,279	5,229,366	3,826,118
Shareholders' Funds										
Stated Capital	**2,696,113**	2,696,113	2,696,113	2,696,113	2,696,113	1,696,113	890,000	890,000	890,000	890,000
Reserves	**1,727,293**	1,247,846	874,605	753,375	608,682	485,270	305,679	208,546	240,810	156,775
Total Shareholders' Funds	**4,423,406**	3,943,959	3,570,718	3,449,488	3,304,795	2,181,385	1,195,679	1,098,546	1,130,810	1,046,775
Other Information										
Number of Staff	**652**	603	547	453	508	480	471	521	508	540
Number of Branches	**56**	56	56	51	51	30	30	30	30	30
Number of CSCs	**-**	-	-	-	-	21	21	21	21	22
Number of Gold Centers within the Branches	**56**	56	54	39	39	35	25	5	-	-
Profit Before Tax Per Employee	**2,789**	1,889	1,081	985	739	742	493	301	364	8
Profit After Tax Per Employee	**1,256**	786	456	489	424	382	216	79	181	(64)
Total Assets Per Employee	**57,231**	37,383	27,236	25,762	21,997	18,826	17,442	14,299	12,520	9,024
Employees Per Branch			8	7	7	6	7	7	7	8

For the Year ended 31 March	2025/26 Rs. (000)	2024/25 Rs. (000)	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)
Capital Adequacy Ratio (%)										
Tier I							-	-	0.20	0.25
Tier II							-	-	0.20	0.25
Tier I (New Framework w.e.f 1 July 2018)	**15.48%**	20.52%	25.84%	32.75%	29.17%	21.58%	12.99%	13.58%	14.83%	0.00%
Tier II (New Framework w.e.f 1 July 2018)	**22.13%**	20.64%	26.00%	34.01%	30.42%	21.80%	13.23%	13.98%	14.83%	0.00%
Operating Result										
Cost of Funds	**9.68%**	10.05%	14.20%	16.27%	8.24%	9.50%	11.30%	10.73%	9.55%	8.33%
Interest Spread	**10.39%**	12.60%	9.80%	5.59%	10.09%	9.00%	10.81%	10.96%	13.05%	13.02%
Net Interest Margin	**9.71%**	12.30%	11.58%	11.01%	12.67%	11.44%	12.21%	12.51%	14.61%	14.74%
Cost to Income	**42.99%**	46.51%	53.91%	62.99%	58.50%	62.84%	66.61%	74.11%	69.70%	78.27%
Efficiency Ratio	**49.50%**	54.64%	64.64%	66.02%	68.08%	66.40%	75.12%	82.08%	77.32%	99.35%
Staff Cost : Net Income	**22.14%**	23.71%	26.17%	33.73%	32.19%	33.40%	33.91%	36.87%	35.69%	44.32%
Financial Indicators										
Return on Interest Earning Assets	**20.07%**	22.65%	25.90%	21.85%	18.33%	19.00%	22.11%	21.69%	22.59%	21.36%
Portfolio Yield	**22.16%**	22.16%	26.31%	21.99%	18.90%	19.70%	23.36%	22.88%	23.89%	23.33%
Debit : Equity	**656.41%**	441.14%	293.99%	223.27%	213.30%	287.96%	560.10%	566.31%	449.95%	347.69%
Liquid Assets Ratio	**22.50%**	17.10%	16.40%	17.64%	10.51%	9.13%	11.41%	13.75%	13.75%	20.39%
Assets Quality Indicators										
Gross NPA Ratio	**4.93%**	7.88%	14.10%	14.39%	8.93%	9.98%	11.81%	9.41%	6.20%	8.90%
Net NPA Ratio	**2.94%**	5.70%	10.40%	8.98%	3.31%	4.21%	6.14%	4.67%	2.61%	3.40%
NPA to Assets	**2.92%**	6.99%	12.63%	12.78%	8.39%	9.28%	11.13%	8.92%	6.03%	8.00%
Provision to Advance	**3.87%**	4.00%	4.20%	4.06%	4.86%	5.66%	5.74%	5.08%	3.06%	5.60%
Provision Cover	**42.60%**	27.65%	29.30%	28.20%	54.40%	56.58%	48.58%	49.43%	44.10%	57.10%
Investor information										
Return on Assets (ROA)	**2.74%**	2.53%	1.88%	1.94%	2.13%	2.13%	1.30%	0.60%	1.64%	0.75%
Return on Equity (ROE)	**19.60%**	12.61%	7.11%	6.56%	7.85%	10.86%	8.87%	3.70%	8.15%	-3.24%
Equity to Assets	**11.84%**	17.50%	23.97%	29.56%	29.57%	24.14%	14.55%	14.75%	17.78%	21.48%
Net assets Per Share (LKR.)	**29.57**	26.36	23.87	23.06	22.09	21.43	17.71	16.27	16.75	15.51
Earnings Per Share (LKR.)	**5.48**	3.17	1.67	1.48	1.86	2.55	1.51	0.61	1.19	(0.51)
Shareholders' Fund to Deposit	**41.69%**	40.11%	35.99%	55.70%	69.88%	47.92%	23.44%	20.40%	24.53%	29.37%
Price earning ratio (P/E)	**6.35**	6.22	7.85	7.42	6.74	N/A	N/A	N/A	N/A	N/A
Market Price per share	**34.8**	19.7	13.1	11.0	12.5	N/A	N/A	N/A	N/A	N/A
Market Capitalisation	**5,205,943**	2,947,042	1,959,708	1,645,557	1,869,951	N/A	N/A	N/A	N/A	N/A
Interest Cover	**1.67**	1.72	1.45	1.37	1.67	1.57	1.31	1.26	1.44	1.01
Dividend Per Share	**1.00**	1.25	0.65	0.75	0.50	-	-	-	0.50	-
Dividend Cover	**5.48**	2.53	2.57	1.98	2.88	-	-	-	2.73	-
Dividend Yield	**2.9%**	6.3%	5.0%	6.8%	4.0%	N/A	N/A	N/A	N/A	N/A
Dividend Payout	**18%**	39%	39%	51%	35%	-	-	0%	0.42	

Quarterly Financial Statements - Income Statement

For the 3 months ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2025	30.06.2024	30.09.2025	30.09.2024	31.12.2025	31.12.2024	31.03.2026	31.03.2025
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Income	1,326,567,064	942,895,769	1,545,335,181	1,056,460,614	1,674,860,885	1,104,535,103	1,876,537,432	1,270,503,483
Interest Income	1,217,011,131	890,194,112	1,383,102,710	985,586,499	1,546,849,267	1,027,945,630	1,698,721,534	1,160,057,825
Interest Expenses	(468,282,200)	(305,537,631)	(508,732,270)	(319,743,603)	(611,494,880)	(365,589,010)	(682,142,587)	(433,424,700)
Net Interest Income	748,728,931	584,656,481	874,370,439	665,842,896	935,354,387	662,356,621	1,016,578,947	726,633,125
Net Fee and Commission Income	89,217,604	40,747,836	93,207,388	51,986,724	114,325,979	61,258,536	158,665,781	114,017,549
Other Operating Income	20,338,328	11,953,821	69,025,083	18,887,391	13,685,639	15,330,937	19,150,117	(3,571,892)
Total Operating Income	858,284,863	637,358,138	1,036,602,911	736,717,010	1,063,366,005	738,946,094	1,194,394,845	837,078,782
Impairment Charges for Loans and Other Losses	(119,316,392)	(90,494,405)	(122,847,926)	(91,031,356)	(118,152,328)	(98,530,807)	(185,843,766)	(158,847,266)
Net Operating Income	738,968,471	546,863,734	913,754,984	645,685,655	945,213,677	640,415,287	1,008,551,079	678,231,516
Operating Expenses								
Personnel Expenses	(249,646,432)	(161,992,006)	(253,672,246)	(192,904,180)	(263,043,162)	(197,177,692)	(153,177,101)	(147,401,013)
Depreciation of Property, Plant and Equipment	(13,404,522)	(10,852,924)	(15,485,986)	(11,415,440)	(19,454,353)	(11,738,707)	(20,224,794)	(12,973,396)
Amortisation of Right of Use Assets	(25,140,430)	(20,298,519)	(25,204,811)	(20,135,732)	(24,927,463)	(21,717,992)	(27,614,273)	(31,000,031)
Amortisation of Intangible Assets	-	(79,772)	-	(48,594)	-	(5,752)	-	(2,962,500)
Other Operating Expenses	(141,740,401)	(101,716,189)	(153,431,264)	(111,401,359)	(160,490,162)	(133,286,178)	(238,490,057)	(182,907,904)
Operating Profit Before Tax on Financial Services	309,036,686	251,924,324	465,960,678	309,780,350	477,298,536	276,488,966	569,044,853	300,986,671
Tax on Financial Services	(90,559,488)	(68,229,446)	(118,369,621)	(81,515,522)	(120,324,029)	(78,505,445)	(133,388,990)	(81,329,846)
Profit Before Taxation	218,477,198	183,694,878	347,591,057	228,264,829	356,974,507	197,983,521	435,655,863	219,656,825
Income Tax Expenses	(90,382,494)	(88,990,974)	(135,232,138)	(107,223,940)	(144,104,146)	(74,288,233)	(168,845,467)	(85,283,974)
Profit for the Period	128,094,704	94,703,904	212,358,919	121,040,889	212,870,361	123,695,288	266,810,397	134,372,851

Quarterly Financial Statements - Statement of Financial Position

For the 3 months ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2025	30.06.2024	30.09.2025	30.09.2024	31.12.2025	31.12.2024	31.03.2026	31.03.2025
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Assets								
Cash and Cash Equivalents	1,029,395,573	396,096,306	635,655,953	709,692,310	876,945,287	1,227,688,675	1,046,796,773	1,068,962,089
Financial Investments	1,098,615,196	661,391,585	1,088,139,960	677,034,015	1,066,727,740	887,053,150	1,580,176,849	1,580,176,849
Other Financial Assets	901,443,226	454,150,641	1,516,556,612	510,630,151	3,581,330,931	505,752,686	3,573,763,278	3,573,763,280
Financial Assets at Amortised Cost - Loans and Receivables	14,395,188,992	8,128,766,866	16,367,401,033	9,456,316,408	19,124,781,996	11,226,935,784	21,220,296,527	20,601,779,525
Financial Assets at Amortised Cost - Lease Rentals Receivables	7,350,275,766	5,793,198,336	7,675,689,308	5,984,836,512	8,045,099,582	6,137,592,654	8,575,575,652	9,190,542,856
Other Non Financial Assets	254,258,274	173,220,229	235,450,934	203,631,541	246,598,487	194,516,366	379,313,850	389,483,119
Investment Property	246,710,000	246,710,000	246,710,000	246,710,000	246,710,000	246,710,000	246,810,000	246,710,000
Property, Plant and Equipment	268,481,314	221,402,699	272,756,856	229,686,880	328,781,300	241,625,399	369,746,347	369,746,347
Right-of-use Lease Assets	215,860,071	184,332,632	210,853,465	180,878,533	221,055,043	172,362,566	233,092,294	233,092,294
Intangible Assets	1,080,000	4,096,846	1,080,000	4,048,252	1,080,000	4,042,500	1,080,000	1,080,000
Deferred Tax Assets	52,254,580	51,043,668	70,450,382	46,968,924	100,783,603	130025419	113,431,114	106,240,355
Total Assets	25,813,562,993	16,314,409,806	28,320,744,503	18,250,433,524	33,839,893,968	20,974,305,198	37,340,082,684	37,361,576,714
Liabilities								
Due to Banks and Other Institutions	9,965,895,153	3,388,270,875	12,965,972,011	4,772,603,078	15,810,611,861	6,905,952,101	18,403,629,743	18,416,706,646
Debt Securities Measured at amortised cost -Sustainable Bonds	-	-	-	-	2,028,332,490	-	2,088,362,362	-
Financial Liabilities at Amortised Cost - Due to Customers	10,146,029,968	8,232,749,086	10,098,063,596	8,797,702,604	10,245,335,474	9,158,842,642	10,608,963,612	10,608,963,615
Lease Liabilities	239,953,551	199,834,253	237,356,486	199,133,690	246,560,473	187,599,239	259,927,363	259,927,363
Other Non Financial Liabilities	1,119,426,597	563,472,168	685,793,918	490,997,428	871,731,374	520,913,023	1,129,809,434	1,157,189,706
Current Tax Liabilities	193,467,495	203,492,698	150,395,854	138,917,960	233,311,697	224,535,342	325,934,248	316,497,931
Post Employment Benefit Liability	76,736,607	61,168,464	85,745,162	64,615,614	93,722,763	66,304,414	100,192,798	90,523,407
Total Liabilities	21,741,509,371	12,648,987,544	24,223,327,028	14,463,970,374	29,529,606,132	17,064,146,760	32,916,819,560	32,938,171,030
Shareholders' Funds								
Stated Capital	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032
Reserves	218,618,500	194,927,853	218,618,500	194,927,853	218,618,500	194,927,853	259,413,266	259,625,219
Retained Earnings	1,157,322,089	774,381,377	1,182,685,943	895,422,265	1,395,556,304	1,019,117,553	1,467,736,826	1,467,667,432
Total Shareholders' Funds	4,072,053,621	3,665,422,261	4,097,417,475	3,786,463,150	4,310,287,836	3,910,158,438	4,423,263,125	4,423,405,683
Total Liabilities and Shareholders' Funds	25,813,562,993	16,314,409,806	28,320,744,503	18,250,433,524	33,839,893,968	20,974,305,198	37,340,082,684	37,361,576,714

Statement of Profit or Loss and Other Comprehensive Income in USD

	2026	2025
	US $	US $
Income	20,379,080	14,762,215
Interest Income	18,546,489	13,714,001
Interest Expenses	(7,204,053)	(4,806,550)
Net Interest Income	11,342,436	8,907,450
Net Fee and Commission Income	1,444,892	904,452
Other Operating Income	387,699	143,763
Total Operating Income	13,175,027	9,955,665
Impairment Charges for Loans and Other Losses	(1,732,792)	(1,481,163)
Net Operating Income	11,442,235	8,474,502
Operating Expenses		
Personnel Expenses	(2,917,403)	(2,360,509)
Depreciation of Property, Plant and Equipment	(217,550)	(158,544)
Amortisation of Right of Use Assets	(326,428)	(314,360)
Amortisation of Intangible Assets	-	(10,450)
Other Operating Expenses	(2,202,322)	(1,786,261)
Operating Profit before Tax on Financial Services	5,778,532	3,844,377
Tax on Financial Services	(1,467,816)	(1,044,737)
Profit before Taxation	4,310,717	2,799,641
Income Tax Expenses	(1,708,692)	(1,200,670)
Profit for the Year	2,602,024	1,598,970
Other Comprehensive Income		
Actuarial Gains/(Losses) on Defined Benefit Plans	(18,567)	(16,078)
Gain/(Loss) due to changes in Assumptions	-	-
Deferred Tax (Charge)/Reversal on above items	5,570	4,823
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss	(12,997)	(11,254)
Other Comprehensive Income for the Year, Net of Tax	(12,997)	(11,254)
Total Comprehensive Income/(Expenses) for the Year	2,589,027	1,587,716

Exchange rate of USD was Rs. 315.19 as at 31 March 2026 (Rs. 296.32 as at 31 March 2025)

The Statement of Profit or Loss is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement.

Statement of Financial Position in USD

	2026	2025
	US $	US $
Assets		
Cash and Cash Equivalents	3,391,475	3,130,582
Financial Investments	5,013,396	3,058,496
Other Financial Assets	11,338,409	1,551,718
Financial Assets at Amortised Cost - Loans and Receivables	65,362,863	41,583,231
Financial Assets at Amortised Cost - Lease Rentals Receivables	29,158,655	23,150,555
Other Non Financial Assets	1,235,705	933,382
Investment Property	782,732	832,569
Property, Plant and Equipment	1,173,087	915,958
Right-of-use Lease Assets	739,527	768,818
Intangible Assets	3,426	3,645
Deferred Tax Assets	337,067	142,999
Total Assets	118,536,343	76,071,952
Liabilities		
Due to Banks and Other Institutions	58,430,325	25,532,106
Financial Liability at Amortised Cost - Due to Customers	33,658,851	33,182,323
Lease Liability	824,666	841,821
Other Non Financial Liabilities	3,671,393	2,445,650
Current Tax Liabilities	1,004,147	523,071
Post Employment Benefit Liability	287,202	237,352
Total Liabilities	97,876,584	62,762,324
Shareholders' Funds		
Stated Capital	8,553,905	9,098,538
Reserves	823,708	737,769
Retained Earnings	4,656,440	3,473,321
Total Shareholders' Funds	14,034,053	13,309,628
Total Liabilities and Shareholders' Funds	111,910,637	76,071,952
Commitments and Contingencies	72,860	68,564

Exchange rate of USD was Rs. 315.19 as at 31 March 2026 (Rs. 296.32 as at 31 March 2025).

The Statement of Financial Position is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement.

Corporate Governance Compliance Annexure

Compliance Status of Corporate Governance Principles

The following disclosures are prepared and presented in conformity with the Finance Business Act Directions (Corporate Governance) No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka, which came into operation with effect from 1 July 2022, subject to transitional provisions. This report shall be deemed as SDF's Corporate Governance Report for the financial year 2025/26, prepared in compliance with this Direction.

Finance Business Act Directions (Corporate Governance) No. 5 of 2021

Section Reference	Principle	Extent of Compliance
1. Board's Overall Responsibilities		
1.1	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	**Complied.** The SDF Board holds responsibility for setting effective business strategy, ensuring sound corporate culture, and adhering to applicable rules and regulations. The Board's responsibilities are set out in the Board Charter and the Policy on Corporate Governance, Nominations and Re-elections.
1.2	**Business Strategy and Governance Framework** a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and updating it annually in view of the developments in the business environment. b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements. c) Assessing the effectiveness of its governance framework periodically. d) Appointing the Chairperson and the Chief Executive Officer (CEO) and defining the roles and responsibilities.	**Complied.** The Board approved a three-year business strategy which is in force. The Board as a whole reviews the business strategy periodically to ensure that it remains aligned with the current economic environment. The Governance Charter of SDF has been approved by the Board, and the Board discharges its responsibilities in accordance with this Charter, assessing its effectiveness periodically. The Board has appointed the Chairman and the Chief Executive Officer, with a clear division of responsibilities defined in the Governance Charter.
1.3	**Corporate Culture and Values** a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest. c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies. d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, with a view to projecting a balanced view of the FC's performance, position and prospects in public and to regulators.	**Complied.** The SDF Board actively contributes to ensuring a sound corporate culture and values within the Company, supported by the Board-approved Policy on Internal Code of Business Conduct and Ethics for All Directors and Employees. Sustainable financing is embedded in the Board-approved strategic plan and the Board reviews progress on implementation. During the year, the Company issued Sri Lanka's first Sustainable Bond valued at LKR 2 billion and secured new impact foreign funding of USD 9 million, reflecting the Board's commitment to advancing sustainable finance. The Board-approved Policies on Relations with Shareholders and Investors, and on Stakeholder Communication, support effective stakeholder engagement; the Board reviews these policies to enhance the scope of policy implementation.

Section Reference	Principle	Extent of Compliance
1.4	**Risk Appetite, Risk Management and Internal Controls** a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with the FC's business strategy and governance framework. b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. c) Adopting and reviewing the adequacy and effectiveness of the FC's internal control systems and management information systems periodically. d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preservation of critical operations and services under unforeseen circumstances.	✓ **Complied.** SDF has established a Risk Appetite Statement (RAS) aligned with the three-year strategic plan and the overall governance framework. The Board ensures the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently, through the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). The adequacy and effectiveness of internal control systems and management information systems are reviewed periodically. SDF has a Board-approved Disaster Recovery Plan to ensure stability, financial strength and preservation of critical operations under unforeseen circumstances. The Business Continuity Plan is reviewed by the Board.
1.5	**Board Commitment and Competency** a) All members of the Board shall devote sufficient time on matters relating to the affairs of the FC. b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge and experience. c) The Board shall regularly review and agree the training and development needs of all members. d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of the Board as a whole and that of its committees and maintain records of such assessments. e) The Board obtains external independent professional advice to discharge duties of the Company.	✓ **Complied.** The Board as a whole allocates sufficient time to exercising the functions of the Company. Members of the Board possess sufficient competency levels, including the necessary qualifications, knowledge, experience and skills. During the annual appraisal process, the Board reviews and agrees on the training and development needs of all members. An annual appraisal procedure is in place for self-assessment of each director, the Board as a whole and its committees, with records maintained accordingly. The Board obtains external independent professional advice to support the discharge of its duties.
1.6	**Oversight of Senior Management** a) Identifying and designating senior management who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management. b) Defining the areas of authority and key responsibilities for the senior management. c) Ensuring senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives. d) Ensuring there is appropriate oversight of the affairs of the FC by senior management. e) Ensuring the FC has an appropriate succession plan for senior management. f) Meeting regularly with senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	✓ **Complied.** The Board has identified and designated the Senior Management responsible for executing business strategy, all of whom possess the necessary qualifications, skills, experience and knowledge. Job descriptions for the Senior Management define the responsibilities of each member. A Board-approved succession plan is in place for SDF's Senior Management.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
1.7	**Adherence to the Existing Legal Framework** a) Ensuring that the FC does not act in a manner detrimental to the interests of, and obligations to, depositors, shareholders and other stakeholders. b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. c) Acting with due care and prudence, and with integrity, and being aware of potential civil and criminal liabilities that may arise from failure to discharge duties diligently.	**Complied.** The SDF Board ensures conformity with applicable rules and regulations. Directors act with due care, prudence and integrity, and are aware of potential civil and criminal liabilities that may arise from any failure to discharge their duties diligently.
2. Governance Framework		
2	The Board shall develop and implement a governance framework in line with these directions, including but not limited to: a) Role and responsibilities of the Board b) Matters assigned for the Board c) Delegation of authority d) Composition of the Board e) The Board's independence f) The nomination, election and appointment of directors and appointment of senior management g) The management of conflicts of interest h) Access to information and obtaining independent advice i) Capacity building of Board members j) The Board's performance evaluation k) Role and responsibilities of the Chairperson and the CEO l) Role of the Company Secretary m) Board sub-committees and their role n) Limits on related party transactions.	**Complied.** The SDF Board has developed a Board Charter and a Policy on Corporate Governance, Nominations and Re-elections in line with Corporate Governance Direction No. 5 of 2021.
3. Composition of the Board		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	**Complied.**. The SDF Board composition adds value to the Company through the collective knowledge and experience of its members.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	**Complied.** The Company complies with this requirement. The Board comprises eight (08) Directors as at 31 March 2026, within the statutory limit.
3.3	The total period of service of a director, other than a director who holds the position of CEO or executive director, shall not exceed nine years, subject to Direction 3.4.	**Complied.** The approval of the Central Bank of Sri Lanka has been granted to reappoint Mr. Channa de Silva to the Board on 10th January 2022.

Section Reference	Principle	Extent of Compliance
3.4	Non-executive directors who directly or indirectly hold more than 10% of the voting rights, or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights, are eligible to hold office exceeding nine years of service with prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions, subject to Directions 4.2 and 4.3. The number of non-executive directors eligible to exceed nine years is limited to one-fourth (1/4) of the total number of directors of the Board.	✓ **Complied.** The Company complies with this requirement.
3.5	Executive Directors.	The SDF Board does not comprise Executive Directors.
3.6	**Non-Executive Directors** a) Non-executive directors shall possess credible track records and have necessary skills, competency and experience to bring independent judgement on issues of strategy, performance, resources and standards of business conduct. b) A non-executive director cannot be appointed or function as the CEO or executive director of the FC.	✓ **Complied.** Profiles of the Non-Executive Directors are given on pages 38 to 41.
3.7	**Independent Directors** a) The number of independent directors shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher. b) Independent directors appointed shall be of the highest calibre, with professional qualifications, proven track record and sufficient experience. c) A non-executive director shall not be considered independent if such director meets any of the criteria set out in Direction 3.7(c)(i) to (viii). d) The Nomination Committee and Board should determine whether there is any circumstance or relationship not listed at Direction 3.7 which might impact a director's independence, or the perception of independence. e) An independent director shall immediately disclose to the Board any change in circumstances that may affect status as an independent director. The Board shall review such director's designation and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	✓ **Complied.** The SDF Board comprises five (05) Non-Executive Independent Directors who meet the independence criteria set out in this Direction. The Company complies with the relevant requirements.
3.8	**Alternate Directors** Representation through an alternate director is allowed only with prior approval and only if the current director is unable to perform their duties due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad, subject to further conditions in Direction 3.8.	Not Applicable. No Alternate Directors have been appointed by the Company.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
3.9	**Cooling-off Periods** a) Six-month cooling-off period prior to an appointment of any person as a director or CEO of an FC who was previously employed as a CEO or director of another FC. b) A director who fulfils the criteria to become an independent director shall only be considered for such appointment after a cooling-off period of one year if such director has been previously considered non-independent.	No such situation has arisen during the financial year 2025/2026.
3.10	**Common Directorships** A director or senior management of an FC shall not be nominated, elected or appointed as a director of another FC, except where such other FC is a parent, subsidiary, associate or joint-arrangement counterparty.	✓ **Complied.** The SDF Board members do not hold directorships in other Finance Companies.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. A director of an FC shall not hold office as a director or any other equivalent position (including alternate directors) in more than 20 companies, societies or bodies, including subsidiaries and associates of the FC.	✓ **Complied.** The directorships or equivalent positions held by the Directors of SDF in other entities do not exceed the prescribed threshold.
4. Assessment of Fitness and Propriety Criteria		
4.1	No person shall be nominated, elected or appointed as a director of the FC, or continue as a director, unless that person is a fit and proper person to hold office in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	✓ **Complied.** SDF follows a formal procedure when appointing Directors to the Board in accordance with regulatory requirements.
4.2 & 4.3	A person over the age of 70 years shall not serve as a director of an FC.	✓ **Complied.** No Director of the Company is over the age of 70 years.
5. Appointment and Resignation of Directors and Senior Management		
5.1	Appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	✓ **Complied.** SDF follows the regulatory guidelines on appointment, resignation or removal of Directors and Senior Management.
6. The Chairperson and the CEO		
6.1	There shall be a clear division of responsibilities between the Chairperson and the CEO, with the responsibilities of each person set out in writing.	✓ **Complied.** The functions and responsibilities of the Chairman and the CEO have been clearly defined and approved by the Board of Directors.
6.2 & 6.3	The Chairperson shall be an independent director, subject to 6.3 below. Where the Chairperson is not independent, the Board shall appoint one of the independent directors as a Senior Director, with documented terms of reference, to ensure a greater independent element. The Senior Director shall serve as an intermediary for other directors and shareholders. Non-Executive directors, including the Senior Director, shall assess the Chairperson's performance at least annually.	✓ **Complied.** The Chairman is a Non-Independent Non-Executive Director, and a Senior Director (Mr. Dhammika Ganegama, Non-Executive Independent Director) has been appointed accordingly.

Section Reference	Principle	Extent of Compliance
6.4	**Responsibilities of the Chairperson** The responsibilities of the Chairperson include, at a minimum: a) Provide leadership to the Board; b) Maintain and ensure a balance of power between executive and non-executive Directors; c) Secure effective participation of both executive and non-executive directors; d) Ensure the Board works effectively and discharges its responsibilities; e) Ensure all key issues are discussed by the Board in a timely manner; f) Implement decisions and directions of the regulator; g) Prepare the agenda for each Board Meeting (this function may be delegated to the Company Secretary); h) Not engage in activities involving direct supervision of senior management or any day-to-day operational activities; i) Ensure appropriate steps are taken to maintain effective communication with shareholders; j) Annually assess the performance and contribution of the Board and the CEO.	**Complied.** The Chairman's responsibilities include providing leadership to the Board, ensuring the effective discharge of responsibilities by Board members and implementing decisions of the regulator. The Non-Executive Directors annually evaluate the performance of the Chairman.
6.5	**Responsibilities of the CEO** The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The CEO's responsibilities include implementing business and risk strategies; establishing a management structure that promotes accountability and transparency; promoting a sound corporate culture; ensuring proper compliance culture and accurate regulatory reporting; strengthening the regulatory and supervisory compliance framework; addressing supervisory concerns and non-compliance in a timely manner; and devoting the whole of their professional time to the service of the FC.	**Complied.** The Chief Executive Officer is responsible for implementing the business strategy of the Company while ensuring sound internal controls and effective risk management.
7. Meetings of the Board		
7.1	The Board shall meet at least twelve times in a financial year, at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers shall be avoided as much as possible.	**Complied.** Twelve (12) Board meetings were held during the financial year 2025/2026.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors to be represented in the agenda for scheduled Board Meetings.	**Complied.** A procedure has been established to enable all Directors to include matters and proposals in the agenda for regular Board meetings.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
7.3	A notice of at least three days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	✓ **Complied.** Notices for the monthly Board meetings are issued at the beginning of the calendar year by the Company Secretary. The agendas are circulated to the Board of Directors at least three days prior to each Board meeting.
7.4	A director shall devote sufficient time to prepare for and attend Board meetings and actively contribute by providing views and suggestions.	✓ **Complied.** The Directors allocate adequate time to contribute effectively during Board meetings.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum is present, unless at least one-fourth (1/4) of the directors that constitute the quorum are independent directors.	✓ **Complied.** The Company duly complies with this requirement.
7.6	The Chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	✓ **Complied.** The Board comprises Non-Executive Directors only.
7.7	A director shall abstain from voting on any Board resolution relating to a matter in which such director, a relative, or a concern in which they have a substantial interest, is interested. Such director shall not be counted in the quorum for the relevant agenda item.	✓ **Complied.** The Board-approved Policy on Conflicts of Interest is in place. Directors' interests (if any) are disclosed to the Board, and any Director who has a particular interest in matters before the Board abstains from participating and voting on such matters.
7.8	A director who has not attended at least two-thirds (2/3) of the meetings in the preceding 12 months, or who has not attended three consecutive meetings, shall cease to be a director, subject to applicable provisions for alternate directors.	✓ **Complied.** The Directors have fulfilled this requirement during the period under review. No such instance arose in respect of attendance at Board Meetings.
7.9	**Scheduled and Ad Hoc Board Meetings** Participation in person is encouraged for scheduled meetings, while electronic participation is acceptable for ad hoc meetings convened on short notice.	No ad hoc Board Meetings were held during the period under review.
8. Company Secretary		
8.1	a) The Board shall appoint a Company Secretary, considered to be Senior Management, whose primary responsibilities shall be to handle secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in statutes and other regulations. b) The Board shall appoint, subject to transitional provisions, a person who possesses such qualifications as prescribed under section 222 of the Companies Act, No. 07 of 2007. On appointment, such person shall become an employee of the FC and shall not be an employee of any other institution.	✓ **Complied.** The Board has appointed Ms. Shiromi Patabendige, a qualified Chartered Corporate Secretary registered under the Companies (Secretaries) Regulations No. 1 of 2023 made under Section 527 read with Section 222 of the Companies Act No. 07 of 2007, as the in-house Company Secretary and this status remained the same as at the FY 2025/26. She is an employee of SDF and is not an employee of any other institution.
8.2	All directors shall have access to the advice and services of the Company Secretary to ensure that Board procedures, laws, directions, rules and regulations are followed.	✓ **Complied.** A Board-approved procedure enables all Directors to access the Company Secretary to ensure that Board procedures and all applicable laws, directions, rules and regulations are followed.

Section Reference	Principle	Extent of Compliance
8.3	The Company Secretary shall be responsible for preparing the agenda where the Chairperson has delegated this function.	✓ **Complied.** The Company Secretary prepares the Agenda with the concurrence of the Chairman.
8.4	The Company Secretary shall maintain minutes of the Board meetings, with all submissions to the Board, voice recordings or video recordings, for a minimum period of six years.	✓ **Complied.** The Company Secretary maintains minutes of Board meetings and other recording materials for the period specified in this Direction.
8.5	The Company Secretary shall maintain minutes in an orderly manner and follow the proper procedure laid down in the Articles of Association.	✓ **Complied.** The Company Secretary records the proceedings of meetings and decisions taken in sufficient detail, in line with the requirements of the Direction.
8.6	Minutes of Board meetings shall be recorded in sufficient detail to ascertain whether the Board acted with due care and prudence. Minutes shall clearly include: a) A summary of data and information used by the Board; b) Matters considered by the Board; c) Fact-finding discussions, including contribution of each individual director; d) Explanations and confirmations of relevant parties indicating compliance with strategies, policies, laws, regulations and directions; e) The Board's knowledge and understanding of risks to which the FC is exposed and an overview of risk management measures adopted; and f) The decisions and Board resolutions.	✓ **Complied.** The Company complies with this requirement. Board minutes contain the required details, including the contribution of individual Directors, Board resolutions, the ultimate decision of the Board, compliance with strategies and policies, and the Board's knowledge and understanding of risk management measures adopted.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice, by any director.	✓ **Complied.** The Company complies with this requirement.
9. Delegation of Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the Senior Management on matters that shall be approved by the Board before decisions are made on behalf of the FC.	✓ **Complied.** The Board approves the Delegation of Authority and provides clear directions to the Senior Management to execute strategic functions.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees are carried out by the Board itself.	✓ **Complied.** The Board has established the Board Audit Committee, Board Integrated Risk Management Committee, Board Nomination and Governance Committee, Board Human Resources and Remuneration Committee and Related Party Transactions Review Committee, as specified in Section 10 of this Direction.
9.3	The Board may establish appropriate Senior Management-level sub-committees with appropriate DA to assist in Board decisions.	✓ **Complied.** The Board has established Management-level committees with appropriate delegated authority, including the Management Committee, Asset and Liability Committee (ALCO), IT Steering Committee, Management Credit Committee, Product Development Committee, Sustainability Committee, and Operational Risk Management Committee.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
9.4	The Board shall not delegate any matters to a Board sub-committee, executive directors or Senior Management to an extent that would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	✓ **Complied.** The Board delegates matters to its sub-committees and Senior Management only to the extent that does not hinder the Board as a whole from discharging its functions.
9.5	The Board shall review the delegation processes in place periodically to ensure they remain relevant to the needs of the FC.	✓ **Complied.** The Board periodically reviews the Delegation of Authority and related processes to ensure their continued effectiveness.
10. Board Committees		
10.1.a	FCs with an asset base of more than LKR 20 billion shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resources and Remuneration Committee and Related Party Transactions Review Committee. Meetings shall be held at least once in two months for BAC and BIRMC; other committees shall meet at least annually.	✓ **Complied.** During the financial year 2025/2026, the Board had seven (07) sub-committees: the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Credit Committee (BCC), Board Nomination and Governance Committee (BNGC), Board Human Resources and Remuneration Committee (BHRRC), Related Party Transactions Review Committee (RPTRC) and Board Information Technology Committee (BITC). Each committee has a secretary who arranges its meetings, maintains minutes and records, and carries out other secretarial functions under the supervision of the Chairperson of the respective committee. Page 223 provide the details of the scope and composition of these committees.
10.1.b	Each sub-committee shall have a Board-approved written Terms of Reference (TOR) specifying clearly its authority and duties.	✓ **Complied.** Board-approved Terms of Reference & Charters are in place for each sub-committee, clearly specifying their authority and duties.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board sub-committee at the Annual General Meeting.	✓ **Complied.** The Board conducted sub-committee evaluations for the financial year 2025/2026. Please refer to the respective Board Sub-Committee reports for further details on page 233.
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes and recordings, and carry out other secretarial functions.	✓ **Complied.** Each committee has a Secretary who arranges its meetings, maintains minutes and recordings, and carries out other secretarial functions related to the respective Committee.
10.1.e	Each sub-committee shall consist of at least three (3) Board members who have skills, knowledge and experience relevant to the responsibilities of the committee.	✓ **Complied.** All mandatory sub-committees comprise at least three Board members who possess skills, knowledge and experience relevant to the responsibilities of the Board Sub-Committees. Please refer to the respective Board Sub-Committee reports on page 235.
10.1.f	The Board may consider occasional rotation of members and Chairperson of each committee.	✓ **Complied.** Occasional rotation of members and Chairpersons of the Board Sub-Committees is considered as and when required.

Section Reference	Principle	Extent of Compliance
10.2.a	**Board Audit Committee (BAC)** The Chairperson of the BAC shall be an independent director who possesses qualifications and experience in accountancy or audit.	✓ **Complied.** The Chairperson of the Committee is an Independent Non-Executive Director with qualifications and experience in accountancy and audit. Refer to page 41 for the profile of Ms. Suranjani Wickremaratne.
10.2.b	Board members appointed to the BAC shall be non-executive directors, and the majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	✓ **Complied.** All three (3) members of the Committee are Non-Executive Directors, and the majority of the members are Independent Non-Executive Directors.
10.2.c	The Secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	✓ **Complied.** The Head of Internal Audit functions as the Secretary to the Board Audit Committee.
10.2.d.i	**External Audit Function** The BAC shall make recommendations on the appointment of the external auditor for audit services, compliance with statutes, service period, audit fee and any resignation or dismissal of the auditor.	✓ **Complied.** The Board Audit Committee recommended the appointment of Messrs. Deloitte Associates, Chartered Accountants, as External Auditors with effect from the financial year 2024/25 and continued to be the External Auditor for the Company as at FY 2025/26. The service period, audit fees, resignation or dismissal of an auditor, and re-engagement of the audit partner have been considered in line with regulatory requirements.
10.2.d.ii	Engagement of an audit partner shall not exceed five years, and the same audit partner shall not be re-engaged before the expiry of three years from the date of completion of the previous term. An FC shall not use the same external audit firm for more than ten years consecutively.	✓ **Complied.** The engagement of the Audit Partner has not exceeded five years and the same Audit Partner has not been re-engaged before the expiry of the cooling-off period. The Company has not used the services of Messrs. Deloitte Associates for more than ten years consecutively.
10.2.d.iii	The audit partner shall not be a substantial shareholder, director, Senior Management member or employee of any FC.	✓ **Complied.** The Audit Partner is not a substantial shareholder, Director, Senior Management member or employee of any Finance Company.
10.2.d.iv	The Committee shall review and monitor the external auditor's independence, objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices.	✓ **Complied.** The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account applicable standards and best practices.
10.2.d.v	Audit partners shall not be assigned to any non-audit services during the same financial year in which the audit is being carried out. The BAC shall develop and implement a Board-approved policy on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework.	✓ **Complied.** A Board-approved policy on the engagement of External Auditors to provide non-audit services is in place, ensuring best practices and avoiding actual or perceived conflicts of interest. The policy specifies the permitted services and prohibited services, the approval process and reporting requirements, including the non-audit-fees-to-audit-fees ratio, to ensure the External Auditor's independence and objectivity.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
10.2.d.vi	Before the audit commences, the BAC shall discuss and finalise with the external auditors the nature and scope of the audit, including: (i) Assessment of compliance with Directions issued under the Act and management's internal controls over financial reporting; (ii) Preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) Coordination between auditors where more than one auditor is involved.	✓ **Complied.** The Audit Committee met with the External Auditors and discussed the Audit Plan, nature and scope before the commencement of the audit.
10.2.d.vii	The BAC shall review the financial information of the FC, particularly: (i) Major judgemental areas; (ii) Any changes in accounting policies and practices; (iii) Significant adjustments arising from the audit; (iv) The going concern assumption; and (v) Compliance with relevant accounting standards.	✓ **Complied.** The Board Audit Committee periodically reviews financial information to monitor major judgement areas, changes in accounting policies, significant audit judgements, going concern assumptions and compliance with accounting standards. The Committee reviews and recommends the interim Financial Statements and Audited Financial Statements before their submission to the Board.
10.2.d.viii	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss, including those that may need to be discussed in the absence of Senior Management, if necessary.	✓ **Complied.** The Board Audit Committee met with the External Auditors twice during the year under review, without the presence of Senior Management.
10.2.d.ix	The BAC shall review the external auditor's management letter and management's response within three months of submission and report to the Board.	✓ **Complied.** The Board Audit Committee has reviewed the Management Letter issued by the External Auditors, together with the responses of Management.
10.2.e	At least annually, conduct a review of the effectiveness of the system of internal controls.	✓ **Complied.** The Board Audit Committee has reviewed the effectiveness of the prevailing internal control system through Internal Audit reports.
10.2.f	The BAC shall ensure that Senior Management takes necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other matters identified by auditors and supervisory bodies.	✓ **Complied.** The Board Audit Committee, with the assistance of the Internal and External Auditors, reviews the effectiveness of internal control procedures and takes corrective action where necessary.
10.2.g.i	**Internal Audit Function** The Committee shall establish an independent internal audit function (either in-house or outsourced) that provides objective assurance to the Committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	✓ **Complied.** An in-house independent internal audit function has been established to provide independent assurance to the Committee on the quality and effectiveness of the Company's internal control systems, risk management, governance practices and processes.

Section Reference	Principle	Extent of Compliance
10.2.g.ii	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent, and have sufficient expertise and authority within the FC to carry out its assignments effectively and objectively.	**Complied.** The Board-approved Internal Audit Charter and a risk-based internal audit plan are in place. The Internal Audit Department possesses adequate expertise relevant to its scope and is vested with sufficient authority to carry out its activities.
10.2.g.iii	The BAC shall: (i) Review the adequacy of the scope, functions, skills and resources of the internal audit department; (ii) Review the internal audit programme and results, and ensure appropriate actions are taken on recommendations; (iii) Assess the performance of the Head and senior staff members of the internal audit department; (iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care; (v) Ensure internal audit functions carry out periodic reviews of compliance functions and regulatory reporting; and (vi) Examine the major findings of internal investigations and management's responses.	**Complied.** The Board Audit Committee has reviewed the internal audit plan and concluded that the scope, functions and resources of the Internal Audit Department are sufficient to carry out its functions. The Committee reviewed and approved the internal audit plan, evaluated the performance of the Head of Internal Audit during the year under review, and ensured the independence of the internal audit function. The Committee regularly examines the major findings of internal investigations and management responses.
10.2.h	Review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner, monitoring the progress of implementing the time-bound action plan quarterly.	**Complied.** The Board Audit Committee periodically reviews the statutory examination reports of the CBSL and monitors the progress of implementation submitted by the Compliance Department.
10.2.i	**Meetings of the Committee** The BAC shall meet at least once in two months. Other Board members, Senior Management or any other employee may attend meetings upon invitation. The BAC shall meet at least twice a year with the external auditors without any other directors, Senior Management or employees being present.	**Complied.** The Board Audit Committee met 8 times during the financial year 2025/2026. Please refer to page 227 for the Directors' attendance at Board and Board Sub-Committee meetings. The CEO, COO, Head of Finance and other members of the Senior Management (as deemed necessary) attend meetings by invitation. The Committee met twice with the External Auditors without the presence of the CEO and Senior Management.
10.3.a	**Board Integrated Risk Management Committee (BIRMC)** The Chairperson should be an independent director. Board members appointed to the BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work closely with Senior Management and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	**Complied.** The Chairperson of the Committee is an Independent Non-Executive Director. The Committee consists of four (04) Non-Executive Directors, the majority of whom are Independent Directors, with sufficient knowledge and experience in banking, finance, risk management issues and practices. The CEO and relevant Senior Management personnel attend by invitation. The Committee works closely with Senior Management and makes decisions on behalf of the Board within the Board-approved Terms of Reference.
10.3.b	The Secretary to the Committee may preferably be the CRO.	**Complied.** The Head of Risk Management functions as the Secretary to the Committee.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
10.3.c	The Committee shall assess the impact of risks including credit, market, liquidity, operational, strategic, compliance and technology, on the FC at least once in two months through appropriate risk indicators and management information, and make recommendations on risk strategies and the risk appetite to the Board.	✓ **Complied.** The Committee assesses all risks, including credit, market, liquidity, operational, strategic, compliance and technology risks, on a monthly basis using appropriate risk indicators and management information. During the year, the Committee gave particular attention to monitoring the foreign-currency exposure arising from the new USD 9 million impact funding and the funding structure supporting the LKR 2 billion Sustainable Bond. The Committee assesses the Risk Appetite Statement of the Company and reports to the Board, highlighting key risks and mitigation strategies.
10.3.d	The Committee shall develop the FC's risk appetite through a Risk Appetite Statement (RAS) articulating the individual and aggregate level and types of risk the FC will accept or avoid in order to achieve its strategic business objectives. The RAS should include quantitative measures relative to earnings, capital and liquidity, and qualitative measures addressing reputation and compliance risks, money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy, and communicate the risk appetite by linking it to daily operational decision-making.	✓ **Complied.** The Company has developed a Board-approved Risk Appetite Statement (RAS) aligned with the Company's business strategy. The RAS includes both quantitative and qualitative measures as required by the Direction, and defines the maximum limits and business considerations in accordance with which the Company is expected to operate when pursuing its business strategy.
10.3.e	Review the risk policies, including the RAS, at least annually.	✓ **Complied.** The BIRMC periodically reviews risk policies, including the Risk Appetite Statement.
10.3.f	Review the adequacy and effectiveness of Senior Management-level committees (such as credit, market, liquidity, investment, technology and operational) to address specific risks and to manage those risks within the quantitative and qualitative risk limits specified by the Committee.	✓ **Complied.** The BIRMC has reviewed the effectiveness of the performance of Management-level Committees for FY 2025/26.
10.3.g	The Committee shall assess all aspects of risk management, including updated business continuity and disaster recovery plans.	✓ **Complied.** The Committee has reviewed the Business Continuity and Disaster Recovery Plans.
10.3.h	Annually assess the performance of the Compliance Officer and the CRO.	✓ **Complied.** The Committee annually assesses the performance of the Head of Compliance and the Head of Risk Management.
10.3.i.i	**Compliance Function** Shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on business operations.	✓ **Complied.** An independent Compliance function is in place to assess compliance with laws, regulations, rules, directions, regulatory guidelines and Board-approved policies on business operations.

Section Reference	Principle	Extent of Compliance
10.3.i.ii	For FCs with an asset base of more than LKR 20 billion, a dedicated Compliance Officer (considered Senior Management with sufficient seniority and independent from day-to-day management) shall carry out the compliance function and report to the BIRMC directly. The Compliance Officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall be no 'dual hatting'.	✓ **Complied.** The Company has a dedicated Head of Compliance who oversees the compliance function and reports directly to the BIRMC.
10.3.i.iii	For FCs with an asset base of less than LKR 20 billion, an officer with adequate seniority shall be appointed as Compliance Officer, avoiding any conflict of interest.	Not Applicable. The Company's asset base exceeds LKR 20 billion.
10.3.i.iv	The BIRMC shall ensure that the responsibilities of a Compliance Officer broadly encompass: (i) Developing and implementing policies and procedures to minimise the risk of breach of regulatory requirements; (ii) Communicating compliance policies and procedures to all levels; (iii) Undertaking reviews at appropriate frequencies; (iv) Understanding and applying new legal and regulatory developments; (v) Early involvement in the design and structuring of new products and systems; (vi) Highlighting serious or persistent compliance issues; and (vii) Maintaining regular contact with regulators with the highest integrity.	✓ **Complied.** The Job Description of the Head of Compliance has been prepared in compliance with this Direction and best practices. It covers, among other things: 1. Ensuring all business operations adhere to sound corporate governance practice and business ethics; 2. Ensuring SDF complies with internal and external regulatory frameworks; and 3. Checking and reporting compliance status monthly to the BIRMC.
10.3.j.i	**Risk Management Function** Establish an independent risk management function responsible for managing risk-taking activities across the FC.	✓ **Complied.** The Company has established an independent Risk Management function.
10.3.j.ii	For FCs with an asset base of more than LKR 20 billion, a separate risk management department and a dedicated CRO (considered Senior Management) shall carry out the risk management function and report to the BIRMC periodically.	✓ **Complied.** The Company has a Risk Management Department headed by the Head of Risk Management, who carries out the risk management function and submits regular reports to the BIRMC.
10.3.j.iii	The CRO has the primary responsibility for implementing the Board-approved risk management policies and processes, including the RAS, in order to ensure the FC's risk management function is robust and effective to support its strategic objectives.	✓ **Complied.** The Board-approved Risk Management Policy and Procedures, including the RAS, are in place.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
10.3.j.iv	The BIRMC shall ensure the CRO is responsible for developing and implementing a Board-approved integrated risk management framework covering: (i) Various potential risks and frauds; (ii) Possible sources of such risks and frauds; (iii) Mechanism of identifying, assessing, monitoring and reporting risks, including quantitative and qualitative analysis covering stress testing; (iv) Effective measures to control and mitigate risks at prudent levels; and (v) Relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	✓ **Complied.** The risk management framework is reviewed and updated annually, covering the areas specified.
10.3.j.v	The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, and make recommendations on risk management.	✓ **Complied.** The Head of Risk Management participates in key decision-making processes, including strategic planning, capital and liquidity planning, and new product development, and makes recommendations accordingly.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	✓ **Complied.** The risk register of the Company is updated and submitted to the BIRMC in a timely manner.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting, seeking the Board's views, concurrence or specific directions.	✓ **Complied.** A risk assessment report for each subsequent Board meeting has been submitted, seeking the Board's views, concurrence or specific directions.
10.4.a	**Nomination Committee** The Committee shall be constituted with non-executive directors and preferably the majority shall be independent directors. An independent director shall chair the Committee. The CEO may be present at meetings by invitation.	✓ **Complied.** The Board Nomination and Governance Committee (BNGC) is chaired by an Independent Director, and the composition of the Committee complies with the requirements of this Direction.
10.4.b	The Secretary to the Nomination Committee may preferably be the Company Secretary.	✓ **Complied.** The Company Secretary served as the Secretary to the Committee for FY 2025/26.
10.4.c	The Committee shall implement a formal and transparent procedure to select or appoint new directors and Senior Management. Senior Management are to be appointed with the recommendation of the CEO, excluding the CIA, CRO and Compliance Officer.	✓ **Complied.** In accordance with its Terms of Reference, the Committee implements a formal and transparent procedure to select and appoint new directors and Senior Management. Senior Management members are appointed with the recommendation of the relevant Directors and the CEO, except for the CIA, CRO and Compliance Officer.

Section Reference	Principle	Extent of Compliance
10.4.d	The Committee shall ensure that directors and Senior Management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	✓ **Complied.** The BNGC has ensured that all Key Responsible Persons (KRPs) are fit and proper persons to perform their functions in accordance with CBSL directives. The Company has obtained the necessary approval from CBSL for initial appointments and for the continuation of Directors as required by the Direction.
10.4.e	The selection process shall include reviewing whether proposed directors: (i) Possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) Have a record of integrity and good repute; and (iii) Have sufficient time to fully carry out their responsibilities.	✓ **Complied.** All KRPs are appointed in accordance with the Policy on the Nomination, Election and Appointment of Directors and other Key Responsible Persons, which ensures adherence to the stipulated selection criteria.
10.4.f	The Committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of stakeholders and the FC as a whole.	✓ **Complied.** The Committee ensures that the composition of the Board is not dominated by any individual or group in a manner detrimental to the interests of stakeholders.
10.4.g	The Committee shall set the criteria (such as qualifications, experience and key attributes) for eligibility to be considered for appointment to the post of CEO and Senior Management.	✓ **Complied.** The Committee has set the criteria required for eligibility for appointment to management KRP positions.
10.4.h	Upon the appointment of a new director to the Board, the Committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) A brief resume of the director; (ii) The nature of expertise in relevant functional areas; (iii) The names of companies in which the director holds directorships or memberships in Board committees; and (iv) Whether such director can be considered as independent.	✓ **Complied.** Details of new Directors are disclosed to shareholders at the time of appointment by way of announcements made to the Colombo Stock Exchange (CSE) and in the Annual Report. Prior approval for the appointment of new Directors is obtained from the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, and notification is sent to the CSE. All new appointments are reviewed by the Committee.
10.4.i	The Committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account combined knowledge, performance toward strategic demands faced by the FC, and the contribution made by the director toward the discharge of the Board's overall responsibilities.	✓ **Complied.** The Committee ensures compliance with the stipulated requirements for the re-election of current Directors.
10.4.j	The Committee shall consider and recommend the requirements of additional or new expertise and succession arrangements for retiring directors and Senior Management.	✓ **Complied.** A Board-approved succession plan for Key Responsible Persons, recommended by the BNGC, is in place.
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment or re-appointment, and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	✓ **Complied.** Members of the BNGC do not participate in decision-making relating to their own appointments or re-appointments. The Chairman of the Board abstains from meetings when matters related to his successor are discussed.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
10.5.a	**Human Resources and Remuneration Committee** The Committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	✓ **Complied.** The Board Human Resources and Remuneration Committee (BHRRC) is chaired by a Non-Executive Director, and its composition complies with the required guidelines.
10.5.b	The Secretary to the Human Resources and Remuneration Committee may preferably be the Company Secretary.	✓ **Complied.** The Head of Human Resources serves as the Secretary to the BHRRC.
10.5.c & d	The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to executive directors and Senior Management of the FC, and the fees and allowances structure for non-executive directors.	✓ **Complied.** The Company has a Board-approved Remuneration Policy for Executive Directors and Senior Management. The remuneration of Non-Executive Directors is governed by the Board-approved Non-Executive Directors' Remuneration Policy, which falls under the purview of the BHRRC and is approved by the Board.
10.5.e	The Committee shall recommend the remuneration policy for Board approval relating to salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic Board review, including when material changes are made.	✓ **Complied.** The Remuneration Policy is reviewed periodically and recommended by the Committee for Board approval, covering salaries, allowances and other financial incentives for Directors and employees of the Company.
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take excessive risk or to act in self-interest.	✓ **Complied.** The Committee has ensured that the remuneration structure is aligned with the business strategy, objectives, values, long-term interests and cost structure of the Company, and that it incorporates measures to avoid conflicts of interest. The Committee is mindful to abstain from incentivising employees to take excessive risks or act in self-interest.
10.5.g	The Committee shall review the performance of Senior Management (excluding the CIA, Compliance Officer and CRO) against set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other performance-based incentives.	✓ **Complied.** The BHRRC has reviewed the emoluments structure of Key Responsible Persons (excluding the Chief Internal Auditor, Compliance Officer and Chief Risk Officer), together with their performance evaluation scores and any changes compared to the previous year.
10.5.h	The Committee shall ensure that Senior Management abstains from attending Committee meetings when matters relating to them are being discussed.	✓ **Complied.** Senior Management abstain from attending meetings when matters relating to them are being discussed.
11. Internal Controls		
11.1	FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures, in order to mitigate operational risks.	✓ **Complied.** SDF has adopted a robust internal control system that reflects clear reporting lines with segregation of duties and a Board-approved organisational structure to effectively mitigate operational risk.

Section Reference	Principle	Extent of Compliance
11.2	A proper internal control system shall: (a) Promote effective and efficient operations; (b) Provide reliable financial information; (c) Safeguard assets; (d) Minimise the operating risk of losses from irregularities, fraud and errors; (e) Ensure effective risk management systems; and (f) Ensure compliance with relevant laws, regulations, directions and internal policies.	**Complied.** The Company reviews the existing internal control system to ensure that it contributes to effective and efficient operations, safeguards Company assets, ensures effective risk management and complies with laws and regulations.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	**Complied.** All employees are accountable and responsible for internal controls as part of their routine functions, through the various policies and procedures of the Company. This is included in the Job Descriptions of all employees. Any violations of internal controls are reported to the BAC by the Internal Audit Department. The Company also has a Board-approved Whistleblowing Policy that encourages reporting of such violations.
12. Related Party Transactions		
12.1	The Board shall establish a policy and procedures for related party transactions.	**Complied.** SDF has adopted a Board-approved Related Party Transactions Review Committee charter and Terms of Reference for the effective review of proposed and existing related party transactions. The Committee comprises three (3) Non-Executive Directors and is chaired by an Independent Non-Executive Director. The majority of the members are Independent Non-Executive Directors. A Board-approved policy governs Related Party Transactions and is reviewed by the Committee.
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC). The Chairperson shall be an independent director and the members shall consist of non-executive directors.	**Complied.** The RPTRC is chaired by an Independent Non-Executive Director and comprises Non-Executive Directors.
12.1.b	All related party transactions shall be reviewed and recommended in advance by the RPTRC.	**Complied.** As defined in the Policy, Related Party Transactions are reviewed and recommended by the RPTRC for the Board's approval. The Board-approved RPT Policy outlines the transactions that can be carried out by the Company to avoid any non-compliance and conflicts of interest.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
12.1.c	The business transactions with a related party covered by this Direction shall include: (i) Granting accommodation; (ii) Creating liabilities to the FC in the form of deposits, borrowings and any other payable; (iii) Providing financial or non-financial services to the FC or obtaining those services from the FC; (iv) Creating or maintaining reporting lines and information flows between the FC and any related party that may lead to sharing proprietary, confidential, or otherwise sensitive information that may give benefits to such related parties.	✓ **Complied.** All Related Party Transactions are reviewed and recommended by the RPTRC in advance. All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors or their close relatives during the year. The process will be further strengthened in line with the requirements of this Direction.
12.2	The Committee shall take the necessary steps to avoid any conflict of interest that may arise from any transaction of the FC with any person, and particularly with the categories of 'related parties' as defined in this Direction. A named list of natural persons and institutions identified as related parties shall be maintained, subject to periodic review.	✓ **Complied.** The Board-approved RPT Policy outlines the list of natural persons and institutions identified as related parties.
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party 'more favourable treatment' than that accorded to other similar constituents of the FC.	✓ **Complied.** The Board-approved RPT Policy contains provisions to ensure compliance, and the RPTRC ensures that all transactions with Related Parties are on an arm's length basis. The Company ensures that related party transactions are not entered into on more favourable terms than those offered to others; where applicable, the relevant approvals of the RPTRC and the Board are obtained. Related party transactions carried out during the year are disclosed under Related Party Transactions on page 352 of the Financial Statements.
13. Group Governance		
13.1	Responsibilities of the FC as a Holding Company.	Not Applicable. The Company does not have any subsidiary.
13.2	Responsibilities as a Subsidiary.	Not Applicable. The Company is not a subsidiary.
14. Corporate Culture		
14.1	An FC shall adopt a Code of Conduct which includes guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets, and fair treatment of customers.	✓ **Complied.** The Company has a Board-approved Code of Conduct addressing confidentiality, conflicts of interest, integrity of reporting and other ethical practices.
14.2	The FC shall maintain records of breaches of the Code of Conduct and address such breaches in a manner that upholds high standards of integrity.	✓ **Complied.** The Company maintains records of breaches in line with this requirement.

Section Reference	Principle	Extent of Compliance
14.3	An FC shall establish a Whistleblowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices confidentially and without risk of reprisal. The BAC shall review the policy periodically.	✓ **Complied.** A Board-approved Whistleblowing Policy is in place.
15. Conflict of Interest		
15.1.a	Relationships between directors shall not give rise to undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director, a relative, or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item.	✓ **Complied.** The Company has a formal Policy on Conflict of Interest. The policy prohibits Directors from using their position to divulge confidential or price-sensitive information for personal benefit or for the benefit of any third party, whether financially or otherwise.
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy shall: (i) Identify circumstances which constitute or may give rise to conflicts of interest; (ii) Express the responsibility of Directors and Senior Management to avoid activities that could create conflicts of interest; (iii) Define the process for Directors and Senior Management to keep the Board informed of any change in circumstances; (iv) Implement a review and approval process before engagement in activities that could create conflicts of interest; (v) Identify those responsible for maintaining updated records on conflicts of interest; and (vi) Articulate how any non-compliance with the policy is to be addressed.	✓ **Complied.** Directors do not participate in, and excuse themselves from, the meeting when the Board considers matters in which a conflict may arise.
16. Disclosures		
16.1	The Board shall ensure that: (a) Annual audited financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards; and (b) Such statements are published in the newspapers in Sinhala, Tamil and English. The Annual Report shall include the minimum disclosures listed in Direction 16.1(i) to (xiii).	✓ **Complied.** Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and are published in newspapers in Sinhala, Tamil and English.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
16.1 (i)	**Financial Statements.** In addition to the set of financial statements required under LKAS 1 or applicable standards, the Annual Report shall include: • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements; and • A statement of responsibility of the Board in the preparation and presentation of financial statements.	✓ **Complied.** Compliance with applicable accounting standards and regulatory requirements is reported in the Annual Report of the Board of Directors on the Affairs of the Company on page 252 and the Statement of Directors' Responsibility for Financial Reporting on page 254.
16.1 (ii)	Chairperson, CEO and Board-related disclosures, including: • Name, qualifications and brief profile; • Whether Executive, Non-Executive or Independent Director; • Details of the Senior Director (if any); • The nature of expertise in relevant functional areas; • Relatives or business relationships among Directors; • Names of other companies in which the Director or CEO serves; • Number and percentage of Board meetings attended; and • Names of Board committees in which the director serves.	✓ **Complied.** Details of the Directors are given in the profiles of the Board of Directors on page 39. Details of the Senior Director are set out on page 39. Attendance at Board and Sub-Committee meetings is given on page 227.
16.1 (iii)	**Appraisal of Board Performance.** An overview of how the performance evaluations of the Board have been conducted.	✓ **Complied.** The performance evaluations of the Board and the Sub-Committees have been completed based on pre-agreed objectives. Details are disclosed in the Corporate Governance report on page 206.
16.1 (iv) GRI 2-19	**Remuneration.** A statement on the remuneration policy, including Board fees, breakdown of remuneration of Senior Management, the procedure for setting remuneration, and the relationship between remuneration, performance and value. (See remuneration tables on the page 396.)	✓ **Complied.** A statement on the Remuneration Policy is disclosed in the BHRRC Report on page 224. The aggregate remuneration paid to Directors and Senior Management is disclosed on page 396 of the Annual Report and in Note 44.1 to the Financial Statements.
16.1 (v)	**Related Party Transactions.** Details of: • The nature of any relationship between the Chairperson and CEO and the relationships among members of the Board; • Total net accommodation granted in respect of each category, with the net accommodation outstanding in respect of each category as a percentage of the FC's core capital; and • The aggregate values of transactions of the FC with its Senior Management during the financial year, set out by broad categories such as accommodation granted and deposits or investments made in the FC.	✓ **Complied.** There is no financial, business, family or other relationship between the Chairman and the CEO, nor among members of the Board, that would impair their respective roles. Net accommodation granted to related parties is disclosed on page 352. The aggregate values of transactions with Senior Management are disclosed on page 396 of the Financial Statements.

Section Reference	Principle	Extent of Compliance
16.1 (vi)	**Board Appointed Committees.** The details of the Chairperson and members of the Board committees and their attendance at meetings.	✓ **Complied.** Details are provided in the respective Board Sub-Committee Reports on pages 206.
16.1 (vii)	**Group Structure.** The group structure of the FC within which it operates, and the group governance framework.	Not Applicable. SDF is a stand-alone Finance Company with no subsidiaries or associates.
16.1 (viii)	**Directors' Report.** The report shall contain declarations by the Directors that: ◉ The FC has not engaged in any activity that contravenes laws and regulations; ◉ The Directors have declared all related party transactions and abstained from voting on matters in which they were materially interested; ◉ The FC has made all endeavours to ensure the fair treatment of stakeholders, particularly depositors; ◉ The business is a going concern, with supporting assumptions; and ◉ The Board has conducted a review of internal controls and obtained reasonable assurance of their effectiveness.	✓ **Complied.** The required declarations are set out in the Annual Report of the Board of Directors on the Affairs of the Company on pages 244 to 253.
16.1 (ix)	**Statement on Internal Control.** ◉ A report by the Board on the FC's internal control mechanism, including that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that financial statements have been prepared in accordance with applicable accounting principles and regulatory requirements. ◉ The External Auditor's assurance statement on the effectiveness of the internal control mechanism. ◉ A report setting out details of compliance with prudential requirements, regulations, laws and internal controls, and measures taken to comply. ◉ A statement of regulatory and supervisory concerns on lapses in business or management, or non-compliance with the Act and rules and directions.	✓ **Complied.** The Directors' Statement on Internal Control over Financial Reporting is given on page 258. The External Auditor's Assurance Report on Internal Control over Financial Reporting is on page 286.
16.1 (x)	**Corporate Governance Report.** The Annual Report shall disclose the manner and extent to which the Company has complied with the Corporate Governance Direction, together with the External Auditor's factual findings on compliance with the Corporate Governance Direction.	✓ **Complied.** Refer on page 248.

Corporate Governance Compliance Annexure

Section Reference	Principle	Extent of Compliance
16.1 (xi)	**Code of Conduct.** The Annual Report shall disclose the FC's Code of Business Conduct and Ethics for Directors, Senior Management and employees. The Chairperson shall certify that the Company has had no violations of the provisions of this Code.	✓ **Complied.** The Company has a Board-approved Code of Business Conduct and Ethics for Directors, Senior Management and employees. The Chairman's certification is provided on page 251.
16.1 (xii)	**Management Report.** The report shall cover: ◉ Industry structure and developments; ◉ Opportunities and threats; ◉ Risks and concerns; ◉ Sustainable finance activities carried out by the Company; and ◉ Prospects for the future.	Complied. Management Discussion and Analysis is provided on pages 256 - 257 , covering industry structure and developments, opportunities and threats, risks and concerns, sustainable finance activities (including the issuance of Sri Lanka's first Sustainable Bond of LKR 2 billion and the new USD 9 million impact foreign funding facility) and prospects for the future.
16.1 (xiii)	**Communication with Shareholders.** The policy and methodology for communication with shareholders, and the contact person for such communication.	✓ **Complied.** The Board-approved Policy on Relations with Shareholders and Investors and the Stakeholder Communication Policy are in place. The Company Secretary serves as the primary contact for shareholder matters.

Aggregate Remuneration Paid to Directors (LKR. '000)

Form of Remuneration	2026	2025
Board and Sub-Committee Sitting Fees	13,755	10,240
Fixed Allowances	3,850	0
Total Remuneration Paid to Directors	17,605	10,240

Aggregate Remuneration Paid to Senior Management (LKR. '000)

Form of Remuneration	2026	2025
Basic Salary	78,116	58,489
Fixed Allowances	14,333	12,716
Variable Allowances	2,400	2,259
Bonuses	23,719	9,477
Other Monetary Benefits (if any)	1,054	2,988
Total Remuneration Paid to Senior Management	119,622	85,930

Compliance with the Code of Best Practice on Corporate Governance 2023

Issued by the Institute of Chartered Accountants of Sri Lanka. This statement of compliance has been prepared in conformity with the Code of Best Practice on Corporate Governance 2023, and is presented as part of SDF's Corporate Governance Report for the financial year 2025/2026.

Code Reference	Requirement	Compliance Status of the Company
Section 1: The Company		
A. Directors		
A.1 The Board		
The Company should be headed by an effective Board, which should direct, lead, and control the Company.		
A.1.1	Board meetings	Board meetings are scheduled well in advance, with the dates for the monthly meetings finalised by the end of the preceding year. During the financial year 2025/2026, a total of twelve (12) Board meetings were held. These meetings primarily focused on evaluating the Company's performance, strategic planning, and setting future direction. The Senior Management presented comprehensive updates on operational performance and forward-looking strategies aimed at achieving the Company's long-term objectives. This structured and proactive approach to Board governance ensures timely decision-making and the alignment of business processes with the expectations of all stakeholders. For further details, please refer to the 'Directors' Attendance and Committee Memberships' table on page 220.
A.1.2	Responsibilities of the Board	The Board, guided by the Company's core values, is responsible for developing a robust business strategy for the organisation. Management prepares a rolling three-year strategic plan that anticipates future challenges; this plan is presented to the Board for thorough review, discussion and formal approval. To discharge its duties effectively, the Board safeguards the integrity of corporate information, oversees risk management and ensures the operation of a comprehensive internal control framework. A rigorous compliance function ensures adherence to all applicable laws and regulations, as well as the Company's ethical standards and corporate values. This integrated governance approach ensures that the interests of all stakeholders are duly considered in every strategic decision.
A.1.3	Agreed procedure on seeking independent professional advice	A Board-approved policy is in place for Directors to seek independent professional advice as and when required. The Board sub-committees advise the Board on various matters under their purview, when necessary.
A.1.4	Advice and services of the Company Secretary	The Board has explicitly defined and adopted a policy providing Board members with full access to the Company Secretary, in order to ensure that all Board procedures are followed and that all applicable rules and regulations are complied with. The Company Secretary provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgement of Directors	All Directors are encouraged to exercise independent judgement in Board deliberations, contributing to decisions on strategy, performance, resource allocation and business conduct. The Company Secretary records key discussions and differing viewpoints to ensure that the rationale behind Board decisions is clearly documented.
A.1.6	Dedicating adequate time and effort by the Directors	All Directors devote sufficient time and effort to Board and Committee responsibilities, including reviewing papers, seeking clarifications and following up on key matters. They also engage in understanding the Company's operations, risks and controls to support effective governance and informed decision-making.
A.1.7	Call for a resolution	The Board acknowledges that one-third of its Directors may call for a resolution to be presented to the Board if they believe it is in the best interest of the Company.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
A.1.8	Training for new and existing Directors	Directors acknowledge the importance of continuous professional development and participate in relevant training as needed. The Company engages industry experts to provide insights, while the Company Secretary keeps Directors informed of applicable training opportunities.
A.2 Chairman and Chief Executive Officer (CEO)		
The Board of Directors does not intervene in the Company's day-to-day business; there is a clear division of responsibilities between conducting the business of the Board and the day-to-day operations of the Company by the Senior Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive towards the Company's strategic vision and to ensure the effectiveness of the Board. The CEO's role is to conduct the business operations of the Company with the help of the Senior Management. Accordingly, the roles of the Chairman and the CEO are clearly distinct from one another.		
A.2.1	Justification of combining the roles of Chairman and CEO	Not Applicable. The roles of the Chairman and the CEO are separated.
A.3 Chairman's Role		
The Chairman is responsible for ensuring that all Board members make a full contribution to the Board's affairs and that the Board acts as a team while discharging Board functions. The Chairman provides leadership to the Board, effectively manages the Board, preserves order, and facilitates the effective discharge of Board functions.		
A.3.1	Role and functions of the Chairman	The roles and functions of the Chairman are clearly stated in the Board-approved Policy on Corporate Governance, Nominations and Re-elections, and in the Board Charter of the Company, which complies with A.3.1.
A.4 Financial Acumen		
The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board has met this requirement, as the majority of Board members are professionally qualified and experienced in the fields of banking, finance and auditing, and possess sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A.5 Board Balance		
The Code requires that a balance is maintained between Executive and Non-Executive Directors (NEDs), so that no individual or small group of individual Directors is able to dominate the Board's decision-making.		
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	All eight (08) Directors of the Company are Non-Executive Directors.
A.5.2 & A.5.3	Independence of NEDs	Five (05) of the eight (08) Non-Executive Directors are Independent.
A.5.4	Annual declaration of NEDs	Every Non-Executive Director of the Company has made a written declaration as to independence, against the specified criteria set out by the Company.
A.5.5	Annual declaration by the Board on the independence of Directors	The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors. Independence will continue to be evaluated annually in line with CBSL Directions, SEC requirements and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board beyond the criteria set out in the Code. The Independent Non-Executive Directors of the Company as at 31 March 2026 are: 1. Mr Dhammika Ganegama (Senior Director) 2. Mr Amrit CanagaRetna 3. Ms Shehara de Silva 4. Ms Suranjani Wickremeratne 5. Mr Nandika Buddhipala

Code Reference	Requirement	Compliance Status of the Company
A.5.6	**Alternate Directors**	**There are no Alternate Directors on the Board of SDF.**
A.5.7 & A.5.8	Requirement to appoint a Senior Non-Executive Director, available for confidential discussions	The Chairman of the Company is a Non-Independent Non-Executive Director; accordingly, a Senior Director, who is an Independent Non-Executive Director, has been appointed to the Board. Mr Dhammika Ganegama serves as the Senior Director and is available for confidential discussions with other Directors and shareholders as required.
A.5.9	Chairman holds meetings with NEDs only, without Executive Directors	The Board consists entirely of Non-Executive Directors.
A.5.10	Recording of concerns in Board minutes	The Company Secretary ensures that deliberations and concerns raised by Directors during Board meetings are adequately detailed in the minutes. All decisions are accurately documented in the minutes, including how they were reached. These minutes are maintained in a detailed and comprehensive manner.
A.6 Supply of Information		
The Code requires the Company's Management to submit timely and sufficient information to the Board to enable it to discharge its duties.		
A.6.1	Obligation of Management to provide appropriate and timely information to the Board	The Senior Management of the Company ensures that the Directors are provided with adequate information in a timely manner and makes every effort to provide the information as early as possible. Board papers are prepared by the Executive Management to provide adequate information to the Board, enabling deliberation on all key issues concerning the Company. Directors are free to raise inquiries or concerns and request additional information where necessary. In addition, key members of the Senior Management make presentations at every Board meeting on their performance and issues of importance during the reviewed period. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.
A.6.2	Adequate time for Board meetings	In accordance with the Articles of Association, all Board members are given notice well ahead of meetings, and all minutes of previous meetings, agendas and Board papers are uploaded in advance to BoardPAC, the digital platform used for Board and Sub-Committee meetings. Adequate notice is also given to all Directors prior to emergency or special Board meetings. This ensures that Board members have sufficient time to study the related papers and prepare for meaningful discussion at the meetings.
A.7 Appointments to the Board		
The Company has a formal and transparent procedure in place to appoint new Directors.		
A.7.1 & A.7.2	Presence of a Nomination Committee and annual assessment of Board composition	The Company has established the Board Nomination and Governance Committee (BNGC), chaired by an Independent Director, with the majority of its members being Independent Directors. The Committee is authorised to implement a procedure to assess the skills, knowledge and experience required for the selection and appointment of new Directors and the Managing Director of the Company. The final decision is taken by the Board in terms of the formal and transparent procedure approved by the Board for the appointment of new Directors. The Board assesses its composition to ensure that the combined knowledge and experience of the Board match the strategic demands of the market.
A.7.3	Succession plan for the CEO and Key Management Personnel, and determination of training and development requirements	The Committee has ensured that a succession plan is in place for the CEO and all other Key Management Personnel. The Committee has also determined the necessary training and development requirements for those identified for succession.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
A.7.4	Disclosure of information to shareholders upon appointment of new Directors	All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, together with brief résumés of such Directors. Such announcements set out the field of the respective Director's expertise, directorships held in other companies, the number of shares held in the Company, whether the appointment is as an Executive or Non-Executive Director, and whether as an Independent or Non-Independent Director. During the year under review, Mr Nandika Buddhipala was appointed to the Board on 1 November 2025 as an Independent Non-Executive Director.
A.7.5	Identifying the Chairman and the members of the Nomination Committee in the Annual Report	A report from the BNGC is included in this Annual Report on page 230, outlining the functions and responsibilities of the Committee, and identifying its Chairman and members.
A.7.6	Terms of reference for the Nomination Committee as set out in Schedule E of the Code	The Committee operates in accordance with the Board-approved Terms of Reference.
A.8 Re-Election		
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once every three years.		
A.8.1 & A.8.2	Re-election of Non-Executive Directors, including the Chairman and other Directors	The procedure adopted by the Company for re-election by rotation complies with Articles 85 and 86 of the Articles of Association. In accordance with the Articles, at least one-third of the Directors retire at the AGM; where the total number of Directors is not a multiple of three, the number rounded up to the nearest whole number shall retire from office.
A.8.3	Resignation of a Director	In the event of a resignation before completing the term, the Director must inform the Board in writing, providing the reasons for resignation. There were no resignations from the Board during the year under review.
A.9 Appraisal of Board Performance GRI 2-18		
The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.		
A.9.1	Annual appraisal of the Board's performance and the performance of its Sub-Committees	The Board has established a formal and rigorous process for the annual review of its performance and that of its committees. This process ensures that the Board and its committees operate effectively, identify areas for improvement and align with best practices in corporate governance. The review includes self-assessments, feedback from Directors and evaluation against established performance criteria.
A.9.2	Annual self-evaluation of the performance of the Board	The Chairman and the Board of Directors evaluate the Board's performance. The Board Sub-Committees carry out a self-assessment process annually to ensure they function effectively and efficiently, facilitating continuous improvement and alignment with good governance. The summaries of the Board self-assessment and the Sub-Committee self-assessments are tabled at the Board meeting.
A.9.3	Process to review the participation, contribution and engagement of each Director at the time of re-election	The Board has a process in place to review each Director's participation, contribution and engagement at the time of re-election. This includes assessing attendance, involvement in discussions, committee contributions, peer feedback and relevant skills. Directors also complete self-assessments to ensure alignment with the Board's objectives.
A.9.4	Disclosure of criteria used for performance evaluation	The Board's performance evaluations are conducted by way of a questionnaire, and a summary of the results is presented to the Board for its information. The Company Secretary and the Board Sub-Committee secretaries submit the self-evaluation questionnaire to each Director and obtain their individual responses. A summary of the responses is submitted to the Board for further action if deemed necessary.

Code Reference	Requirement	Compliance Status of the Company
A.10 Disclosure of Information in Respect of Directors		
The Code requires that details of Directors be disclosed in the Annual Report for the information of shareholders.		
A.10.1	Disclosures on Directors in the Annual Report	The following details pertaining to each Director are disclosed in the Annual Report: a) Brief profile with expertise and experience: pages 39-41 b) Other business interests: pages 244 c) Remuneration: Note 44 to the Financial Statements d) Details of Board and Board Committee meetings held during the year: page 211
A.11 Appraisal of the CEO		
The Code requires the Board to assess the performance of the CEO at least annually, to ascertain the degree to which the CEO has met the pre-set financial and non-financial targets.		
A.11.1 & A.11.2	Setting of annual targets and appraisal of the performance of the CEO	At the beginning of each financial year, the Board discusses the five-year rolling budget with the CEO, including the targets to be achieved by the CEO during the year. The assessment of the CEO's performance is carried out by the Board on an ongoing basis to ensure that the performance objectives of the Company are achieved.
B. Directors' Remuneration		
B.1 Remuneration Procedure		
This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective remuneration policy that avoids potential conflicts of interest.		
B.2 Board Human Resources and Remuneration Committee (BHRRC)		
The Code requires that the level and make-up of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1	Establishment of a Remuneration Committee	In line with the Remuneration Policy and Terms of Reference, the Company has established the BHRRC, which has the authority to evaluate, assess and decide on matters that may affect the human resources management of the Company.
B.2.2	Composition of the Remuneration Committee	In line with the Terms of Reference, and as prescribed in this Code, all members of the BHRRC are Non-Executive Directors, and the Chairman of the Committee is appointed by the Board.
B.2.3	Remuneration of Executive Directors and Senior Management; access to professional advice when discharging duties	In line with the Terms of Reference, the Board Chairman is a member of the BHRRC, and the Committee decides on the remuneration of the CEO and the Senior Management. The Committee has access to professional advice, both internal and external, to effectively discharge its responsibilities.
B.2.4 & B.2.5	Remuneration packages of Executive Directors	In terms of the Remuneration and Benefits Policy, the salaries, allowances and other financial benefits relating to Directors and Senior Management are decided by the BHRRC.
B.2.6	Comparison of remuneration with other companies in the industry	In line with the Remuneration Policy and Terms of Reference, the BHRRC, when necessary, reviews the Company's remuneration structure in comparison with industry standards.
B.2.7	Sensitivity to remuneration and employment conditions	In line with the Remuneration Policy and Terms of Reference, the BHRRC considers the remuneration and employment conditions of employees within the Company when determining annual salary increases. Individual remuneration details are strictly confidential.
B.2.8	Designing the performance-related remuneration of the Chief Executive and Executive Directors	In line with the Remuneration Policy and Terms of Reference, the remuneration of the CEO and the Senior Management is based on performance.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
B.2.9	Executive Share Options	No Executive Share Options were granted during the year.
B.2.10	Designing performance-related remuneration	In line with the Terms of Reference, all increments and incentives are based on performance.
B.2.11 & B.2.12	Early termination of Executive Directors	In line with the Remuneration Policy and Terms of Reference, early termination is governed by the contract of appointment.
B.2.13 & B.2.14	Levels of remuneration of Non-Executive Directors	Allowances are determined in terms of the Remuneration Policy.
B.2.15	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	The details of the members are provided in the BHRRC report in this Annual Report. Please refer to the BHRRC report on pages 224.
B.2.16	Terms of reference for the Remuneration Committee	The Board-approved Terms of Reference is in place.
B.3 Disclosure of Remuneration		
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.		
B.3.1 & B.3.2	Disclosures in the Annual Report	Details of the members, scope and number of meetings held during the year are given in the BHRRC report on pages 224 of this Annual Report. Please refer to Note 44 to the Financial Statements for the aggregate remuneration paid to Directors and to Senior Management.
C. Relations with Shareholders		
C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings		
The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.		
C.1.1	Notice of the AGM	The Company provides the required notice period for the AGM, which is held annually.
C.1.2	Separate resolutions at the AGM on each substantially separate issue, and adoption of the Annual Report and Accounts	Adoption of the Annual Report of the Board of Directors on the Affairs of the Company, the Statement of Compliance, and the Financial Statements together with the Report of the Auditors are considered separately.
C.1.3	Proxy Votes	Proxy votes, including those of major shareholders, are duly taken into consideration.
C.1.4	Availability of Board Sub-Committee Chairpersons	The Board Sub-Committee Chairpersons, who are members of the Board, are available at the AGM to answer any questions raised by shareholders.
C.1.5	Adequate notice of the AGM to shareholders, together with a summary of the voting procedure	The Notice of the Meeting and the Proxy Form, including a summary of the procedure governing voting, are dispatched to shareholders within the stipulated timeline.
C.2 Communication with Shareholders		
The Code requires effective communication with shareholders.		
C.2.1 to C.2.7	Channel to reach all shareholders (C.2.1); policy and methodology for communication (C.2.2); implementation of the policy (C.2.3); contact person in relation to shareholder matters (C.2.4); process to make all Directors aware of major issues and concerns of shareholders (C.2.5 and C.2.6); process for responding to shareholder matters (C.2.7)	A Board-approved Policy on Relations with Shareholders and Investors is in place which covers these requirements. The Company Secretary serves as the contact person in relation to shareholder matters.

Code Reference	Requirement	Compliance Status of the Company
C.3 Major and Material Transactions		
The Code requires Directors to disclose to shareholders all proposed material transactions that would materially alter the net asset position of the Company if entered into.		
C.3.1	Disclosures on proposed major transactions	No such occurrences took place during the period under review.
C.3.2	Provisions of the Companies Act No. 07 of 2007 for limited liability companies	No such occurrences took place during the period under review.
C.3.3	Disclosure requirements	No such occurrences took place during the period under review.
D. Accountability and Audit		
D.1 Financial Reporting		
This principle requires the Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
D.1.1	Financial and business reporting (Annual Report)	Please refer to pages 189.
D.1.2	Board's responsibility for statutory and regulatory reporting	Please refer to page 254.
D.1.3	Declaration on the level of compliance and accuracy of the Financial Statements	Please refer to pages 401.
D.1.4	Declarations by Directors in the Directors' Report	Please refer to the Annual Report of the Board of Directors on the State of Affairs of the Company on pages 244-251.
D.1.5	Statements by Directors and Auditors on responsibility for financial reporting	Please refer to page 254.
D.1.6	Management Discussion and Analysis	Please refer to pages 250.
D.1.7	Requirement to summon an Extraordinary General Meeting (EGM) to notify a serious loss of net assets (capital)	Not Applicable. No such event occurred during the financial year.
D.1.8	Declaration by the Board on Related Party Transactions	The Company complies, and internal controls are in place to identify, record and disclose related party transactions. All Related Party Transactions, as defined in Sri Lanka Accounting Standards LKAS 24 (Related Party Transactions), are disclosed in Note 44 to the Audited Financial Statements.
D.2 Risk Management and Internal Control		
The Code requires the Board to establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives, and to ensure that an effective system of internal controls is in place to safeguard the Company's assets and protect the interests of shareholders.		
D.2.1	Risk Management Framework	Please refer to the Integrated Risk Management Report on pages 252-279 for detailed information. During the year, the Company also issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, and secured new impact foreign funding of USD 9 million. The risk management framework was updated to address the additional considerations arising from these transactions, including currency hedging arrangements and use-of-proceeds tracking.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
D.2.1.1	Robust assessment of principal risks	Please refer to the Integrated Risk Management Report on pages 252-279 for detailed information.
D.2.1.2	Disclosure of Risk Management Framework in the Annual Report	Please refer to: 1. The Report of the Board Integrated Risk Management Committee on page 228 2. The Integrated Risk Management Report on pages 252-279 3. Notes to the Financial Statements on Risk Management on pages 359-370
D.2.1.3	Establishment of the Risk Management Committee	The Board Integrated Risk Management Committee (BIRMC) has been established by the Board in accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance.
D.2.1.4	Consideration of regulatory requirements and sector or industry-specific business risks	The Company has established an independent risk management function responsible for managing risk-taking activities within its ordinary course of business across the Company. The Company has also established an independent Compliance Function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on business operations.
D.2.1.5	Composition of the BIRMC	During FY 2025/2026, the BIRMC consisted of four (4) Non-Executive Directors, the majority being Independent. Please refer to the Report of the Board Integrated Risk Management Committee on page 228 for more information.
D.2.1.6	Terms of Reference of the BIRMC	The Board-approved BIRMC Charter and Terms of Reference explicitly define the membership, authority, duties and responsibilities of the Committee.
D.2.1.7	Report of the BIRMC	The BIRMC plays a key role in supporting the Board to ensure the financial viability and sustainability of the Company by regularly evaluating a broad range of risks associated with SDF's business operations, and by verifying the adequacy and effectiveness of the Risk Management Framework in place.
D.2.1.8	Composition, scope, roles and responsibilities of the risk committee, and guidance on establishing a risk management framework	Please refer to the Report of the Board Integrated Risk Management Committee on pages 228 for more information.
D.2.2	Design of the Internal Control system	Please refer to the three lines of defence mechanism described in the Integrated Risk Management Report, where the first line of defence is responsible for designing internal controls.
D.2.2.1	Effectiveness of the Internal Control System	The effectiveness of internal controls is tested by the second and third lines of defence, and corrective measures are taken accordingly.
D.2.2.2	Internal Control function	An in-house Internal Audit Department is in place.
D.2.2.3 & D.2.2.4	Reviewing the process of Internal Control and ensuring a sound system of Internal Control	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system and the financial reporting processes of the Company. The Internal Audit Department supports this process by carrying out audits to assess internal controls over financial reporting.
D.3 Audit Committee		
The Code requires the Board to have formal and transparent arrangements for selecting and applying accounting policies, financial reporting, internal control principles and risk management; for ensuring compliance with laws and regulations; and for ensuring the independence of the Company's auditors.		
D.3.1	Composition of the Audit Committee	Please refer to the Report on the Board Audit Committee on page 226.
D.3.2	Terms of Reference of the Audit Committee	Please refer to the Report on the Board Audit Committee on page 218.

Code Reference	Requirement	Compliance Status of the Company
D.3.3	Report by the Audit Committee	Please refer to the Report of the Board Audit Committee on pages 218.
D.4 Risk Committee		
The Board should establish a procedure for risk management, including how it determines risk culture, risk appetite, risk identification and classification, rating and management of risk.		
D.4.1	Composition of the BIRMC	Please refer to the update under D.2.1.5.
D.4.2	Terms of Reference of the Committee	Please refer to the update under D.2.1.6.
D.4.3	BIRMC Meetings	In accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the regulatory requirement stipulates that BIRMC meetings be held once every two months, given the Company's asset base exceeding Rs. 20 billion. However, in line with current practice and the Company's rapid growth, the Committee convenes monthly, recognising the importance of frequent meetings in addressing the dynamic and changing risk landscape. Please refer to the Report of the Board Integrated Risk Management Committee on pages 228 for more information.
D.4.4	Seeking external professional advice	The Committee seeks external professional advice in accordance with the Company's Policy on Seeking Independent Professional Advice by the Board of Directors.
D.4.5	Disclosures made in the Annual Report	Please refer to the update under D.2.1.2.
D.5 Related Party Transactions Review Committee		
The Board should establish a procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties more favourable treatment than that accorded to third parties in the normal course of business.		
D.5.1	Related Parties and Related Party Transactions	The Board-approved sub-committee, the Related Party Transactions Review Committee (RPTRC), has been established to review related party transactions of the Company. Please refer to the Report of the Related Party Transactions Review Committee on pages 226.
D.5.2	Composition of the RPTRC	The Committee comprises Mr Amrit CanagaRetna (Chairman, Independent Non-Executive Director), Mr Channa de Silva (Non-Independent Non-Executive Director) and Mr Dhammika Ganegama (Senior Director, Independent Non-Executive Director). Please refer to the Report of the Related Party Transactions Review Committee on page 226.
D.5.3	Terms of Reference of the Committee	The Committee is governed by the Board-approved Terms of Reference.
D.6 Code of Business Conduct and Ethics		
The Code requires the Company to adopt an internal Code of Conduct and Ethics to be adhered to by all Directors, Senior Management and other employees, including provisions for dealing with the shares of the Company, compliance with Listing Rules, bribery and corruption, and confidentiality, and encouraging the prompt reporting of any illegal, fraudulent or unethical behaviour.		
D.6.1	Disclosures on the Code of Business Conduct and Ethics, Whistleblowing Policy, and Anti-Bribery and Corruption Policy	At SDF, integrity, accountability and ethical behaviour are the cornerstones of the corporate culture. SDF has established a comprehensive Code of Conduct and Ethics that serves as a guiding framework for all employees, including Key Responsible Persons (KRPs), in the discharge of their professional duties. The Code outlines the standards and expectations for ethical behaviour, regulatory compliance and good governance across all levels of the organisation.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
D.6.2	Reporting of material and price-sensitive information	SDF is fully committed to maintaining transparency, fairness and compliance in its communication with shareholders, investors, regulators and the public. The Company adheres strictly to the timely and accurate disclosure of all material and price-sensitive information in accordance with applicable laws, regulations and regulatory guidelines. As outlined in the Code of Conduct and Ethics, all employees, especially those in positions of responsibility, are required to handle sensitive information with the utmost integrity and confidentiality.
D.6.3	Policy on trading of shares by Directors, KRPs and employees	The Board-approved Policy on Trading in the Entity's Listed Securities governs this area.
D.6.4	Whistleblowing procedure	SDF has established a robust Whistleblowing Procedure, as outlined in the Code of Conduct and Ethics, encouraging employees and stakeholders to report any concerns about unethical, illegal or questionable conduct in good faith. The procedure ensures that genuine concerns are objectively investigated and addressed, with protection against reprisal.
D.6.5	Training on the Code of Conduct and Ethics	To ensure that all employees understand and internalise the principles outlined in the Code of Conduct and Ethics, the Company has implemented a structured training and communication programme. Through mandatory induction training and ongoing awareness programmes, SDF ensures that all employees are familiar with the Company's expectations regarding ethical behaviour from the outset. All employees are required to acknowledge their understanding of and compliance with the Code through a formal declaration.
D.6.6	Dissemination of the policy	SDF ensures that its Code of Conduct and Ethics is effectively communicated and understood by all employees, including KRPs. The dissemination of the Code is a critical step in reinforcing a culture of integrity, accountability and ethical behaviour across the organisation.
D.6.7	Affirmative statement by the Chairman	Please refer to the Chairman's Message on pages 31.
D.7 Corporate Governance Disclosures		
Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka (CBSL) Finance Business Act Directions No. 5 of 2021 on Corporate Governance, and Section 9 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.		
D.7.1	Annual Corporate Governance Report in the Annual Report	The Corporate Governance Report is given on pages 374 of this Annual Report.
Section 2: Shareholders		
E. Institutional Investors		
E.1 Shareholder Voting		
E.1.1	Communication with shareholders	The Company complies in accordance with the Board-approved Policy on Relations with Shareholders and Investors.
E.2 Evaluation of Governance Disclosures		
The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.		
E.2	Encourages institutional investors to give due weight to relevant governance arrangements	Please refer to the Board-approved Policy on Relations with Shareholders and Investors.

Code Reference	Requirement	Compliance Status of the Company
F. Other Investors		
F.1 Investing or Divesting Decision		
F.1	Seek independent advice in investing or divesting decisions	The Board seeks independent advice in investing or divesting decisions whenever needed.
F.2 Shareholder Voting		
F.2	Encourage voting by individual investors at general meetings	At the AGM, shareholders are encouraged to vote as individual investors.
Section 3: Other Matters		
G. Internet of Things and Cybersecurity		
G.1	Identify connectivity and related cyber risks	Information and cybersecurity are considered key priorities by the Board of Directors and Management. In pursuit of an elevated security posture, initiatives have been undertaken to recruit industry expertise. Progress is assessed through regular weekly and monthly reviews. Ongoing educational programmes are provided for both staff and Management. A detailed assessment was conducted to identify potential threats to the organisation.
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	In parallel with on-boarding required staff, SDF has engaged a professional service provider to enhance the Company's information security. Budget provisioning has been completed to implement the necessary technological solutions and maintain a technological advantage.
G.3	Include cyber risk management on the Board agenda	Cybersecurity progress is assessed as part of the monthly Board meetings, and additional review meetings are also held.
G.4	Obtain periodic assurance to review the effectiveness of cybersecurity risk management	Information and cybersecurity are a primary concern of the Information Security Committee, while the IT Board Sub-Committee oversees the functional aspects and progress of related initiatives. At a higher level, the Board monitors cybersecurity initiatives on a monthly basis.
G.5	Disclosures in the Annual Report	Please refer to the Integrated Risk Management Report on pages 252.
H. Sustainability: ESG Risks and Opportunities		
Sustainability is a business approach that creates long-term stakeholder value. It focuses on managing risks arising from economic, environmental and social aspects. Sustainability reporting aims to advance the goals of sustainable development in the context of business strategy and activities.		
H.1	ESG Risks and Opportunities	SDF identifies ESG risks and opportunities by aligning its operations with the Sustainable Development Goals (SDGs), ensuring that its financial services contribute positively to society and the environment. To further institutionalise this commitment, the Company has established an ESG Risk Management Policy, which was approved by the Board Integrated Risk Management Committee (BIRMC) on 25 October 2024 and subsequently endorsed by the Board of Directors on 30 October 2024. This policy provides a structured approach to identifying, assessing and managing environmental, social and governance risks across the organisation. During the year, the Company also issued Sri Lanka's first Sustainable Bond, valued at LKR 2 billion, and secured new impact foreign funding of USD 9 million, both of which advance SDF's sustainable finance commitments.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
H.1.1	Impact of ESG risks and opportunities	The impact of ESG risks is systematically assessed through a structured framework, enabling the Company to proactively identify, evaluate and manage potential risks and opportunities. This framework aligns with local financial sector regulations, including directives issued by the Central Bank of Sri Lanka (CBSL). SDF applies an Exclusion List in line with the regulatory guidelines, avoiding financing for sectors considered harmful to society and the environment, such as alcohol, weapons, gambling, animal slaughter and other ethically sensitive industries.
H.2	Views of stakeholders	SDF values the views of its stakeholders and considers their input important for responsible and sustainable decision-making. Key stakeholders include customers, employees, investors, regulators, community members and business partners. SDF regularly engages with stakeholders through meetings, feedback channels and community initiatives. These interactions help the Company understand their expectations, concerns and suggestions related to environmental, social and governance (ESG) matters. Stakeholder feedback is used to improve services, manage ESG risks and align business practices with sustainability goals, supporting transparency and strengthening trust between the Company and its stakeholders.
H.2.1	Process to recognise significant stakeholders	SDF follows a structured process to identify and prioritise significant stakeholders based on their influence on the business and the impact the business has on them. Key criteria used to recognise significant stakeholders include: 1. Level of influence on SDF's strategic direction and operations 2. Dependency on SDF's services or outcomes 3. Potential impact of SDF's activities on the stakeholder group 4. Legal, regulatory or ethical obligations 5. Alignment with long-term sustainability goals Stakeholder mapping is periodically reviewed and updated through cross-functional discussions, feedback analysis and market developments.
H.3	Governance framework and structure, including conformance, performance and sustainability or ESG factors	The ESG governance structure promotes transparency, risk management and long-term value creation for stakeholders. Key elements of the ESG governance framework include: Management structure for ESG management: 1. Board of Directors: 8 members 2. Board Integrated Risk Management Committee (BIRMC): 4 members 3. Management Sustainability Committee: 10 members Other elements: 1. ESG oversight by the Board Integrated Risk Management Committee (BIRMC) 2. Integration of ESG risk assessments into strategic planning 3. Monitoring of ESG performance This governance framework operates in accordance with the Sustainability Terms of Reference (ToR) and is reinforced through regular Sustainability Committee meetings. This integrated approach helps SDF align its business practices with national regulations, global standards and stakeholder expectations, while maintaining financial strength and social impact.

Code Reference	Requirement	Compliance Status of the Company
H.3.1	Sustainability factors	SDF integrates key sustainability factors into its overall governance and business strategy to promote long-term value creation while addressing ESG responsibilities. Through continuous monitoring and stakeholder engagement, these sustainability factors are embedded into policies, risk assessments and operational decisions, enabling SDF to contribute meaningfully to national development goals and global sustainability targets.
H.3.1.1	Environmental Governance (GRI 2-27, 302, 305)	The Company integrates environmental considerations into its decision-making and operational processes, supporting responsible financing and resource use. SDF promotes green financing solutions, assesses environmental risks in lending and complies with applicable environmental regulations. Environmental impact areas such as energy use, emissions and resource efficiency are monitored in line with relevant GRI indicators. Through Board-level oversight and policy implementation, SDF ensures that environmental governance supports both national sustainability goals and global climate objectives.
H.3.1.2	Social Governance (Relationship with Community, Customers, Labour Practice Governance, Suppliers and Outsourced Providers): GRI 401-404, 413, 414, 418	SDF upholds strong social governance by fostering ethical, inclusive and community-focused practices across all stakeholder relationships: 1. Relationship with the Community: SDF is deeply rooted in community development, providing access to finance for underserved populations and supporting socio-economic upliftment through partnerships and grassroots initiatives. 2. Relationship with Customers: The Company is committed to customer-centric services, financial literacy and fair treatment. Regular feedback mechanisms ensure continuous improvement in service quality and customer satisfaction. 3. Labour Practice Governance: SDF promotes fair labour practices, equal opportunity, employee well-being and continuous development. The Company complies with labour laws and standards, maintaining a safe and inclusive workplace. 4. Suppliers and Outsourced Providers: SDF engages with suppliers and outsourced partners who align with its ethical and ESG standards. Responsible sourcing, due diligence and sustainability criteria are integrated into procurement practices.
H.4	Establishment of a governance structure to support ESG factors	The ESG governance structure is anchored by the Board of Directors and the BIRMC, which provide oversight on ESG risks and opportunities. Key policies, including the Sustainable Development Policy and the ESG Risk Management Policy, guide the organisation's sustainability approach, ensuring alignment with national regulations and global best practices. Dedicated personnel are responsible for identifying, assessing and managing ESG impacts across the organisation, reinforcing accountability and long-term stakeholder value creation.

Corporate Governance Compliance Annexure

Code Reference	Requirement	Compliance Status of the Company
H.4.1	Recognition of key resources or capital	SDF recognises a broad range of capitals that contribute to sustainable value creation. These include: 1. Financial Capital: Funds and investments that support operations and growth. 2. Human Capital: Skills, experience and well-being of employees. 3. Social and Relationship Capital: Trust-based relationships with communities, customers and partners. 4. Intellectual Capital: Knowledge, systems and innovation that drive service excellence. 5. Natural Capital: Environmental resources that SDF seeks to protect through responsible finance. 6. Manufactured Capital: Physical infrastructure and technology enabling service delivery.
H.4.2	Process for ascertaining, assessing and managing ESG factors	1. Identification: ESG risks and opportunities are identified through engagement with stakeholders, alignment with regulatory requirements (including CBSL guidelines), and review of industry trends and internal operations. 2. Assessment: Identified ESG factors are assessed based on their potential impact on the business and stakeholders. This includes both qualitative and quantitative analysis, guided by the Company's ESG Risk Management Policy. 3. Management: ESG risks are integrated into the enterprise risk management framework. Mitigation strategies include policy implementation, capacity building, responsible lending practices and ongoing monitoring of ESG performance.
H.4.3	Establishment of financial and non-financial measures	1. Financial Measures include profitability, portfolio quality, capital adequacy and cost efficiency, to ensure financial resilience and growth. 2. Non-Financial Measures track ESG performance such as carbon footprint, social outreach, customer satisfaction, employee engagement and community impact.
H.5	Disclose ESG risks and opportunities	SDF upholds a strong commitment to the transparent disclosure of ESG risks and opportunities, ensuring that all stakeholders receive accurate and timely information on the Company's sustainability-related performance and risk management. All disclosures comply with applicable regulatory frameworks, including guidelines issued by the Central Bank of Sri Lanka, and adhere to recognised global reporting standards. This approach reinforces accountability, supports stakeholder confidence and underpins the integration of ESG considerations into the Company's long-term business strategy. The issuance of Sri Lanka's first Sustainable Bond of LKR 2 billion and the securing of USD 9 million of new impact foreign funding during the year demonstrate the Company's commitment to channelling capital towards sustainable outcomes.
H.5.1 to H.5.4	ESG Reporting	GRI alignment: SDF's ESG disclosures cover material topics relevant to its business and stakeholders, including economic performance, environmental impact, social responsibility and governance practices. The reporting follows the GRI modular structure to provide consistent, comparable and balanced information. Integrated Reporting (IR): SDF's ESG reporting is integrated within its overall corporate reporting, highlighting the interconnectedness of financial and non-financial capitals. This approach explains how the Company's ESG factors influence value creation over time, aligning with the IR principles of strategic focus, connectivity of information and stakeholder responsiveness.

Code Reference	Requirement	Compliance Status of the Company
I. Special Considerations for Listed Entities		
I.1 Establishment and Maintenance of Policies		
I.1.1	Establishment of policies	All policies are in place as required by the Code.
I.1.2	Disclosure in the Annual Report regarding any waivers from compliance with the internal Code of Business Conduct and Ethics	Not Applicable. No such waivers were sought or granted during the year.
I.1.3	Disclosure in the Annual Report	The following policies are published on the Company's website: 1. Policy on Matters relating to the Board of Directors 2. Policy on Board Sub-Committees 3. Policy on Selection, Nomination, Election, Appointment and Resignation of Directors 4. Policy on Remuneration 5. Policy on Internal Code of Business Conduct and Ethics for Directors 6. Policy on Employee Code of Conduct 7. Policy on Risk Management and Internal Controls (including the Integrated Risk Management Policy and Framework, Credit Risk Management Policy, and Operational Risk Management Policy and Framework) 8. Policy on Relations with Shareholders and Investors 9. Policy on Environmental, Social and Governance Sustainability 10. Policy on Control and Management of Company Assets and Shareholder Investments 11. Policy on Corporate Disclosures 12. Policy on Whistleblowing 13. Policy on Anti-Bribery and Corruption
I.1.4	Availability of policies to shareholders upon a written request	Upon written request, a copy of the policy will be furnished to the shareholder.
I.2 Policy on Matters Relating to the Board of Directors		
I.2.1	Establishing policies relating to the Board of Directors	The Policy on Matters Relating to the Board of Directors is in place.
I.2.2	Confirming compliance with the requirements of the policy in the Annual Report	The relevant disclosures and publications are made in this Annual Report in compliance with the requirements of the said policy.

GRI Content Index

This GRI Content Index sets out where, within this Integrated Annual Report, readers can find information that aligns with the disclosures of the Global Reporting Initiative (GRI) Standards. For the year under review, Sarvodaya Development Finance PLC has elevated the level of disclosure, moving from the previous "with reference to" approach to reporting "in accordance with" the GRI Standards. This reflects our progress on materiality assessment, data governance, and stakeholder engagement, and supports the comparability of our reporting with peers in the sector.

The reporting boundary, materiality determination, restatements, and assurance arrangements are described in the section "About this Report" on page 06. Independent assurance over selected sustainability indicators has been obtained from Messrs. Deloitte Associates, Chartered Accountants, our External Auditor for the financial year, and their assurance statement appears on page 280.

Statement of Use	Sarvodaya Development Finance PLC has reported in accordance with the GRI Standards for the period 1 April 2025 to 31 March 2026.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	No GRI Sector Standard for the Financial Services sector was effective during the reporting period. Relevant former GRI G4 Financial Services Sector Disclosures are referenced as supplementary indicators (FS-prefixed disclosures).

Notes on Use of this Index

- Page numbers refer to the printed page of this Annual Report unless otherwise stated. Where a topic is addressed in more than one section, the principal location is cited and cross-references are provided in the body of the report.
- "Not applicable" indicates a disclosure that is not relevant to our operations during the reporting period.
- "No incidents reported" indicates that, to the best of our knowledge after due enquiry, no events meeting the threshold of the disclosure were recorded during the reporting period.
- Partial disclosures (with stated reasons for omission) are flagged in the Remarks column. Reasons for omission follow GRI 1: Foundation 2021, Section 5.
- Supplementary financial-sector indicators (FS-prefixed) are drawn from the former GRI G4 Financial Services Sector Disclosures. They are provided to enhance sector comparability and are not part of the universal GRI Standards.

GENERAL DISCLOSURES			
GRI Standard / Other Source	**Disclosure**	**Page No.**	**Remarks / Omission**
GRI 1	**GRI 1: Foundation 2021**		*Applied*
GRI 2: General Disclosures 2021			
2-1	Organisational details	7, 16, 127	
2-2	Entities included in the organisation's sustainability reporting	7	
2-3	Reporting period, frequency and contact point	7	
2-4	Restatements of information	7	Restatements explained where applicable
2-5	External assurance	7	Independent assurance provided by Messrs. Deloitte Associates, Chartered Accountants
2-6	Activities, value chain and other business relationships	7	
2-7	Employees	157	
2-8	Workers who are not employees	158	
2-9	Governance structure and composition	206, 207, 210	Eight Non-Executive Directors as at 31 March 2026
2-10	Nomination and selection of the highest governance body	208	
2-11	Chair of the highest governance body	208	Mr. Channa de Silva, Non-Executive Chairman
2-12	Role of the highest governance body in overseeing the management of impacts	60, 212	
2-13	Delegation of responsibility for managing impacts	212	
2-14	Role of the highest governance body in sustainability reporting	210	
2-15	Conflicts of interest	212	
2-16	Communication of critical concerns	208, 212	
2-17	Collective knowledge of the highest governance body	212	
2-18	Evaluation of the performance of the highest governance body	209, 400	
2-19	Remuneration policies	209, 394	
2-20	Process to determine remuneration	209	
2-21	Annual total compensation ratio	158, 212	Partial disclosure: confidentiality of individual remuneration
2-22	Statement on sustainable development strategy	89	Chairman's Message and Sustainability Governance section
2-23	Policy commitments	60, 68, 73	
2-24	Embedding policy commitments	60, 68	
2-25	Processes to remediate negative impacts	91	
2-26	Mechanisms for seeking advice and raising concerns	93	Whistleblowing Policy in place

GRI Content Index

GENERAL DISCLOSURES			
GRI Standard / Other Source	**Disclosure**	**Page No.**	**Remarks / Omission**
2-27	Compliance with laws and regulations	240	No material non-compliance reported
2-28	Membership associations	88	Includes GABV (first NBFI in Sri Lanka), FHA
2-29	Approach to stakeholder engagement	60	
2-30	Collective bargaining agreements	N/A	Not applicable: no collective bargaining agreement in place
Material Topics			
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	67	
3-2	List of material topics	67	18 material topics across Financial, Natural, Human and Social Capital
3-3	Management of material topics	68	
GRI 200: Economic Topics			
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	126	
201-2	Financial implications and other risks and opportunities due to climate change	179	
201-3	Defined benefit plan obligations and other retirement plans	160	
201-4	Financial assistance received from government	N/A	None received during the reporting period
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A	SDF pays above the national minimum wage; no gender differential
202-2	Proportion of senior management hired from the local community	N/A	100% locally hired
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	136	
203-2	Significant indirect economic impacts	138	Includes microfinance, MSME lending, Sustainable Bond proceeds deployment
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	170	
GRI 205: Anti-Corruption 2016			
205-1	Operations assessed for risks related to corruption	93	
205-2	Communication and training about anti-corruption policies and procedures	112	

GENERAL DISCLOSURES			
GRI Standard / Other Source	**Disclosure**	**Page No.**	**Remarks / Omission**
205-3	Confirmed incidents of corruption and actions taken	N/A	No incidents reported during the year
GRI 206: Anti-competitive Behaviour 2016			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	N/A	No incidents reported during the year
GRI 207: Tax 2019			
207-1	Approach to tax	71	
207-2	Tax governance, control, and risk management	71	
207-3	Stakeholder engagement and management of concerns related to tax	71	
207-4	Country-by-country reporting	N/A	SDF operates solely in Sri Lanka
GRI 300: ENVIRONMENTAL TOPICS			
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	180	
302-2	Energy consumption outside of the organisation	N/A	The company is not measure energy composition out side of the organization
302-3	Energy intensity	111	
302-4	Reduction of energy consumption	180	Includes Head Office solar contribution and LED transition
302-5	Reductions in energy requirements of products and services	176	
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	180	
303-2	Management of water discharge-related impacts	N/A	Not material: domestic-use water only
303-5	Water consumption	180	
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	No operational sites in or adjacent to protected areas
304-2	Significant impacts of activities, products and services on biodiversity	N/A	Not material to direct operations; addressed through credit screening
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	181	
305-2	Energy indirect (Scope 2) GHG emissions	181	
305-3	Other indirect (Scope 3) GHG emissions	181	Comprehensive Scope 3 inventory under development; targeted completion by 2027

GRI Content Index

GENERAL DISCLOSURES			
GRI Standard / Other Source	**Disclosure**	**Page No.**	**Remarks / Omission**
305-4	GHG emissions intensity	176	
305-5	Reduction of GHG emissions	181	
305-6	Emissions of ozone-depleting substances (ODS)	N/A	Not applicable to operations
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	N/A	Not material to operations
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	N/A	The company is not reported such significant waste related impact.
306-2	Management of significant waste-related impacts	N/A	
306-3	Waste generated	180	Primarily paper and e-waste
306-4	Waste diverted from disposal	180	
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	93	
GRI 400: SOCIAL TOPICS			
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	158	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	160	
401-3	Parental leave	160	
GRI 402: Labour / Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	N/A	In line with Shop and Office Employees Act
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	162	
403-2	Hazard identification, risk assessment, and incident investigation	91	
403-3	Occupational health services	162	
403-5	Worker training on occupational health and safety	162	
403-6	Promotion of worker health	162	Health and accident insurance; gym, yoga and CrossFit facilities
403-9	Work-related injuries	N/A	Zero reportable work-related injuries
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	105	
404-2	Programmes for upgrading employee skills and transition assistance programmes	159	

GENERAL DISCLOSURES			
GRI Standard / Other Source	Disclosure	Page No.	Remarks / Omission
404-3	Percentage of employees receiving regular performance and career development reviews	160	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	161	
405-2	Ratio of basic salary and remuneration of women to men	163	Equal pay for equal work policy maintained
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	N/A	No incidents reported during the year
GRI 408: Child Labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour	N/A	Child labour prohibited; no incidents identified
GRI 409: Forced or Compulsory Labour 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	N/A	Forced labour prohibited; no incidents identified
GRI 411: Rights of Indigenous Peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples	N/A	No incidents reported; staff training on cultural sensitivity in branches serving indigenous communities
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programmes	60	Engagement with over 1,200 Sarvodaya Societies
413-2	Operations with significant actual and potential negative impacts on local communities	N/A	No incidents reported
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	93	
GRI 417: Marketing and Labelling 2016			
417-1	Requirements for product and service information and labelling	189	
417-2	Incidents of non-compliance concerning product and service information and labelling	N/A	No incidents reported
417-3	Incidents of non-compliance concerning marketing communications	N/A	No incidents reported
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	No substantiated breaches; ISO 27001 certified

GRI Content Index

GENERAL DISCLOSURES			
GRI Standard / Other Source	**Disclosure**	**Page No.**	**Remarks / Omission**
Financial Sector: Additional Disclosures			
Product and Service Impact			
FS-1	Policies with specific environmental and social components applied to business lines	93	Environmental and Social Management System (ESMS) in place
FS-7	Monetary value of products and services designed to deliver a specific social benefit	102	Includes LKR 2 Bn Sustainable Bond proceeds, microfinance and women's livelihood lending
FS-8	Monetary value of products and services designed to deliver a specific environmental benefit	178	Green leasing, EV and hybrid auto loans, solar pump financing
FS-13	Access points in low-populated or economically disadvantaged areas by type	26	56 branches and 8 ATMs as at 31 March 2026, including TRI ATM at St. Coombs, Talawakele
FS-14	Initiatives to improve access to financial services for disadvantaged people	178	USD 9 Mn impact foreign funding deployed to underserved segments

Reasons for Omission

Where a disclosure has been omitted in part or in full, the rationale is recorded in the Remarks column above. The principal categories of omission applied in this index are: "Not applicable" (the disclosure does not relate to our activities or impacts during the reporting period); "Confidentiality constraints" (disclosure is restricted by applicable confidentiality obligations, principally individual remuneration data under GRI 2-21); and "Information unavailable" (data systems are being established to enable disclosure in future reporting periods, principally Scope 3 financed emissions, which we are targeting to disclose comprehensively from FY 2026/27 in line with the methodology developed by the Partnership for Carbon Accounting Financials (PCAF)).

Independent Assurance

An Independent Practitioner's Assurance Report on selected sustainability indicators is set out on page 280. The scope of assurance, the criteria used, the procedures performed, and the conclusion reached are described in that report. Indicators that have been the subject of independent assurance are marked with the relevant symbol in the body of this Annual Report.

Glossary of Terms

This glossary explains the principal financial, regulatory and sustainability terms used throughout this Integrated Annual Report. Where a term carries a meaning specific to Sarvodaya Development Finance PLC, that meaning is reflected below.

A

Accounting Policies: The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis: Recognising the effects of transactions and other events when they occur, without waiting for receipt or payment of cash or its equivalent.

Amortisation: The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost: The amount at which a 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 uncollectability.

B

Basis Point (bp): One hundredth of one percentage point (0.01%); 100 basis points equal one percentage point. Used in quoting movements in interest rates or yields.

C

Capital Adequacy Ratio (CAR): The relationship between capital and risk weighted assets, as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective Impairment: Impairment measured on a collective basis for homogeneous groups of facilities that are not considered individually significant, to cover credit losses that have been incurred but not yet specifically identified at the reporting date.

Commitments: Credit facilities approved but not yet utilised by customers as at the reporting date.

Compound Annual Growth Rate (CAGR): The rate at which a value would have grown had it grown at a steady rate compounded annually over a given period.

Contingencies: A condition or situation existing at the reporting date, the outcome of which (gain or loss) will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance: The process by which corporate entities are governed. It concerns the way in which power is exercised over the management and direction of the entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio (CIR): Operating expenses, excluding impairment charges and other losses, expressed as a percentage of total operating income (net interest income plus other income).

Credit Rating: An evaluation of an entity's ability to repay its obligations, or the likelihood of default, carried out by an independent rating agency.

Credit Risk: The potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Customer Deposits: Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Taxation: The sum set aside for tax in the Financial Statements that may become payable or receivable in a financial year other than the current financial year, arising from temporary differences between tax rules and accounting treatment.

Glossary of Terms

Depreciation: The systematic allocation of the depreciable amount of a tangible asset over its useful life.

Derecognition: The removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Discount Rate: A rate used to place a current value on future cash flows, reflecting the time value of money.

Dividend per Share (DPS): The total dividend paid and proposed to ordinary shareholders divided by the number of ordinary shares in issue.

Double Materiality: An approach to assessing materiality that considers both how sustainability matters affect the Company's value (financial materiality) and how the Company's activities affect people and the environment (impact materiality).

E

Earnings per Share (EPS): Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Economic Value Added (EVA): A measure of performance that takes into account the cost of total invested equity.

Effective Interest Rate (EIR): The rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument to its net carrying amount.

Effective Tax Rate: The provision for taxation, excluding deferred tax, expressed as a percentage of profit before tax.

Environmental and Social Management System (ESMS): The set of policies, procedures and tools through which the Company identifies, assesses and manages the environmental and social risks and opportunities associated with its lending and operations, integrated across the business cycle from screening to documentation.

Expected Credit Loss (ECL): The probability-weighted estimate of credit losses over the expected life of a financial instrument, recognised under SLFRS 9 using a forward-looking, three-stage model based on changes in credit risk since initial recognition.

Exposure: A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease: A contract whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for rentals sufficient to amortise the lessor's capital outlay, transferring substantially all the risks and rewards of ownership to the lessee.

Financed Emissions: The greenhouse gas emissions associated with the Company's lending and investment portfolio, attributed to the Company in proportion to its financing, measured in line with the Partnership for Carbon Accounting Financials (PCAF) methodology.

Financial Asset: Any asset that is cash, an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability: A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments under potentially unfavourable conditions.

Funding Mix: The composition of the Company's funding base, comprising shareholders' funds, customer deposits and borrowings from banks and other institutions.

G

Global Alliance for Banking on Values (GABV): An international network of independent banks and financial institutions committed to using finance to deliver sustainable economic, social and environmental development. The Company is the first non-bank financial institution in Sri Lanka to attain full GABV membership.

Green Bond Principles (GBP): Voluntary process guidelines issued by the International Capital Market Association that promote integrity and transparency in the green bond market through disclosure on use of proceeds, project evaluation, management of proceeds and reporting.

Greenhouse Gas (GHG) Emissions: Emissions of carbon dioxide and other gases that contribute to climate change, categorised as Scope 1 (direct), Scope 2 (purchased energy) and Scope 3 (other indirect, including financed emissions).

Gross Dividend: The portion of profits distributed to shareholders, including the tax withheld.

Gross NPA Ratio: The total of non-performing loans and receivables and non-performing lease rentals receivable, expressed as a percentage of the total gross loans, receivables and lease rentals receivable portfolio.

Gross Portfolio: The total of rental instalments outstanding and the undue capital receivable on advances granted to customers under leasing, loans and other facilities.

H

Hire Purchase: A contract between a hirer and a financier under which the hirer takes an article on hire from the financier, with the option to purchase it at the conclusion of the agreed rental payments.

I

Impairment: A condition that exists when the recoverable amount of an asset is less than its carrying amount.

Impaired Loans: Loans on which the Company does not expect to collect all the contractual cash flows, or expects to collect them later than they are contractually due.

Integrated Reporting: An approach to corporate reporting that communicates how an organisation's strategy, governance, performance and prospects create value over the short, medium and long term within its economic, social and environmental context.

Integrated Thinking: The active consideration of the relationships between an organisation's operating and functional units and the capitals it uses or affects, leading to integrated decision making and value creation over time.

Intangible Asset: An identifiable non-monetary asset without physical substance.

Interest Spread: The difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

K

Key Management Personnel (KMP): Persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Liquid Assets: Assets held in cash or in a form that can be readily converted to cash, such as deposits with banks and treasury bills and bonds.

Liquidity Risk: The risk that an entity will encounter difficulty in meeting obligations associated with its 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 designated at fair value through profit or loss or as available for sale.

Loan to Value (LTV): The amount of a facility expressed as a percentage of the appraised value of the underlying collateral; used in assessing credit risk.

M

Materiality: The relative significance of a transaction, balance, event or matter, the omission or misstatement of which could influence the decisions of users of the report or the Financial Statements.

Micro, Small and Medium Enterprises (MSME): Enterprises classified by scale of operations, employment and turnover, forming a core customer segment of the Company's development finance mandate.

N

Net Asset Value per Share (NAV): Equity attributable to the equity holders of the Company divided by the number of ordinary shares in issue.

Net Interest Income (NII): The difference between income earned from interest earning assets and the cost incurred on interest bearing liabilities used to fund those assets.

Net Interest Margin (NIM): Net interest income expressed as a percentage of average interest earning assets.

Non-Performing Advances (NPA): Loans and lease rentals receivable on which rentals are in arrears for six rentals or more, classified as non-performing in line with regulatory direction.

O

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

P

Partnership for Carbon Accounting Financials (PCAF): A global, industry-led initiative that provides a harmonised methodology for financial institutions to measure and disclose the greenhouse gas emissions financed through their lending and investment portfolios.

Portfolio Yield: Interest earned on loans and lease receivables expressed as a percentage of average gross loans and lease receivables.

Price Earnings Ratio (PER): Market price of a share divided by earnings per share; reflects the number of years over which the share's earnings would recoup the investor's outlay.

Provision Cover: The impairment allowance for loans and other losses expressed as a percentage of total non-performing loans and lease receivables.

R

Related Parties: Parties where one party has the ability to control the other, or to exercise significant influence over the other in making financial and operating decisions, directly or indirectly.

Return on Assets (ROA): Profit after tax expressed as a percentage of average total assets; indicates overall effectiveness in generating profit from available assets.

Return on Equity (ROE): Net profit for the year, less dividends on preference shares (if any), expressed as a percentage of average equity attributable to the equity holders of the Company.

Risk Weighted Assets (RWA): On-balance sheet assets and the credit equivalent of off-balance sheet exposures, each multiplied by the relevant risk weighting factor.

Glossary of Terms

S

Shareholders' Funds: The total of issued and fully paid ordinary shares and reserves attributable to the equity holders of the Company.

Six Capitals: The stocks of value (financial, manufactured, intellectual, human, social and relationship, and natural capital) that an organisation uses, affects and transforms through its business activities, as described in the Integrated Reporting framework.

Social Bond Principles (SBP): Voluntary process guidelines issued by the International Capital Market Association that promote transparency and integrity in the social bond market, with a focus on financing projects that deliver positive social outcomes for defined target populations.

Stakeholder Engagement: The process by which the Company identifies, understands and responds to the legitimate interests and expectations of the parties affected by, or able to affect, its activities.

Stated Capital: All amounts received by the Company, or due and payable to it, in respect of the issue of shares and in respect of calls on shares.

Statutory Reserve Fund: A capital reserve created in accordance with the relevant Direction issued under the Finance Business Act.

Sri Lanka Green Finance Taxonomy: The classification framework issued by the Central Bank of Sri Lanka (May 2022) that defines economic activities considered green, supporting the consistent identification of eligible green assets.

Sustainability Bond Guidelines (SBG): Voluntary guidelines issued by the International Capital Market Association for bonds whose proceeds finance a combination of green and social projects.

Sustainable Bond: A debt instrument whose proceeds are exclusively applied to finance or refinance a combination of eligible green and social projects, aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The Company issued Sri Lanka's first Sustainable Bond during the year under review.

T

Tier 1 Capital: Core capital, representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier 2 Capital: Supplementary capital, representing revaluation reserves, general provisions and capital instruments such as subordinated term debt that combine certain characteristics of equity and debt.

U

Use of Proceeds: The eligible green and social purposes to which the proceeds of a sustainable, green or social bond are applied, tracked and reported in line with the issuer's bond framework.

Useful Life: 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 it.

V

Value Added: The wealth created by providing financial and related services, less the cost of providing those services, allocated among employees, providers of capital, the Government and amounts retained for expansion and growth.

Values-Based Banking: An approach to finance, embodied in the Sarvodaya Artha Dharma philosophy and the principles of the Global Alliance for Banking on Values, that places the real economy, people and the environment at the centre of banking decisions.

List of Abbreviations

The following abbreviations are used in the narrative and the Financial Statements of this Integrated Annual Report.

Abbreviation	Description
AFS	Available for Sale
AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
AML / CFT	Anti-Money Laundering / Countering the Financing of Terrorism
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWDR	Average Weighted Deposit Rate
AWFDR	Average Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCC	Board Credit Committee
BHRRC	Board Human Resources and Remuneration Committee
BIRMC	Board Integrated Risk Management Committee
BNGC	Board Nomination and Governance Committee
BN	Billion
BOD	Board of Directors
CAGR	Compound Annual Growth Rate
CAR	Capital Adequacy Ratio
CA Sri Lanka	The Institute of Chartered Accountants of Sri Lanka
CBSL	Central Bank of Sri Lanka
CDM	Cash Deposit Machine
CDS	Central Depository System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIR	Cost to Income Ratio
CO_2e	Carbon Dioxide Equivalent
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DPS	Dividend per Share
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance

Abbreviation	Description
ESMS	Environmental and Social Management System
ETF	Employees' Trust Fund
EVA	Economic Value Added
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
GABV	Global Alliance for Banking on Values
GBP	Green Bond Principles (ICMA)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HFT	Held for Trading
HODs	Heads of Departments
HTM	Held to Maturity
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IR	Integrated Report / Integrated Reporting
ISO	International Organization for Standardization
IT	Information Technology
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KYC	Know Your Customer
L&R	Loans and Receivables
LCB	Licensed Commercial Bank
LFC	Licensed Finance Company
LKAS	Lanka Accounting Standards
LKR	Sri Lankan Rupees
LRA	Lanka Rating Agency
LTV	Loan to Value
LuxSE	Luxembourg Stock Exchange
MN	Million
MOU	Memorandum of Understanding
MSC	Management Sustainability Committee
MSME	Micro, Small and Medium Enterprises
NAV	Net Asset Value (per Share)
NBFI	Non-Bank Financial Institution
NED	Non-Executive Director

List of Abbreviations

Abbreviation	Description
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Advances
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAT	Profit after Tax
PAYE	Pay As You Earn
PBT	Profit before Tax
PCAF	Partnership for Carbon Accounting Financials
PER	Price Earnings Ratio
PLC	Public Limited Company
ROA	Return on Assets
ROE	Return on Equity
RPTRC	Related Party Transactions Review Committee
RWA	Risk Weighted Assets
SBG	Sustainability Bond Guidelines (ICMA)
SBP	Social Bond Principles (ICMA)
SDF / the Company	Sarvodaya Development Finance PLC
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission of Sri Lanka
SEEDS	Sarvodaya Economic Enterprise Development Services (Guarantee) Limited
SLAR	Statutory Liquid Assets Ratio
SLFRS	Sri Lanka Financial Reporting Standards
SLFRS S1	Sri Lanka Sustainability Disclosure Standard: General Requirements for Disclosure of Sustainability-related Financial Information
SLFRS S2	Sri Lanka Sustainability Disclosure Standard: Climate-related Disclosures
SLIPS	Sri Lanka Interbank Payment System
SME	Small and Medium Enterprises
SPTF	Social Performance Task Force (Cerise+SPTF)
SSS	Sarvodaya Shramadana Sangamaya (the Sarvodaya Movement)
UOM	Unit of Measurement
USD	United States Dollar
VAR	Value at Risk
VAT	Value Added Tax
WHT	Withholding Tax

Theme Song of SDF

දැහැමෙන් උපයා කොටසක් යැපුමට
කොටස් දෙකක් ආයෝජන කෙරුමට
ඉතිරි කොටස රඳවා හදිසියකට
ධනය හසුරුවමු හොඳ දියුණුවකට

අත්දම් විදූ නැණ පාදා - ජන මුළු ගම රට සාදා - ජය ගෙන මග චින බාදා
ගම පිබිදේ - දැය පිබිදේ - දැය පිබිදේ - ගම පිබිදේ -
බහු දෑ ගැතිකං - නව අදිරජ මං - අහුරා පලවා වනසා //
සිරිලක පොදූ දන සනසා

මගේ සම්පත් - ගමේ සම්පත් - ගමේ සම්පත් - රටේ සම්පත් //
සදා යා දෙන ලෙස යොදා - සවි උදා බැංකුව සදා //
සවි උදා බැංකුව සදා

අපේ ඉතුරුව - අපේ යෙදවුම් - අපේ බැංකුව - අපේ නිපැයුම් //
ලොවම පරයන නිමැයුමින් - පුදමු ලක් මෑණිට සදා //
පුදමු ලක් මෑණිට සදා

අත් දම් විදූ නැණ පාදා - ජන මූළු ගම රට සාදා - ජය ගෙන මග චින බාදා
ගම පිබිදේ - දැය පිබිදේ - දැය පිබිදේ - ගම පිබිදේ
බහු දෑ ගැතිකං - නව අදිරජ මං - අහුරා පලවා වනසා //
සිරිලක පොදූ දන සනසා

දැහැමෙන් උපයා - කොටසක් යැපුමට
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ඉතිරි කොටස - රඳවා හදිසියකට
ධනය හසුරුවමු - හොඳ දියුණුවකට

පබැඳූම - **ආචාර්ය ඒ වී ආරියරත්න**
සංගීතය - **රෝහණ වීරසිංහ**
ගායනය - **අමරසිරි පීරිස්**

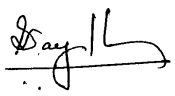
Notice of Meeting

Sarvodaya Development Finance PLC
Company No. PQ 00251293
No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka

NOTICE IS HEREBY GIVEN that the sixteenth (16th) Annual General Meeting of Sarvodaya Development Finance PLC will be held on **Tuesday, 30th June, 2026 at the Miyamoto Hall, Sarvodaya Development Finance PLC, No 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka at 11.00 a.m.** for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2026 and the Report of the Auditors thereon.
2. To re-elect Mr. W. T. Dhammika Ganegama who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. C. Amrit CanagaRetna who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
4. To re-elect Ms. R. Suranjani Wickremeratne who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
5. To elect as a Director, Mr. K. D. Nandika Buddhipala, who retires in terms of Article 92 of the Articles of Association of the Company.
6. To elect as a Director, Ms. Sashi Adele Schaffter, who retires in terms of Article 92 of the Articles of Association of the Company.
7. To elect as a Director, Mr. Saliya J. Ranasinghe, who retires in terms of Article 92 of the Articles of Association of the Company.
8. To re-appoint M/s Deloitte Associates, Chartered Accountants as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine donations for the year ending 31st March 2027 and up to the date of the next Annual General Meeting.

By Order of the Board



(Mrs) Shiromi Patabendige
Company Secretary

27 May 2026
Colombo

Note:
A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed form of Proxy should be deposited at the Registered Office of the Company, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

Form of Proxy

I/We* ..... of

..... being a shareholder / shareholders* of Sarvodaya Development Finance PLC

hereby appoint; ..... of

..... or failing him /her*

- Mr. G. Channa A. de Silva of Colombo 06, whom failing
- Mr. W. T. Dhammika Ganegama of Moratuwa, whom failing
- Mr. C. Amrit CanagaRetna of Madiwela, whom failing
- Mr. S. Nandhanan Senthilverl of Colombo 04, whom failing
- Ms. Shehara de Silva of Colombo 02, whom failing
- Ms. R. Suranjani Wickremeratne of Rajagiriya, whom failing
- Mr. K. D. Nandika Buddhipala of Battaramulla, whom failing
- Ms. Sashi Adele Schaffter of Nugegoda, whom failing
- Mr. Saliya J Ranasinghe of Battaramulla

all of whom are members of the Board of Directors of Sarvodaya Development Finance PLC;

as my/our* Proxy to represent me/us* to speak and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on Tuesday, 30th day of June 2026 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

(Please mark your preference with an "X")

		FOR	AGAINST
1)	To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Company for the year ended 31 March 2026		
2)	To re-elect Mr. W. T. Dhammika Ganegama who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company		
3)	To re-elect Mr. C. Amrit CanagaRetna who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company		
4)	To re-elect Ms. R. Suranjani Wickremeratne who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company		
5)	To elect as a Director, Mr. K. D. Nandika Buddhipala, who retires in terms of Article 92 of the Articles of Association of the Company.		
6)	To elect as a Director, Ms. Sashi Adele Schaffter, who retires in terms of Article 92 of the Articles of Association of the Company.		
7)	To elect as a Director, Mr. Saliya J. Ranasinghe, who retires in terms of Article 92 of the Articles of Association of the Company.		
8)	To re-appoint M/s Deloitte Associates, Chartered Accountants as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.		
9)	To authorize the Directors to determine donations for the year ending 31st March 2027 and up to the date of the next Annual General Meeting		

In witness my/our hands this ..... day of ..... Two Thousand and Twenty-Six.

.....
Signature

Notes:
1. A Proxy need not be a shareholder of the Company
2. Instructions as to completion appear below.
* Please delete what is inapplicable.

Form of Proxy

Instructions for Completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka 48 hours before the date of Annual General Meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. In the case of a Company/ Corporation, the Proxy must be executed in accordance with the Articles of Association/Statute.

Corporate Information

Name of the Company

Sarvodaya Development Finance PLC

Legal Form

- Public Quoted Company Incorporated in Sri Lanka under the Companies Act No. 7 of 2007.
- A Licensed Finance Company under the Finance Business Act No. 42 of 2011.
- A registered Financed Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.
- The Company was admitted to the official List of the Colombo Stock Exchange on 14 December 2021.

Principal Activities

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Savings, Providing Finance Lease, SME Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value-Added Services.

Company Registration Number

PB 3795 (Before Listing)
PQ 00251293

Central Bank Registration Number

047

Tax Payer Identity Number (TIN)

134037954

Registered Office & Head Office

No. 155/A,
Dr. Danister De Silva Mawatha,
Colombo 08,
Sri Lanka.
Telephone No.: +94 11 5 444 666
E-mail: info@sdf.lk
Website: www.sarvodayafinance.lk

Accounting Year-End

31st March

No of Branches

56

Countries of Operations

Sri Lanka

Credit Rating

Lanka Ratings (SL) BBB- Stable

Board of Directors

- Mr. G. Channa A.de Silva - Chairman/
- Non-Executive, Non-Independent Director
- Mr. W. T. Dhammika Ganegama - Senior Director/
- Non-Executive, Independent Director
- Mr. C Amrit CanagaRetna - Non-Executive, Independent Director
- Mr. Ramesh Schaffter-Non-Executive, Non-Independent Director
- Mr. Senthi Nandhanan Senthilverl - Non-Executive, Non-Independent Director
- Ms. Shehara De Silva -Non-Executive, Independent Director
- Ms. R. Suranjani Wickremeratne- Non-Executive, Independent Director
- Mr. K. D. Nandika Buddhipala- Non-Executive, Independent Director

Board Sub-Committees Operating

- Board Audit Committee
- Board Integrated Risk Management Committee
- Board Nomination & Governance Committee
- Board Human Resources & Remuneration Committee
- Related Party Transactions Review Committee
- Board Credit Committee
- Board Information Technology and Information Security Committee

Company Secretary

(Mrs) Shiromi Patabendige ACCS (SL)

External Auditors

M/s Deloitte Sri Lanka
Chartered Accountants,
100 Braybrook Place,
Colombo 02,
Sri Lanka.

Legal Advisers

- Nithya Partners
- D. L. & F. De Saram

Bankers

- Hatton National Bank PLC
- National Development Bank PLC
- People's Bank
- Bank of Ceylon
- Commercial Bank PLC
- Cargills Bank PLC
- Sampath Bank PLC
- Seylan Bank PLC
- Public Bank Berhad
- Pan Asia Banking Corporation PLC
- DFCC Bank PLC

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DEVELOPMENT FINANCE